

BHPH EXPERT PANEL


RECOVERY OUTLOOK
COMPLIANCE & RISK MITIGATION



MEET the PANEL




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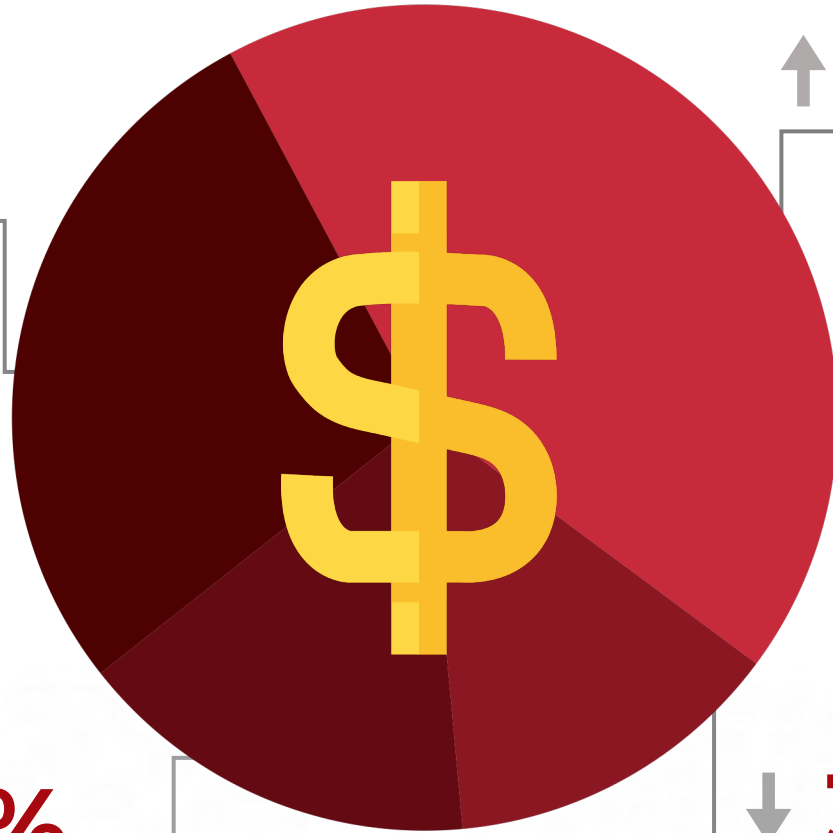




MARKET 2022 UPDATE



TOO MANY DOLLARS CHASING TOO FEW GOODS.



National Average Prices

Gasoline _____

↑ **\$4.225**

Diesel _____

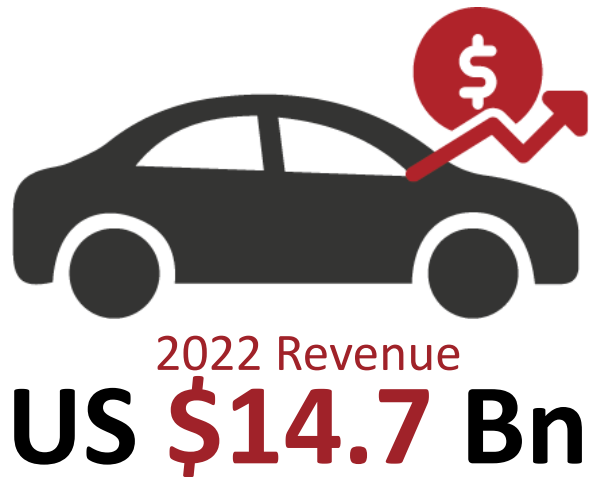
↑ **\$5.117**

AAA

March 31, 2022

INDUSTRY AT A GLANCE

2022 SubPrime Auto Loan Revenue



Overall, industry revenue is forecast to rise at an annualized rate of 3.8% to \$17.4 billion over the five years to 2026

