

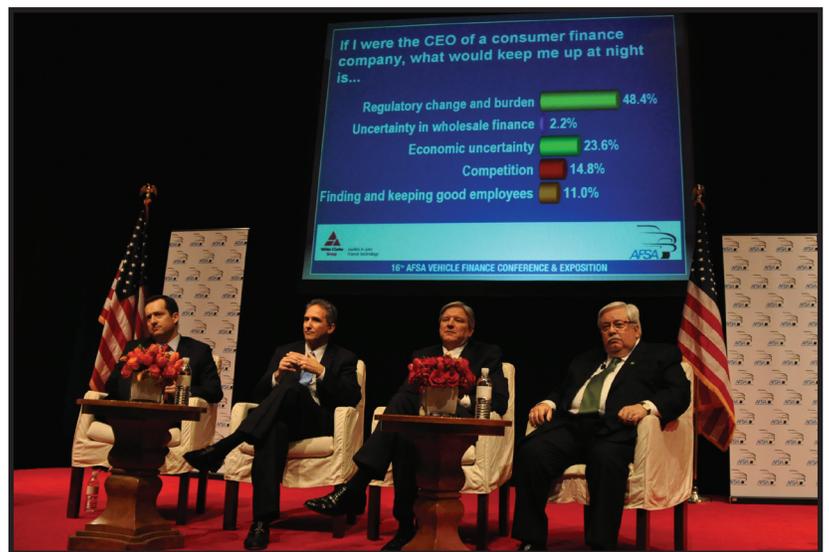
# Highlights from the AFSA Vehicle Finance Conference & Expo

March 2012

Las Vegas, Nevada

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L-R: **Andrew Stuart, Marc Sheinbaum, John Hyatt, and Tom Gilman** discuss and share perspectives during the CEO Panel on Friday, Feb. 3

## CEOs Share Perspectives on Driving Change

CEOs from four major vehicle finance companies discussed moving the industry forward by making smart decisions, maintaining the right approach to leasing, hiring and training the right people, and meeting the needs of younger consumers.

**More on page 4**



**Dr. Larry Sabato,** election analyst and professor, University of Virginia

## Prominent Pollster Makes Predictions

Sponsored by FIS, keynote speaker Dr. Larry Sabato, election analyst and professor, University of Virginia, picked Mitt Romney as the Republican presidential candidate, and in fact had picked him several months ago.

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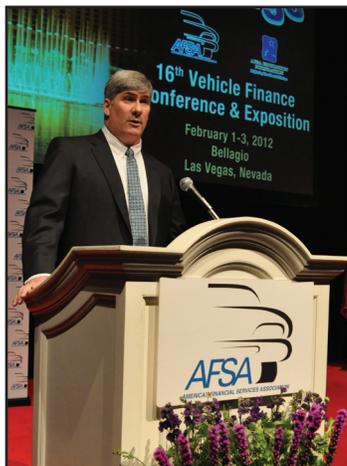


# HIGHLIGHTS FROM AFSA'S 16<sup>TH</sup> VEHICLE FINANCE CONFERENCE & EXPOSITION



## AFSA Leaders Present Industry Snapshot

### Challenges and Opportunities



**Frank Armstrong**, chairman, AFSA Vehicle Finance Division, and president, World Omni, presents Opening Remarks on Thursday, Feb. 2, 2012

AFSA Vehicle Finance Division chair Frank Armstrong kicked off the 2012 conference with a look at last year's biggest challenges and what lies ahead. President of World Omni Financial Corp., Armstrong chaired AFSA's Vehicle Finance Division for the past two years and currently serves as vice chairman and treasurer of the association's Board of Directors. He also serves on the AFSA Education Foundation Board of Directors.

