

## PRESIDENT'S MESSAGE



2013 was a year of tremendous highs. Membership, meeting attendance, federal and state advocacy, compliance programs, and member communication – each hit new records in numbers, excellence and achievement. And yet, challenges still abound and danger lurks around every corner.

In this Annual Report, you'll read about each of these areas of achievement. But in each report, you also will notice that our work is not done. The issue at hand is not completely resolved. The fight continues.

The battle in Washington reached its zenith in 2013 with the government shutdown. Congress became non-functional, having a difficult time agreeing on the time of day much less legislation. The president decided to run the country through Executive Order and the federal agencies followed Obama's lead by bypassing regular order of public notice and comment in favor of regulating through enforcement and consent decrees. This is the world we live in today.

Luckily, AFSA is working diligently for the industry to protect access to credit and consumer choice. As your voice in Washington, AFSA staff regularly meet with policymakers, journalists, and academics to emphasize the industry's perspective. We strive to meet our members' needs and enhance the value of membership.

Disparate impact has been a key focus for the CFPB in 2013. The Bureau is applying this legal theory in mortgage and auto lending, but has not been forthcoming with its findings or methodology despite numerous requests from industry and Congress. Seeking to balance the conversation, AFSA commissioned a study on indirect lending that will examine the costs and benefits of alternative compensation models for vehicle dealers. The study is slated to be completed by late spring.

Because of increased regulatory scrutiny, compliance is a chief concern for our member companies. Following in the footsteps of the new Operations & Regulatory Compliance Committee, AFSA launched a web-based compliance training program for members. AFSA University offers more than 260 courses on key federal financial services laws and regulations.

I encourage you to review this Annual Report to learn about AFSA's major achievements and view the 2013 financial summary. Please feel free to contact me or any member of the AFSA team with questions.

Chris Stinebert  
AFSA President & CEO

## CHAIRMAN'S MESSAGE



By all accounts, 2013 was a banner year for AFSA members. Vehicle sales and installment lending were the highest in years, while delinquencies remain low. Foreclosures are down and the mortgage market is showing signs of stabilization. Unemployment is slowly

going down. Signs are encouraging for continued growth throughout 2014. As we take advantage of the opportunities presented by increasing consumer spending and confidence, we must be prudent and avoid shortcuts to ensure sustained growth.

AFSA's work in Washington is more important than ever. Throughout the years, AFSA has been a continuous resource for its members – providing assistance both when times are tough and when times are thriving. In today's environment of increased regulatory scrutiny, AFSA has stepped up its efforts, developing tools and resources for members and facilitating meetings with policymakers. The association always has an action plan and is ready to spring into action.

Compliance management is a new focus for many companies with the proliferation of new regulations throughout the financial services sector. AFSA tracks relevant regulations and legislation, both at the federal and state levels, and produces a wealth of resources to help members stay up to date on the latest developments. The 2013 Annual Report details many new resources, including white papers and educational brochures, as well as long-standing ones.

AFSA communicates association and industry news to members in a variety of ways. Stay up to date by reading AFSA Newsbriefs – a weekly snapshot of industry news delivered to your inbox every Thursday – getting involved with a committee, attending conferences, participating in webinars, visiting the AFSA website, and following the association on Twitter ([www.Twitter.com/AFSA\\_DC](http://www.Twitter.com/AFSA_DC)).

In spite of the challenges we face, I believe 2014 will be a great year for AFSA's members. I am confident that AFSA will continue to play an important role in maintaining the kind of environment that leads to long-term success.

Gary Phillips  
AFSA Chairman

## FEDERAL GOVERNMENT AFFAIRS

AFSA's Federal Government Affairs department advocates before Congress and federal regulators to ensure that the consumer credit industry is effectively represented in Washington, D.C., and to maintain a dialogue with key policymakers on behalf of AFSA member companies.

### Vehicle Finance

In March 2013, the Consumer Financial Protection Bureau (CFPB) issued a bulletin on "Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act," outlining the agency's concerns about the dealer participation model's risk of disparate impact on protected classes of consumers. Despite repeated requests from industry and Members of Congress from both parties, the bureau has offered little practical guidance on how companies should track and address the alleged pricing disparities.