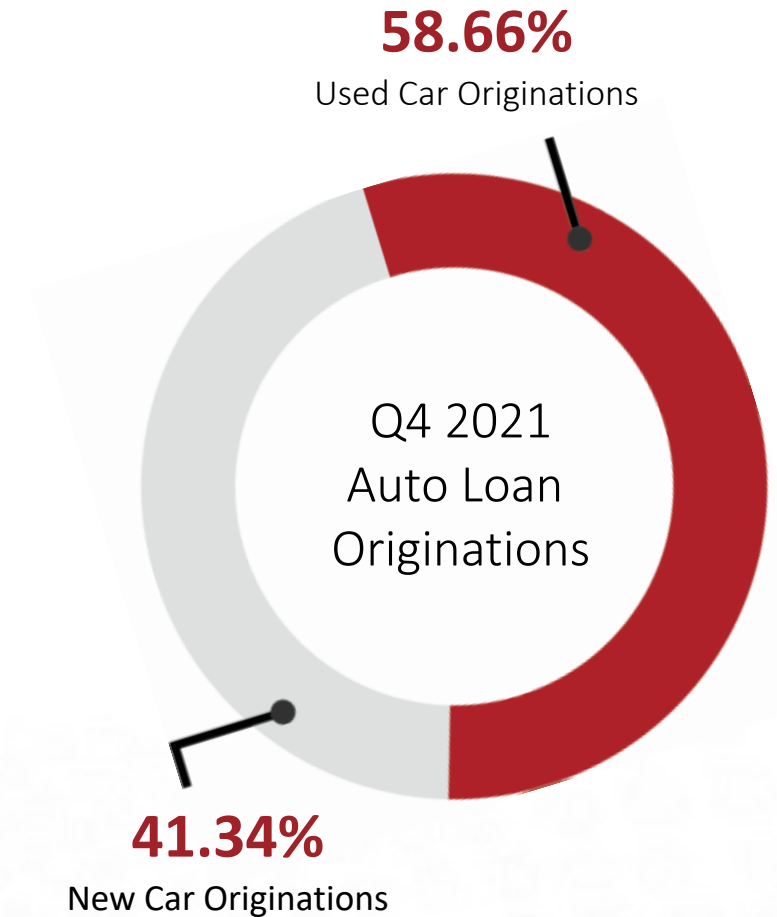
*Source: IBISWorld, SubPrime Auto Loans, Industry Report OD5743

2022 SubPrime Auto Loan Growth Rate



The market size of the Subprime Auto Loans industry is expected to increase 2.2% in 2022

*Source: IBISWorld, SubPrime Auto Loans, Industry Report OD5743



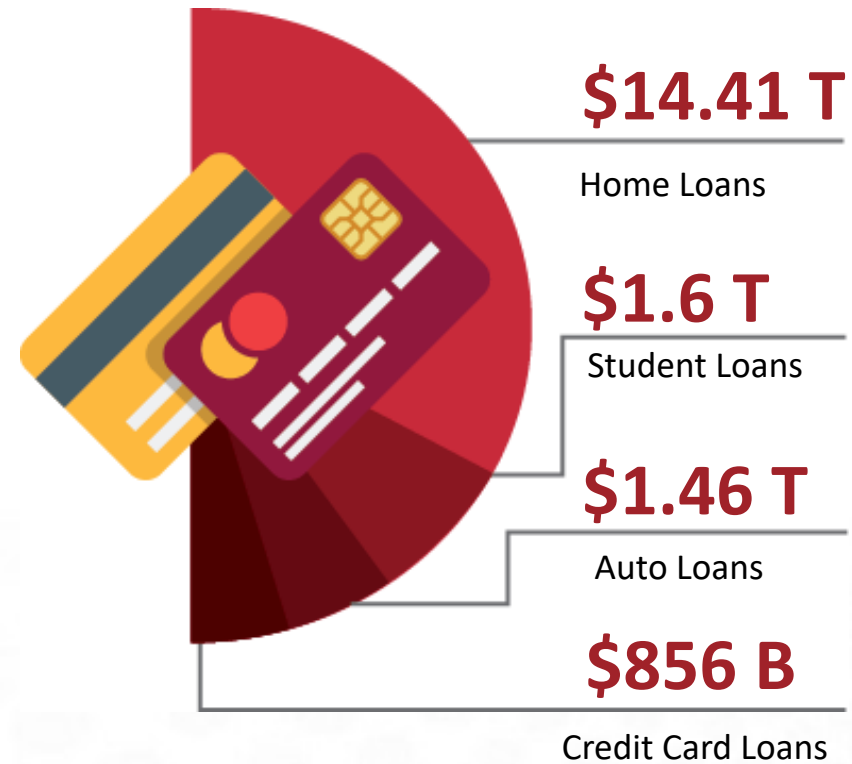
*Source: Experian Q4 Automotive Report



RISK INDICATORS

Consumer Debt \$15.6 T Q4 2021

There has been consistent growth in these four main areas of debt:



*Source: May 8, 2022, PYMNTS.com

0.25% Point Rate Hike

1st Time since 2018

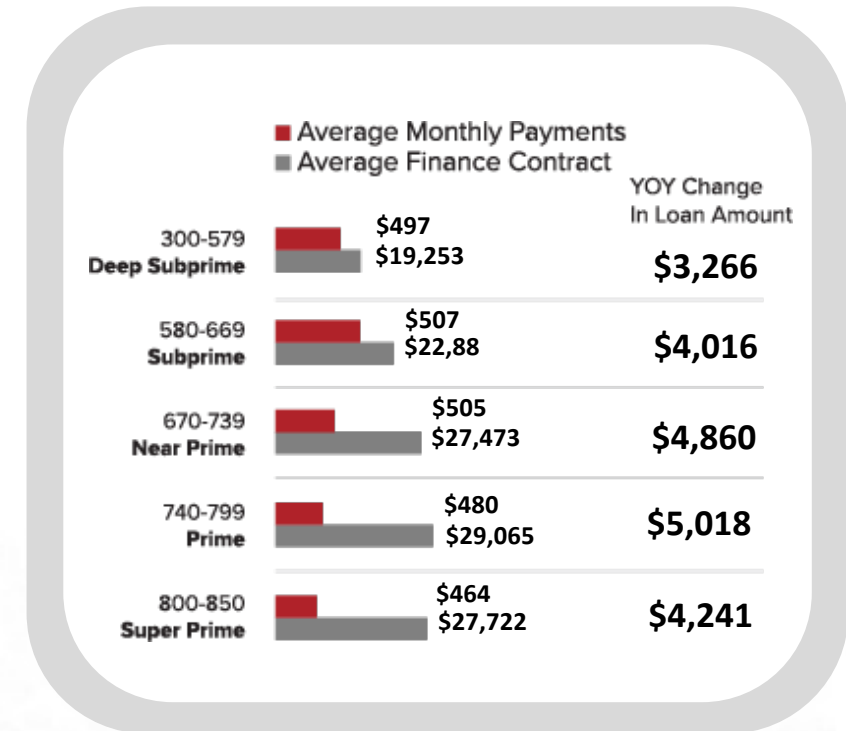


The policy-setting Federal Open Market Committee signal the likelihood of the Fed raising rates up to **six more times this year**

*Source: March 16, 2022, FederalReserve.gov

AVG Used Car Loan Amount

Financed by Risk



*Source: State of the Automotive Finance Market, Q4, 2021



AUTOMOTIVE TRENDS



WHOLESALE – NAAA

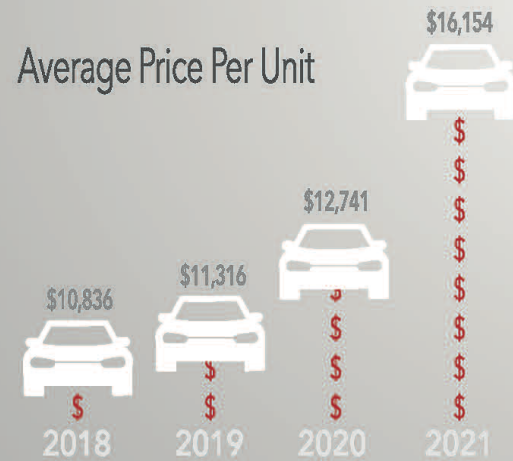
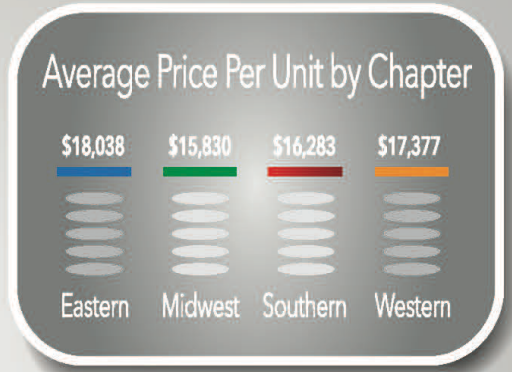
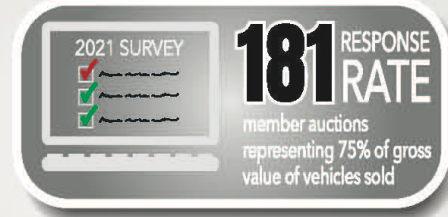
NAAA member auctions reported a 21% increase in the gross value of estimated total vehicle sales in 2021 as the wholesale auto auction industry proved resilient during a challenging year for the economy.