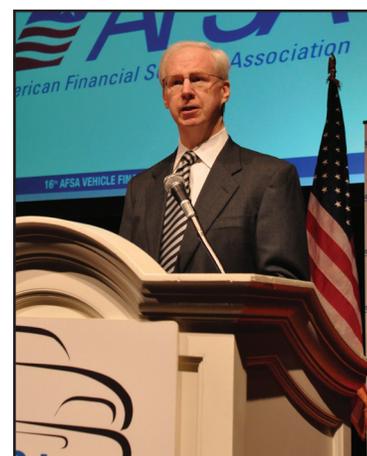
The greatest challenges for the automobile industry resulted from natural disasters in Japan and Thailand. However, auto sales for 2011 were ten percent higher than the previous year, Armstrong recapped. Regulatory oversight also has been increasing. In 2011, the Federal Trade Commission held a series of motor vehicle roundtables, that AFSA participated in. Shortly after being appointed CFPB director, Richard Cordray launched the non-bank supervision program. While the CFPB has been focused on other industry segments, vehicle finance is under review, Armstrong said.

"This scrutiny gives our industry an opportunity to showcase our best practices and our firm commitment to improving the car-buying experience for consumers," he said. Armstrong emphasized that the vehicle finance industry welcomes closer inspection, but is leery of additional regulations that could add millions of dollars in compliance costs without improving processes.

"As the industry continues to undergo changes, whether due to regulatory, market or economic reasons, one thing that doesn't change is the support we receive from AFSA," Armstrong said. He highlighted that the association provides its members with advance notice of emerging issues and areas of increased focus. "While AFSA explains and defends our industry, we can focus on running our businesses and ensuring our customers have access to affordable credit," Armstrong concluded.

### The Power of Working Together

AFSA chairman John Noone, Ford Motor Credit Company president, highlighted the positive momentum in the economy and the auto industry in particular during his industry update at the conference opening general session. Following two years of vehicle sales growth, analysts are predicting U.S. light vehicle sales will increase again, to more than 13.5 million. Noone pointed out that automobile loans performed well during and since the recession, compared to other types of consumer debt.



**John Noone**, AFSA chairman of the Board, and president, Ford Motor Credit, presents a state of the industry report

The financial services marketplace is working within a new and still evolving regulatory environment. Customers are changing too, and the automobile industry must find ways to make automobile retailing and financing relevant to Generation Y.

In light of these and other challenges, Noone emphasized the power of working collaboratively. AFSA, whose membership includes nearly every major player in the vehicle finance industry, helps address industry trends and the changing regulatory environment. "Through AFSA, we can continue to drive change and promote responsible, ethical lending to responsible, informed borrowers and protect consumers' access to credit," he said.



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## Working with Regulators



AFSA president & CEO **Chris Stinebert** discusses the audience response polling system that will be used during educational sessions

AFSA has been working hard to “put our best foot forward for the vehicle finance industry in Washington, especially with the CFPB,” said association president & CEO Chris Stinebert. Vehicle finance is the association’s fastest growing membership sector, and attendance at the vehicle finance conference has been sharply increasing. The record set last year was surpassed, with more than 550 people attending this year’s conference in Las Vegas. The exhibit hall was also sold out, with a waiting list.

Stinebert reported that the association’s interactions with the CFPB have been encouraging. The Bureau’s staff has expressed “an appetite for learning” and indicated that they want to base decisions on empirical data and research. This willingness to understand the industry provides an opportunity to work with federal agencies in a constructive way. “Whatever is best for consumers certainly is best for our industry,” Stinebert said.

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*AFSA has been working hard to put our best foot forward for the vehicle finance industry in Washington, especially with the CFPB, said Stinebert, explaining some of the growth in conference attendance.*

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## Prominent Pollster Makes Predictions

Sponsored by FIS, keynote speaker Dr. Larry Sabato, election analyst and professor, University of Virginia, picked Mitt Romney as the Republican presidential candidate, and in fact had picked him several months ago. Sabato stated that Romney is the only viable candidate in a weak field, but many of the other candidates will stay in the race until they run out of money. While forecasting that Romney will win the Republican nomination, Sabato warned that he won’t win all of the contests. “I don’t think Romney will be unopposed from here on out,” he said.

In selecting a running mate, Romney is likely to choose someone from a key state or representing a key demographic, Sabato said. “If he doesn’t pick some diversity for the ticket, he will make a terrible mistake.” Sabato emphasized the importance of the Hispanic vote. Possible candidates from the “incredibly long list” of potential running mates include Sen. Marco Rubio (R-FL), N.M. Governor Susana Martinez, Nev. Governor Brian Sandoval, Sen. Rob Portman (R-OH), and Va. Governor Bob McDonnell.