AFSA staff met with Patrice Ficklin, CFPB Assistant Director, Office of Fair Lending and Equal Opportunity, regarding the Bureau's principles for evaluating alternative structures of compensating dealers for arranging vehicle financing. Subsequently, AFSA Executive Vice President Bill Himpler was invited to participate in the CFPB's Auto Finance Forum, where he outlined the success of the indirect lending model and emphasized that the current method of compensating dealers encourages competition in the marketplace, keeping the cost of credit lower for consumers.

In response to continued pressure from the CFPB, AFSA commissioned a comprehensive study to assess the present vehicle finance model and evaluate the costs and benefits of alternative approaches. The study is expected to be completed in late spring 2014.

### CFPB

On July 16, Richard Cordray was confirmed by a 66-34 vote in the U.S. Senate to continue to lead the CFPB as director for a full five-year term. AFSA has had several productive meetings with Director Cordray and his staff.

AFSA is leading an industry coalition advocating for parity in the treatment of depository and nondepository institutions by extending protection of privileged information that is disclosed



*Bill Himpler speaking at the CFPB Auto Finance Forum*

or transferred to state regulators of consumer finance companies.

AFSA continues to push for structural reform of the CFPB, including governance by a bipartisan, multi-member commission that would include an individual possessing state-level experience overseeing consumer credit. AFSA also supports placing the CFPB under the Congressional appropriations process to improve budgetary transparency and accountability.

At the CFPB's field hearing on arbitration, a representative

of AFSA's Law Committee discussed the mutual benefits to consumers and lenders of settling disputes without litigation, and ways that the CFPB could improve its study of pre-dispute arbitration contract provisions.

### Serving the Military

AFSA leverages its contacts at the Department of Defense (DoD) and throughout the military command structure to emphasize the importance of maintaining access to responsible consumer credit for service members and their families. AFSA highlighted the positive features of installment loans and the effectiveness of the Military Lending Act in written testimony for a Senate Commerce Committee hearing on "Soldiers as Consumers." 2012-2013 AFSA Chairman Tim Stanley met with U.S. Senator Jack Reed (D-RI), a senior member of the Senate Armed Services Committee, to discuss the National Defense Authorization Act and reforms to military lending rules.

AFSA submitted a comment letter in response to the DoD's advanced notice of proposed rulemaking – which solicited information from stakeholders about the need to revise its 2007 rule, with emphasis on the scope of consumer credit products subject to an APR cap of 36 percent. AFSA voiced support for the current regulations and cited testimony by DoD officials indicating that the current regulations are extremely effective. AFSA also pointed out that the DoD does not have any data demonstrating the need to re-open these regulations. AFSA emphasized "that the current regulations provide the right balance between limiting bad forms of credit while ensuring that servicemen and women have the same access to good credit that is enjoyed in the commercial marketplace by the citizens they defend."

## COMMUNICATIONS

Members are kept up-to-date on association activities through several channels, including the AFSA website, email, AFSA Newsbriefs, and Twitter.

### Media Relations

AFSA averaged more than seven media mentions per month in trade publications and mainstream news outlets. AFSA coordinated closely with journalists, arranged interviews with industry executives and AFSA leadership, and provided background materials and photos. AFSA was mentioned in several publications, including *American Banker*, *The Wall Street Journal*, *Politico*, *Bloomberg*, *The Washington Post*, *Automotive News*, *SubPrime Auto Finance News* and *Compliance Week*.



**AFSA's Bill Himpler giving a radio interview**

### Media Communications

Email updates were sent to the membership on industry developments, averaging four per month, with the majority of the messages focusing on regulations and compliance. AFSA Newsbriefs, the association's electronic newsletter, has more than 2,800 subscribers, and has generated several articles in trade publications.

AFSA's website ([www.afsaonline.org](http://www.afsaonline.org)) had more than 186,000 page views, with close to 64,000 visits to the website. The top three resources accessed were AFSA\*Track, the Buyer's Guide and the meetings calendar.