*Source: March 8, 2022, Market Insights – Black Book

2021 AUCTION INDUSTRY SURVEY DATA AT A GLANCE



The Gold Standard
– Since 1948 –

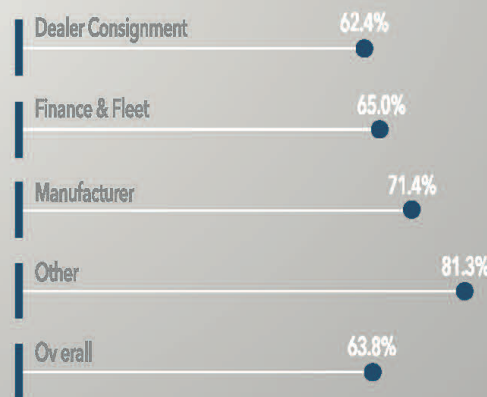


Supplemental Data

Auctioneer Pay	\$835 [□]
Auction Charitable Contribution	\$9,420 [△]

□ Average △ Average Per Auction

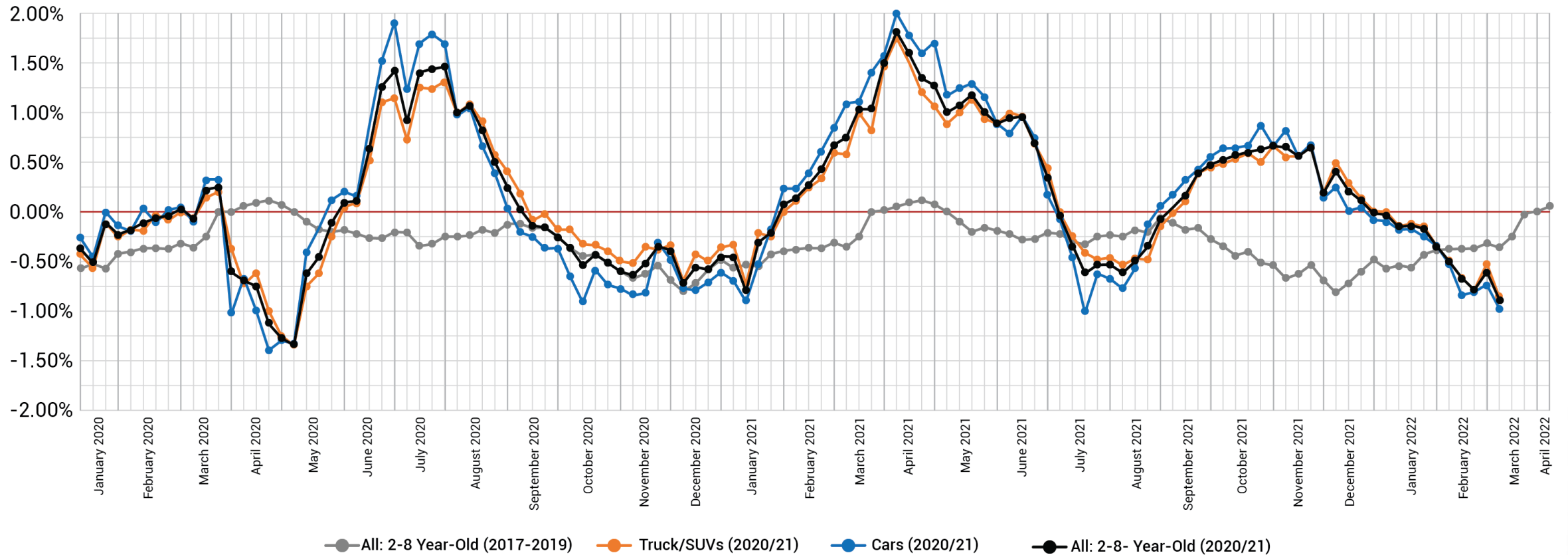
Percentage of Units Sold to Entered



Survey conducted by an independent firm of Robert A. Casey Consulting

WHOLESALE – Settling?