**Dr. Larry Sabato**, election analyst and professor, University of Virginia, provides his insights on the 2012 political landscape with his “crystal ball” predictions

While pointing out that Secretary of State Hillary Clinton has a much higher approval rating than President Barack Obama, Sabato stated that there’s no chance that she will be the president’s running mate. Due to the downsides of dropping a vice president, including prolonged media scrutiny, “Joe Biden will continue to be the VP candidate for better or worse.”



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## Prominent Pollster Makes Predictions (cont'd)

For the presidential campaign, Sabato warned of an impending “mudfest” between Obama and Romney, with negative ads intended to push voter turnout, which is a critical element. Due to the early date of the conference in regards to the election, Sabato did not predict who will be the next president. “I can’t be definitive on November in February.” He did state that the average presidential approval rating is a good indicator of a president’s chances of being re-elected. A rating above 50 percent means the incumbent will win, and a rating well below 50 means a loss, as long as the other party has an acceptable candidate and the race is strictly between two parties.



One of many packed sessions at the Vehicle Finance Conference

Sabato stated that the party that wins the presidency usually loses a lot of other positions – governorships, House seats, and Senate seats – as part of the “natural order” of things. Sabato predicted that Republicans will not gain House seats, but should retain the majority. But he stated that one party can run the House on a very small majority. The Senate on the other hand, is very close, according to Sabato. “We’re talking about a seat or two, one way or the other” he said. He indicated that the Senate may shift to a narrow Republican majority as Democrats are more vulnerable with more seats coming up for re-election and being elected on a wave six years ago.

*Sabato stated that Romney is the only viable candidate in a weak field, but many of the other candidates will stay in the race until they run out of money.*

## CEOs Share Perspectives on Marketplace Challenges

CEOs from four major vehicle finance companies discussed moving the industry forward by making smart decisions, maintaining the right approach to leasing, hiring and training the right people, and meeting the needs of younger consumers. Dennis McCuiston, host and executive producer of PBS’ McCuiston Program, moderated the panel discussion among Tom Gilman, president & CEO, TD Auto Finance, LLC; John Hyatt, president, Bank of America Dealer Financial Services; Marc Sheinbaum, president & CEO, Chase Auto Finance; and Andrew Stuart, president & CEO, VW Credit, Inc.

While acknowledging that regulatory changes are a concern, the panelists noted that the vehicle finance industry fared pretty well during the downturn. According to Gilman, the industry now has a tremendous opportunity. “Right now, we have more pent-up demand for vehicles than in any other previous downturn since World War II,” he said. “When that demand gets released, it’s going to be great for this business.”



L-R: Andrew Stuart, Marc Sheinbaum, John Hyatt, and Tom Gilman discuss and share perspectives during the CEO Panel on Friday, Feb. 3

The panelists agreed that the opportunity for growth and increased market share must be balanced with what is best for customers, transparency, and strong underwriting. While the market has more lending capacity and companies are looking for growth, “we need to be careful not to get ahead of ourselves,” Sheinbaum said.



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## **CEOs Share Perspectives on Marketplace Challenges (cont'd)**

Companies get into trouble when making deals just to get market share, Sheinbaum added. "What is the impact on the consumer? We are all responsible for putting people into cars that they can afford," he said. Gilman agreed that directing a person to the right vehicle is key.

Longer financing terms are driven by keeping a customer's monthly payment in a certain range. Like the dealers in the NADA leadership panel, the finance executives agreed that financing terms longer than 72 months are not a good idea. Leasing is an alternative product, but is not right for everyone. The panelists agreed that captives have a distinct advantage in leasing. "You need to know what you do well," Sheinbaum said.

One way to ensure solid customer service is to hire the right employees and train them properly. Finding and keeping good people to build for the future is one of Stuart's top concerns. He also emphasized the need to expose employees to many different areas of the business early in their careers to better prepare them for management positions. Gilman echoed the sentiment, stating the importance of succession plans and bringing in new, young people to learn the business.

Young people are also changing the car-buying process. Gilman cited that 60 percent of Generation Y does not want to enter a dealership, and 82 percent of Gen Yers do not want to deal with an F&I department. Hyatt said that the increasing number of customers doing research online and prearranging financing is a major challenge for indirect lenders. Highlighting the need to anticipate customers' future demands and how to meet them, Stuart said that his company recently rolled out online pre-approvals.