A confidential membership satisfaction survey was sent to 657 active member company representatives who serve on an AFSA board or committee. The survey received a 12.6% response rate, with most categories receiving higher ratings than on the 2011 survey. Member communications, federal government affairs, advocacy, state government affairs, and legal affairs were rated as the most important areas as well as those with the highest levels of satisfaction. Compared to the 2011 survey, the association drastically improved in nearly every area, with state government affairs showing the greatest increase in both importance and satisfaction.

The association's Twitter account ([www.twitter.com/AFSA\\_DC](http://www.twitter.com/AFSA_DC)) has close to 400 followers, including a number of journalists, and continues to be a source of reliable information on association and industry news. AFSA follows a number of journalists, news outlets, federal regulators, and member companies and executives on the site. Daily, AFSA staff monitor and tweet AFSA and industry news, including new regulations, Congressional hearings, legislative developments, and studies. AFSA's meeting hashtag ([#AFSAmtgs](https://twitter.com/AFSAmtgs)) was introduced at the Annual Meeting and continues to prompt conversation within the industry on key topics.

### Consumer Education

AFSA is a member of the Advisory Committee for the Consumer Federation of America's financial services conference. At the meeting, which is held every year in Washington, AFSA President & CEO Chris Stinebert served on a panel addressing *Affordable Small-Dollar Loans for Lower-Income Households*.

The communications department develops and promotes materials for the AFSA Education Foundation, including *Understanding Vehicle Financing* and the Personal Loans 101 brochures. (See page 11 for more information.)



AFSA provides public relations and management support for AWARE (Americans Well-Informed on Automobile Retailing Economics), including coordinating and leading monthly operations committee calls. The AWARE Board of Directors approved creating a series of educational videos for service members. Filming began in late September. The videos are scheduled to premiere in mid-2014.

In early 2013, information on AWARE's *Auto Financing Road Map* was sent to all teachers that have registered with the AFSAEF's personal finance course MoneySKILL. AWARE distributed news releases on vehicle finance myths, educating teens, and service members' car buying considerations. The service member news release received more than 300 postings through distribution on PR Newswire. A blog post on *Automotive News* in March highlighted AWARE and the value of consumer education. [www.autofinancing101.org](http://www.autofinancing101.org)

## MEETINGS AND CONFERENCES

AFSA's meetings and conferences drew record crowds with informative sessions on timely subjects and high caliber speakers.

### Vehicle Finance Conference & Exposition



**Keynote Ed Gillespie**



**Keynote Terry McAuliffe**

AFSA's 17th Vehicle Finance Conference in Orlando, chaired by Andrew Stuart, President & CEO, VW Credit, received widespread media attention, with more than 500 attendees – 100 of which were first-timers. Keynoters Ed Gillespie, former Republican strategist, and Terry McAuliffe, who was recently elected governor of Virginia, reviewed the presidential election and provided their unique perspectives on politics.

During the CEO panel, Mark Kaczynski, President & CEO, Nissan Motor Acceptance Corporation; Dawn Martin Harp, President, Wells Fargo Dealer Services; Bernard Silverstone, Chairman & Chief Executive Officer, Ford Motor Credit Company; and Nick Stanutz, Auto Finance Group Executive, Huntington National Bank, provided their views on the impact of the regulatory environment and current challenges and opportunities. A live focus group of recent car buyers provided insight into the experiences and motivations of a cross-section of consumers. The exhibit hall was sold out and sponsorships increased from the previous year.



**L-R: Mark Kaczynski, Dawn Martin Harp, Bernard Silverstone, Nick Stanutz**

### Independents Conference & Exposition

The 2013 Independents Conference, held at the Bellagio in Las Vegas, was one of the best attended in years. Chaired by Ginger Herring, President of 1st Franklin Financial Corporation, the conference featured CFPB Director Richard Cordray, who stated that the Bureau is focused on deceptive marketing practices, debt traps, "dead ends" – where consumers have no choice over business relationships – and discrimination. Fox News talk show host and former Arkansas Governor Mike Huckabee discussed the political landscape during the keynote address. The youngest Medal of Honor recipient Dakota Meyer gave an inspirational speech. Other sessions delved into relevant business topics such as risk management, ancillary products, and third-party service providers. Exhibit and sponsorship revenue both increased.