WoW PRICE CHANGE | 2–8-Year-Old Vehicles

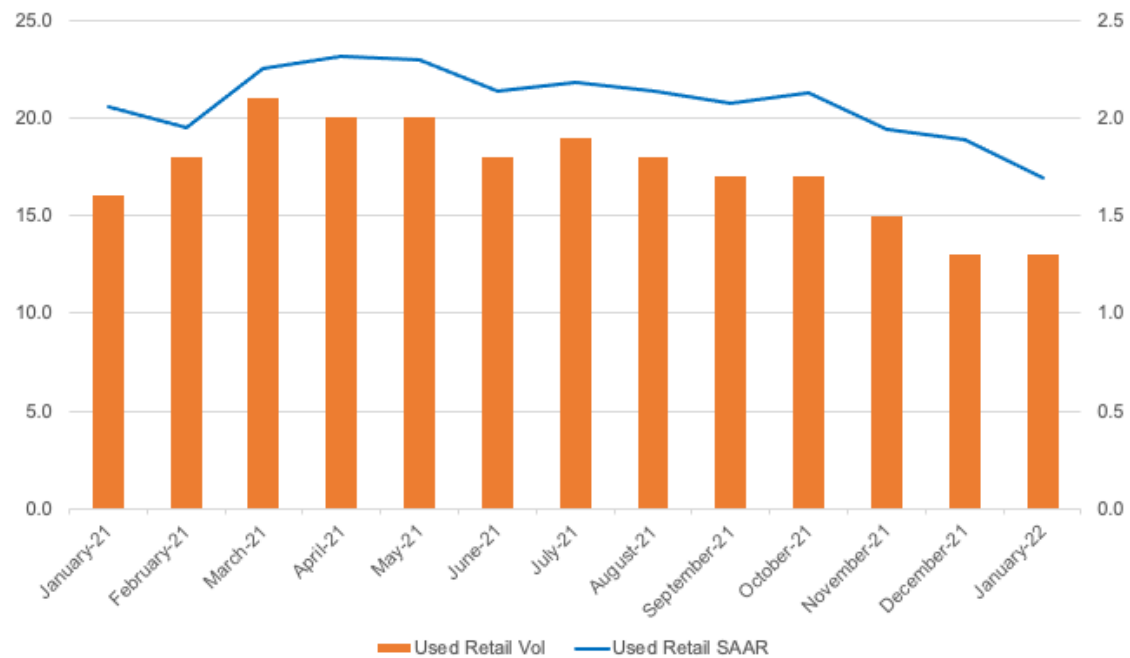


*Source: March 8, 2022, Market Insights – Black Book



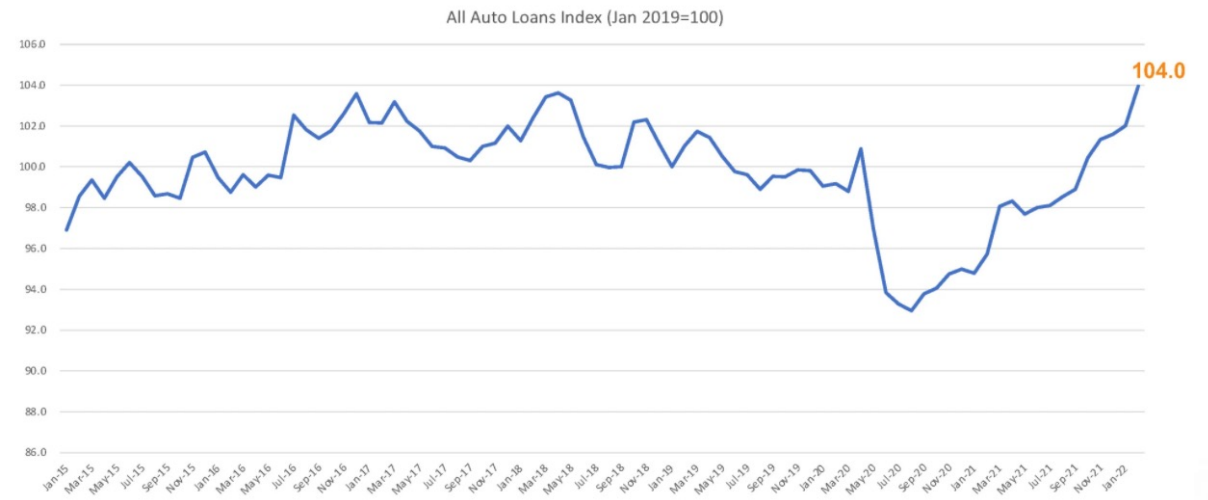
AUTO SALES SAARS AND CREDIT AVAILABILITY

USED-VEHICLE RETAIL SAAR AND VOLUME



ALL AUTO LOANS DEALERTRACK CREDIT AVAILABILITY INDEX

Auto loan access improved again in February and is now higher than any month back to 2015