*Leadership from NADA discuss top issues for dealers in 2012. L-R: **Gary Reynolds**, Reynolds Garage & Marine, Inc., **Don Chalmers**, Don Chalmers Ford, **Dave Westcott**, Westcott Automotive, and NADA 2012 Chairman, **Bill Underriner**, Underriner Motors*

## **Dealers Share Top Concerns with Finance Sources**

Facility upgrades, fuel standards, the Consumer Financial Protection Bureau (CFPB) and lien release delays were the top concerns identified by panelists Bill Underriner, 2012 NADA chairman and president and co-owner of Underriner Motors; David Westcott, 2012 NADA vice chairman and president of Westcott Automotive; Don Chalmers, 2012 NADA government relations committee chairman and president of Don Chalmers Ford; and Gary Reynolds, 2012 NADA regulatory affairs committee chairman and president of Reynolds' Garage and Marine, Inc.

For the 11th consecutive year, National Automobile Dealers Association (NADA) leaders shared insights on the top issues affecting dealers with attendees of AFSA's Vehicle Finance Conference. The two groups have held their conferences in conjunction with one another for nine years.

Underriner explained that automobile dealers have become increasingly concerned about programs by a number of manufacturers relating to facility image upgrades. He explained that dealers often must borrow money to make these upgrades and have difficulty showing lenders how the upgrades will lead to increased sales.

Chalmers said that proposed fuel economy standards will increase the cost of new automobiles by approximately \$5,000 compared to the \$3,200 increase cited by the government.





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## **Dealers Share Top Concerns with Finance Sources (cont'd)**

When financing cars, a customer's income, creditworthiness, and ability to repay is what's evaluated, not the fuel standard, he said, making it less likely that consumers will be able to borrow the amounts needed to pay the additional up-front costs.

Although dealers were "carved out" from the CFPB's authority, they are indirectly affected by the CFPB as the Bureau's decisions impact their lenders, Reynolds said. "The CFPB will have a trickle-down effect," Westcott added.

The audience of lenders was surveyed on the average length of time it takes their financial institution to release a lien or title to the dealer on a trade in once the payoff amount has been received. Nearly 28 percent of the respondents answered that it takes 20-plus days. Chalmer said that the lag time somewhat slows commerce, as dealers cannot sell a vehicle without the lien release or title. Thus, they have unsellable vehicles on their lots until the paperwork has been filed.

Lastly, the NADA leaders discussed leasing, which has been increasing. Reynolds attributed the resurgence of leasing to the shortage of used cars and their enhanced residual value. The dealer benefit of leasing, according to Underriner, is that the customer must return and can be contacted several months prior to the end of the lease.

## **Washington Experts Share Insights from Inside the Beltway**

Before giving an update on the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the direction the CFPB is headed, AFSA executive vice president Bill Himpler polled the audience on their top concern about the Bureau. With 43 percent of the vote, the consensus was uncertainty. The second greatest concern, with 22.5 percent of the vote, was regulations based on anecdotes rather than facts and data.

Himpler noted that the CFPB staff is very professional and has been willing to meet with industry and have an open dialogue with the association. However, some of the Bureau's actions have left the industry with some anxiety and uncertainty. "Our members have been licensed and regulated at the state level, and being examined by federal regulators obviously creates a great deal of anxiety," he said. In addition to Himpler, Michael Benoit, partner, Hudson Cook, LLP, and Frank Salinger, principal, Frank Salinger Law Firm, provided insights for the "Washington Update" session sponsored by Wolters Kluwer Financial Services.

The panelists pointed to reports of CFPB examiners bringing a lawyer with them to examinations as increasing the anxiety level within the industry. Bringing a lawyer to an examination changes the tone, and makes the event feel more like a law enforcement action, said Benoit.

Salinger highlighted the CFPB's unusual behavior when discussing the recent payday lending hearing the Bureau held in Alabama. All federal and state agencies follow a standard practice for hearings, Salinger said, but the one in Alabama was "unlike any regulatory hearing ever seen." The hearing was not announced in the Federal Register and the agenda was posted only about 24 hours in advance.