**Medal of Honor recipient Dakota Meyer**



**AFSA 2012-2013 Chairman Tim Stanley interviews CFPB Director Richard Cordray**

## MEETINGS AND CONFERENCES

### Credit Summit for Fixed Income Investors

The 23rd Credit Summit for Fixed Income Investors was chaired by Steve Howard, National Manager, Capital Markets, Toyota Financial Services. The conference saw an expanded investor/analyst base and has regained its stature as an important event for the finance industry. The conference was keynoted by Economist Joseph LaVorgna of Deutsche Bank Securities. The program featured more educational panels, including ones on the auto landscape outlook and the growing influence of diversity bonds in the markets.



**Keynote Joseph LaVorgna**

### State Government Affairs & Legal Issues Forum



**CFPB Deputy Associate Director, Division of Supervision, Enforcement & Fair Lending David Bleicken speaking on panel about states and the CFPB**

Attendance and sponsorships for the 2013 State Government Affairs & Legal Issues Forum both increased from the previous year. The forum continues to be held in conjunction with the National Association of Consumer Credit Administrators' Annual Meeting. A common thread at the conference was how the industry is constantly exposed to new rules and laws – both at the state and federal level – that affect business operations. Sessions addressed regulating small-dollar credit, states and the CFPB, debt collection, and payment system innovations.

### Annual Meeting

The 2013 Annual Meeting in Washington, D.C., focused on regulatory and political issues. Attendance at this meeting increased over the past several years. Chris Wallace, Anchor of Fox News Sunday, provided an insightful and humorous keynote address.



**Fox News Sunday anchor Chris Wallace delivering keynote**



**Congressman Jeb Hensarling speaking at AFSA Town Hall**

U.S. Chamber of Commerce Chief Economist Dr. Martin Regalia provided an upbeat view of the economy. SCOTUSBlog publisher Tom Goldstein discussed relevant cases pending before the U.S. Supreme Court. Congressman Mick Mulvaney (R-SC) and CFPB Associate Director for Research, Markets, and Regulation David Silberman shared their perspectives on the financial services industry. Immediately following the conference, AFSA coordinated Capitol Hill visits, which included a Town Hall Meeting with key congressional leaders, including Rep. Jeb Hensarling (R-TX), the Chair of the House Financial Services Committee.

## AFSA EDUCATION FOUNDATION

MoneySKILL®

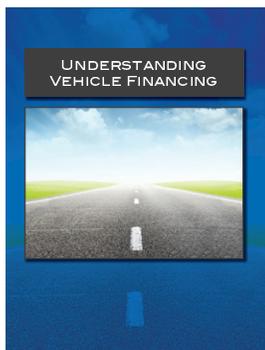


The free Internet-based personal finance course MoneySKILL increases its reach each year, with more than 3,000 teachers from all 50 states and several foreign countries enrolling more than 78,000 students in the junior high, high school, and college courses in 2013. Since its inception, more than 416,000 students have completed the course. MoneySKILL's curriculum and technology are updated each year. More than 1,500 teachers participated in 25 interactive MoneySKILL workshops across the country in 2013. AFSAEF focused on reaching teachers in states with personal finance requirements.

Professors from Illinois State University and the University of Memphis conducted a research study on elementary and middle level teacher candidates' use of the MoneySKILL middle school program. The study found that exposure to the MoneySKILL middle school program increased teacher candidates' knowledge of personal finance. Candidates from the Midwestern institution who participated in the program produced higher scores on the assessments and increased their scores between assessments more than candidates from the southern urban institution. Females scored higher on the pre- and post-assessments than did males. A paper was presented at the summer meeting of the Association of Teacher Educators.