An update on the implementation of the Dodd-Frank Act Bill and CFPB was presented by **Frank Salinger**, principal, Frank Salinger Law Firm, **Michael Benoit**, partner, Hudson Cook, LLP, and **Bill Himpler**, executive vice president, AFSA



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## **Washington Experts Share Insights from Inside the Beltway (cont'd)**

In the context of an election year, Himpler predicted seeing “everything military” leading up to the election. Already, the focus on lending to the military has heated up. Holly Petraeus was named to head the CFPB’s Office of Servicemember Affairs, and held a Financial Fitness Forum in December focusing on lending to the military. The Federal Trade Commission focused one of its three motor vehicle roundtables in 2011 on military lending. Likewise, there has been an increased focus on military protection in the states. The issue is thorny, Salinger stated, because no one wants to vote or appear to be anti-military.

With a final word of caution, the panelists encouraged diligence. Vehicle finance companies can identify potential areas of concern by conducting customer surveys, watching press clips for articles about consumer complaints, and conducting a compliance review.

## **U.S. Economy Showing Signs of Growth**



**Scott Anderson**, senior economist, Wells Fargo Securities presents the *Economic Outlook* on Thursday afternoon

A lot of things point toward a more stable and broad-based recovery, said Dr. Scott Anderson, director, senior economist, Wells Fargo Securities, LLC. Newfound optimism for 2012 stems from ending 2011 on a positive note—the U.S. stock market rose about 11 percent in the six weeks prior to the conference, and consumer and business confidence improved over the past several quarters. However, he cautioned that there was a lot of optimism at the beginning of 2011 as well. Consumer

spending has been showing signs of life, but it has been an unbalanced consumer recovery, driven by higher income households. Anderson also cautioned that any big drop in the stock market or shock to the financial system could lead to a big pullback in overall spending.

“The U.S. appears to be perking up a little, while the rest of the world appears to be skipping a step,” Anderson said. He cautioned that the slowdown in Europe, which is in a mild recession, could be spreading. Indeed, he cited what is going on in Europe as the number one concern for the U.S. economy.

Anderson saw reason for optimism in the auto sector, where there has been evidence that people are buying again. With the average age of vehicles on the road at 10.8 years, a pent-up demand exists to replace these vehicles. Auto is “the one sector of the economy that will continue to outperform even if the economy does not pick up steam,” he said. For 2012, Anderson predicted at least double-digit auto sales growth, which he does not see as being impacted by “lackluster job creation and credit being fairly tight.”

## **Myths of Military Lending Dispelled**

As lending to members of the military and their families continues to come under scrutiny, companies must take a close look at this population and how they differ from civilians. The panel “Myth vs. Reality: Financing Military Members and Veterans” discussed the qualities of service members and how financial services companies can best serve their needs. Moderated by Ann Bybee, vice president of session sponsor Toyota Financial Services, the panel featured Nate Herman, executive director, Office of Military & Veterans Affairs, JPMorgan Chase; Karen Ideno, chief marketing officer, Toyota Financial Services; Dave Ledwell, assistant vice president, Consumer Lending, Navy Federal Credit Union; and Kerry O’Connor, co-founder, Starting Point Foundation.



**L-R: Nate Herman, Karen Ideno, Dave Ledwell, and Kerry O’Connor** discuss providing auto financing to military members and veterans with moderator **Ann Bybee**



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## Myths of Military Lending Dispelled (cont'd)

Clearing up a common misconception about service members' level of education, O'Connor reported that 98 percent of men and women entering the military have at least a high school diploma or equivalent. In addition, Ledwell stated that "they live within their means better than other groups I've seen." The panelists agreed that service members are a tight-knit group who give weight to word of mouth, make decisions based on relationships, and are loyal.

Service members face a different set of challenges than civilian consumers. "They think differently and approach problem differently," O'Connor said. Many spend time overseas, where they must deal with different currencies and need to conduct business in different time zones. Ledwell emphasized the importance of asking service members what their needs are and being prepared to service loans 24-7.

A military veteran and Marine Reserves officer, Herman said that businesses need to understand service members and veterans to reach this consumer base. Ideno echoed that sentiment; "We need to know what is most meaningful to the military community." A good program is built with the unique needs of service members in mind, Ledwell added. Bybee aptly summed up the session by recommending that lenders take a long-term view and thoughtful approach when reaching out to service members as customers.

## Tailoring Vehicle Finance to Reach Generation Y

Building upon a session at last year's conference where Northwood University identified the characteristics of Generation Y and their car buying habits, the 2012 conference featured a session on innovative vehicle financing ideas and marketing strategies designed to reach this audience. Two teams of graduate students presented their recommendations for products that would be delivered through dealers and detailed why they would appeal to the 75 million Generation Y audience aged 18-31.

Two teams, one from Wake Forest University and the other from the University of Arizona provided an overview of Generation Y. The Wake Forest team recommended intertwining the car-buying and financing experiences.



**Mike Dunn**, VantageScore, Gen Y competition sponsor, and moderator **George Halloran** present Wake Forest students **Julie Almendrahl**, **Brandon Belk**, and **Mary Beth Watson** with the \$10,000 winning award

Specifically, they recommended three products that would entail a customer's ongoing relationship with their finance company: a flexible payment option that would allow a customer to adjust the amount of their payment each month by 20 percent; an option to skip up to three monthly payments over the loan term without penalty; and a low-mileage rewards program for leased automobiles. The University of Arizona team recommended a multi-channel approach that would put the customer in control of the car-buying experience. Specifically, the team recommended utilizing YouTube, interactive kiosks, pop-up shops and QR codes on rental car key chains to market to Generation Y car buyers. In addition, they recommended a credit builder savings plan, an integrated online application process, and a variable interest rate that decreases with on-time payments.



University of Arizona students **Charles Lawry**, **Victoria Ligon** and **Tony Stovall** accept second-place \$5,000 award from **Mike Dunn**, VantageScore



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## ***Tailoring Vehicle Finance to Reach Generation Y (cont'd)***

Audience members rated the two teams on their product appeal to Generation Y, dealers, and finance sources, as well as the potential of the marketing plan's success. The presentations from the University of Arizona and Wake Forest University were well-received by the audience. The Wake Forest team won by a tenth of a point, and both teams were rewarded for their efforts. Mike Dunn, vice president of strategic planning & communications for VantageScore, which sponsored the session, presented the Wake Forest team with \$10,000 and the University of Arizona team with \$5,000.

## ***Dealer Groups Aim to Improve the Customer Experience***

Executives from three of the top dealer groups in the country discussed strategies and best practices to improve the customer experience, which is an ongoing priority for dealers and vehicle finance companies. "The Customer Experience – Where is it Headed?" session sponsored by DealerTrack, Inc. and moderated by Michael McConnell, vice president, sales, marketing and corporate planning office, Nissan Motor Acceptance Corp., featured Rick Cowart, executive manager, Sewell Infiniti of Dallas; Scott Krenz, senior vice president & CFO, Asbury Automotive



**Vince Sheehy, Scott Krenz and Rick Cowart**, executives from three top dealer groups, discuss new approaches to build the customer experience

Group; and Vince Sheehy, president, Sheehy Automotive Stores. The panelists discussed e-contracting, ways to reduce the length of the sales transaction, hiring practices, and new technologies as specific ways to improve the customer experience.

Krenz detailed the "Asbury Preferred Selling Method," which focuses on customer service, eliminates negotiating and a commission-fee structure for sales staff, and introduces the finance and insurance process on a sales representative's iPad. Now in its 100th year, the Sewell group has a long history of building and improving the customer experience. Owner Carl Sewell is well known for his book "Customers for Life: How to Turn that Onetime Buyer into a Lifelong Customer," which many view as a reference on customer service. Sheehy observed that having a customer focus is paying off. "We're retaining double the number of customers than we did just 10 years ago."

## ***CIOs Address Getting More Value from IT***

"Everybody knows something about technology today," said Don Goin, chief information officer for Capital One Auto Finance. This "democratization" of information technology (IT) brings challenges and opportunities, according to the three speakers on the "Innovations in Technology" panel, sponsored by CEDAR Document Technologies.



**Rajeev Ravindran** discusses the importance of using information technology as a business strategy with fellow panelists **Don Goin** and **Kari Vanderveen**



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## *CIOs Address Getting More Value from IT (cont'd)*

Due to the widespread use of new technology in everyday life, consumers have become accustomed to intuitive interfaces and expect them. However, the corporate world is struggling to keep up with systems that have been in place for a while, said Kari Vanderveen, chief information officer for VW Credit, Inc.