### Financial Literacy Outreach



AFSAEF and the National Automobile Dealers Association, in cooperation with the Federal Trade Commission, updated the *Understanding Vehicle Financing* brochure to reflect relevant vehicle finance laws, terms and statistics. Originally produced in 2003, the brochure takes consumers through the vehicle financing process and highlights

the importance of budgeting, checking one's credit report, and shopping around.

AFSAEF produced several brochures in the Personal Loans 101 series, including *Understanding Small Dollar Loans* and *Understanding Annual Percentage Rate*. The goal of Personal Loans 101 is to improve consumers' understanding of installment loans and provide unbiased information to help borrowers make informed decisions about their loans.

The foundation distributed educational materials to Congressional staffers at the Jump\$tart Coalition's Financial Literacy Day on Capitol Hill.

### Professional Development for AFSA Members

The **AFSA Leadership Development Program** was held mid-July at the University of North Carolina Chapel Hill with 32 participants from 11 AFSA member companies. With challenging case studies and lively discussions, role-playing and team-building exercises, the participants had the opportunity to hone their leadership, strategic thinking and performance skills and think outside the box. The participants elected Willie Green, World Acceptance Corporation, as class president. An alumni association was formed for graduates of the program, beginning with the 2013 class. Class president Willie Green led the first alumni association webinar on corporate culture.



*"The AFSA Leadership Development Program is a nationally recognized short course in business and finance that I recommend for every employee of all the member companies of AFSA. The program*

*covers many aspects of consumer finance, including lectures and role-playing classes that focus on exciting and vital topics that are essential components of our consumer finance industry. Through this combination of lectures and role-playing, participants develop and refine their understanding of processes and policies necessary to uphold the industry's integrity and to ensure the industry's ability to continue to offer access to safe and affordable credit for hard-working consumers."*

— Willie Green

## DIVISIONS AND SECTION

### Vehicle Finance Division

The AFSA Vehicle Finance Division, with 86 Active Member companies and more than 800 individual representatives, continues to grow in numbers and prominence in the marketplace. In 2013, the division was chaired by Andrew Stuart, President & CEO, VW Credit, Inc.

AFSA closely tracked the CFPB's use of disparate impact theory in indirect vehicle financing, and AFSA Executive Vice President Bill Himpler spoke at the Bureau's Auto Finance Forum in the fall (*see page 3*). At the recommendation of the AFSA Vehicle Finance Board in response to the CFPB's continued scrutiny of dealer participation, AFSA commissioned a study to examine the indirect vehicle finance model and evaluate the impact of alternatives on consumers, dealers and lenders. A task force of vehicle finance members vetted the study proposal and are providing input. The study is expected to be completed in late spring 2014.



**2013 Vehicle Finance Division Chair Andrew Stuart**

AFSA submitted a comment letter to several federal agencies regarding the qualified auto loan portion of their jointly proposed credit risk retention rule. State Government Affairs submitted several comment letters on topics ranging from lien release without the involvement of the lienholder in New York to opposing restrictions on automatic license plate recognition systems in Massachusetts. SGA worked with Georgia lawmakers to correct a tax disparity between leased and purchased motor vehicles.

For the fourth consecutive year, CEOs and other top executives from virtually every major auto finance company and bank in the nation engaged in indirect auto financing came together in June with franchised automobile dealers at the AFSA and the National Automobile Dealers Association (NADA) Executive Forum. Co-chaired by Andrew Stuart and NADA chairman David Westcott, the meeting's primary focus was the challenging legislative and regulatory environment for finance sources and dealers.

Now in its third year, the Independent Auto Finance Executives Group has almost doubled in size with 30 top executives and focuses on best practices, compliance, operational efficiencies and using new technology. The group meets three times a year.



**Chris Stinebert addressing NIADA**

AFSA developed an alliance with the National Independent Automobile Dealers Association (NIADA), allowing the two groups to exchange information. NIADA Vice President of Member Services Scott Lilja shared the association's priorities with the Independent Auto Finance Executives Group during its meeting at AFSA's Vehicle Finance Conference. AFSA President & CEO Chris Stinebert addressed the NIADA Executive Committee at their Annual Convention in Las Vegas and participated in a session on "How the Current Economic Environment Is Changing Prime & Subprime Automotive Finance" during the group's National Leadership Conference in Washington, D.C.