While the demand for new technology is extremely high, the money, resources and skill set needed to deliver it are lacking, Vanderveen said. Audience members agreed that resources were the biggest constraint on their IT departments, with 68 percent of the poll vote. Executives must decide which investments will bring the greatest value, Vanderveen continued.

Internal corporate processes are more complicated and thus are not evolving as quickly as in the consumer space, Goin said. Rajeev Ravindran, group vice president of Information Technology Services at JM Family Enterprises, Inc., foresees rolling out new technologies in the future to be easier than in the last 10-15 years as Generation Y joins the workforce and assumes leadership positions.

When asked how IT departments can get involved in coming up with workable solutions early, the panelists agreed that good relationships are critical. According to Goin, a CEO needs to have a good understanding of IT and recognize its value. Vanderveen recommended being clear about goals and what success should look like.

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*While the demand for new technology is extremely high, the money, resources and skill set needed to deliver it are lacking*

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## *Understanding and Managing “Layered Risk”*

The auto market is rebounding and auto lenders are once again competing to finance consumers buying new and used vehicles. The session “Understanding and Managing ‘Layered Risk,’” which was sponsored by GE Capital Fleet Services, explored multiple factors that can be concurrently used in analyzing risk and how this can help auto finance sources minimize costs and maximize profits. Marguerite Watanabe, president, Connections Insights, moderated the session, while Melinda Zabritski, director, Automotive Credit, Experian Automotive, and Lou Loquasto, vice president, lender solutions, Black Book, provided insight and data on risk in today’s auto finance market.



**Melinda Zabritski**, director, Automotive Credit, Experian Automotive, discusses credit risk statistics

Most of the growth in originations volume in the last year has been among subprime retail installment loans, particularly those originated by banks. In the past 12 months, loan-to-value (LTV), loan size and terms have started to increase and rates have dropped, Zabritski stated. Captives, on the other hand, have been buying prime loans more actively. As credit has become available again and consumers are buying vehicles, auto financing sources have loosened some of their credit standards such as with monthly terms and LTV, Zabritski added. Though the market is once again very competitive, captives, bank and non-prime companies alike are looking to avoid making any inappropriate credit decisions.



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## *Understanding and Managing “Layered Risk” (cont’d)*

Loquasto outlined the many benefits to using collateral value intelligence when layering risk on the originations and remarketing sides of the business. Collateral risk scores can help auto financing sources win business by allowing them to offer longer terms on slower depreciation vehicles and help minimize risk by holding terms on vehicles with high collateral risk or that depreciate faster. Factoring in how new car retail values drop to wholesale values at auction over time in a loan decision may lead to pricing better for risk, Loquasto stated. And understanding collateral vehicle value volatility in the portfolio can also lead to better assessment of loss forecasts. He added that layering collateral risk with LTV and credit scores can help avoid negative selection by showing how well a risk-based pricing model is performing.

“A layered risk analysis approach gives you insight into so many parts of your business from origination side to the funding to the servicing side as well as remarketing,” concluded Watanabe.

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*Though the market is once again very competitive, captives, bank and non-prime companies alike are looking to avoid making any inappropriate credit decisions.*

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*...understanding collateral vehicle value volatility in the portfolio can also lead to better assessment of loss forecasts.*

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## *AFSA Conference Creates Win-Win for Exhibit Hall and Charity*



If you walked around the crowded exhibit hall in Las Vegas looking to rest your weary feet or find a place to sit and network, you may

have noticed the two furniture lounge areas sponsored by CounselorLibrary/Hudson Cook, LLP and FSSI. Instead of renting furniture like most conventions do for the exhibit hall, AFSA continued its four-year tradition of buying new living room furniture and donating it to a needy family or local charity. Buying the new furniture is often considerably less expensive than renting it, and also allows the association and its members to help those in need.

AFSA donated two new living room sets to currently enlisted members of the military based in Las Vegas with the help of Operation Homefront. The two groups will also be working together in San Diego for the 29th Independents Conference and Exhibition. If you are interested in learning more about Operation Homefront, visit [www.operationhomefront.net](http://www.operationhomefront.net).