### Independents Section

Chaired in 2013 by Ginger Herring, President, 1st Franklin Financial Corporation, the Independents Section Board directed AFSA on legislative and regulatory priorities for independent operators and led fundraising efforts for the AFSAPAC. At the annual Independents Conference & Exposition, AFSA recognizes new members and attracts prospective members at a private VIP Reception.

AFSA's State Government Affairs department submitted several comment letters in 2013 on behalf of the Independent members, including one concerning proposed N.Y. debt collection regulations and another opposing proposed amendments to the Texas Consumer Bill of Rights for Credit Life, Credit Disability and Involuntary Unemployment Insurance. AFSA also provided testimony to the Senate Committee on Commerce, Science and Transportation relating to soldiers as consumers.

## DIVISIONS AND SECTION



**Ginger Herring speaking at the 2013 AFSA Independents Conference & Expo**

The AFSA Education Foundation developed a series of educational brochures designed to improve consumers' understanding of installment loans and provide unbiased information to help borrowers make informed decisions about their loans. A task force of independent section members provided input on the latest brochures in the Personal Loans 101 series covering small-dollar loans and Annual Percentage Rate.

Since the Independents Section launched the online Branch Operations Basics (BOB) training modules in 2011, more than 400 employees from AFSA member companies have successfully completed the five-module program. [www.afsatraining.com](http://www.afsatraining.com)

### Card Division

AFSA represents its card members' positions through submitting comment letters and publishing white papers and other educational materials. AFSA's State Government Affairs Card Subcommittee monitored legislation in all 50 states, providing weekly and monthly reports. The SGA department also published a white paper on credit card surcharging, which was a very hot issue in 2013 and will remain so in 2014. The department also developed a new prohibition of credit surcharges 50-state survey. The AFSA Education Foundation continues to produce and distribute consumer education materials for card users. Credit card issuers from several member companies conducted presentations and met one-one-one with fixed income investors at AFSA's Credit Summit for Fixed Income Investors.

AFSA submitted a comment letter to the CFPB on the impact of the CARD Act, stating that the substantive terms and conditions of credit card agreements have changed following the act, and that these changes have had impacts on consumers that are not always positive. AFSA also submitted comment letters to the CFPB on financial products marketed to college students and on a proposed rule to amend credit card ability-to-pay requirements for stay-at-home spouses.

### Mortgage Division

As directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB developed prototypes for streamlined federal mortgage disclosure forms. AFSA actively participated in the process of developing the forms and submitted multiple comment letters. AFSA also sent a comment letter to the Federal Housing Finance Agency on lender-placed insurance. Jointly with seven other financial services trade associations, AFSA sent a letter to the CFPB and Department of Housing and Urban Development requesting written guidance, including a safe harbor from liability, in areas where multiple federal mortgage standards conflict. The letter highlighted several rules implementing the Dodd-Frank Act that will tighten credit standards through facially neutral requirements that may lead to disparate outcomes for some categories of borrowers.

AFSA filed a joint amicus brief with several other trade associations before the U.S. Supreme Court in the *Township of Mount Holly v. Mt. Holly Gardens Citizens in Action, Inc.* case. The court was scheduled to consider, for the first time, whether the Fair Housing Act recognizes a disparate impact theory of liability, but the case was settled before arguments were heard.

AFSA's State Government Affairs committee produced new talking points and an issue brief on judicial versus non-judicial foreclosure, as well as white papers on creditor-placed insurance and foreign language requirements. The SGA department also keeps an extensive vacant property municipal ordinance 50-state survey. AFSA submitted testimony opposing a fundamental change to the California Homeowner's Bill of Rights that adversely affected financial institutions.

The division is chaired by Elvis Goddard, Executive Vice President, Managing Director, OneMain Financial.