*Conference attendees meeting informally in the FSSI sponsored lounge area*



## HIGHLIGHTS FROM AFSA'S 16<sup>TH</sup> VEHICLE FINANCE CONFERENCE & EXPOSITION



### **Interactive Polling Enhanced Audience Participation at Vehicle Finance Conference**

To increase audience participation at the conference, AFSA utilized a polling response system during every session. The moderators read the questions, which also were displayed on-screen, and the audience could select from several choices. The answers were then tallied and displayed on the screen in a graph.

The poll questions helped engage the audience and set the tone for the speakers. For example, in the NADA leadership session, the audience – which was made up primarily of lenders – indicated what they thought was the primary challenge facing dealers. The poll gave the panelists an idea of the audience's mindset and provided a starting point for the conversation.

Sponsored by White Clarke Group, the polling was conducted by Padgett Communications.



**Chris Stinebert** introduces the audience polling system at the opening general session

## WHAT TOP EXECUTIVES ARE SAYING ABOUT THE CONFERENCE

*"The AFSA conference provides attendees an opportunity to hear what the latest thinking is by industry execs and what new technologies and tools are available in the financial services marketplace. The conference is the right size, so you can have a chance to network and meet all the players in the industry. I think it's a great resource and benefit for AFSA vehicle finance members."*

– **Ann Bybee**, Vice President, Corporate Strategy, Communications & CSR, Toyota Financial Services

*"The AFSA conference offers a unique opportunity to meet with fellow auto finance executives and discuss the challenges we face in managing and growing our businesses. As a member of the AFSA Vehicle Finance Advisory Board, I have the opportunity to help direct the auto finance industry's initiatives."*

– **Mark Floyd**, CEO and Vice Chairman, Exeter Finance Corp.

*"I truly enjoyed the AFSA Vehicle Finance Conference. It provides an outstanding opportunity to network with other leaders within this dynamic industry. Additionally, the topics of discussion were timely and provided great insight into areas of concern for the industry. This is clearly a conference that would provide value to anyone associated with financial services within the automotive industry."*

– **Mark Kaczynski**, President & CEO, Nissan Motor Acceptance Corp.

*"AFSA plays a valuable role in raising issues of importance to the industry. We find the annual Vehicle Finance Conference to be a great venue for productive dialogue and information sharing."*

– **Tim Russi**, Executive Vice President, Ally Financial

*"This is a dynamic time in our industry. I am grateful we have an advocate in AFSA that helps keep their members informed and provides education and counsel about the important issues shaping our business."*

– **Tom Wolfe**, Head of Consumer Credit Solutions, Wells Fargo



# HIGHLIGHTS FROM AFSA'S 16<sup>TH</sup> VEHICLE FINANCE CONFERENCE & EXPOSITION



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*Incoming AFSA Vehicle Finance Board Chairman **Andrew Stuart**, president & CEO, VW Credit, presents **Frank Armstrong**, president, World Omni Financial Corp., with a crystal award in appreciation for his leadership as Chairman of the AFSA Vehicle Finance Division from February 2010 - February 2012*



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# 17<sup>TH</sup> AFSA VEHICLE FINANCE CONFERENCE & EXPOSITION



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### About the AFSA Vehicle Finance Division and Conference

The division was created for AFSA members having a significant interest in the financing and leasing of new and pre-owned vehicles to consumers. Members include captive vehicle finance companies; diversified financial services companies providing financing and leasing to all makes and models; finance companies specialized in prime, near prime, and subprime auto finance; and suppliers to the industry. As an umbrella group within AFSA, the Vehicle Finance Division provides a forum for analysis, regulatory and legislative issues, education and the exchange of ideas relevant to the vehicle finance industry.

The American Financial Services Association (AFSA) Vehicle Finance Conference is the annual conference for members of the AFSA Vehicle Finance Division and the general auto financing industry. This conference is held in conjunction with National Automobile Dealers Association (NADA) Convention & Exposition. The Conference sets the tone and direction for the auto finance industry for the upcoming year through a sharing of key industry trends, identification of industry best practices, thought-provoking discussions on important issues with the top industry leaders as well as the NADA leadership and the setting of the direction of AFSA's legislative strategy for the upcoming year.