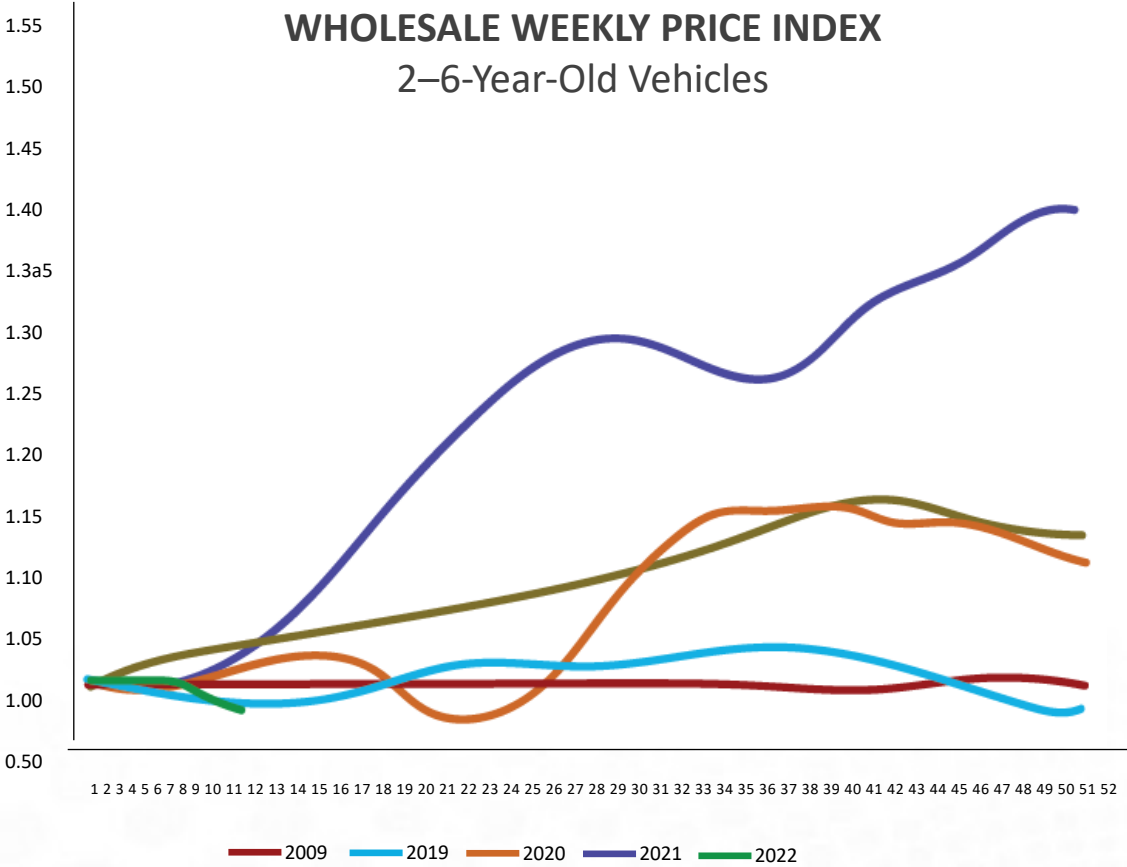


* Source: Cox Automotive

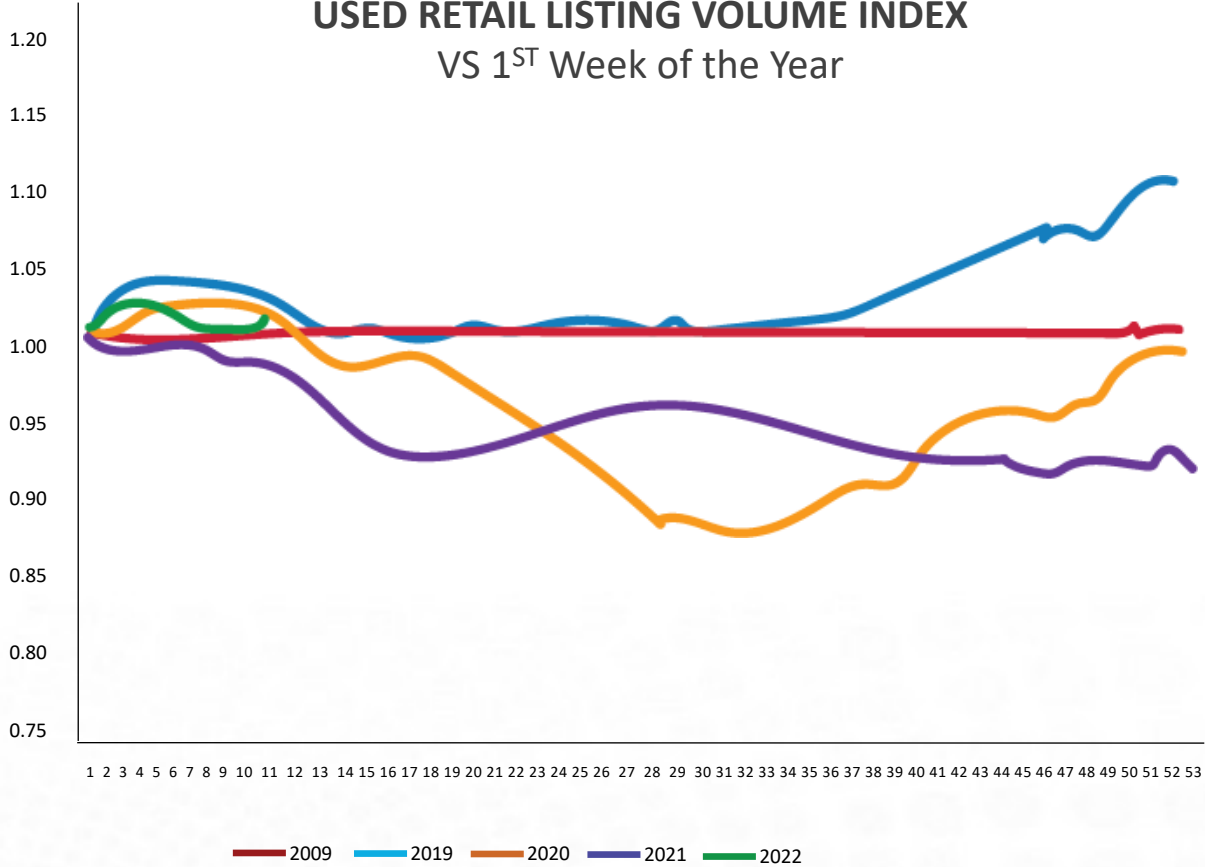


USED VEHICLE VALUES AND INVENTORY

WHOLESALE WEEKLY PRICE INDEX
2–6-Year-Old Vehicles

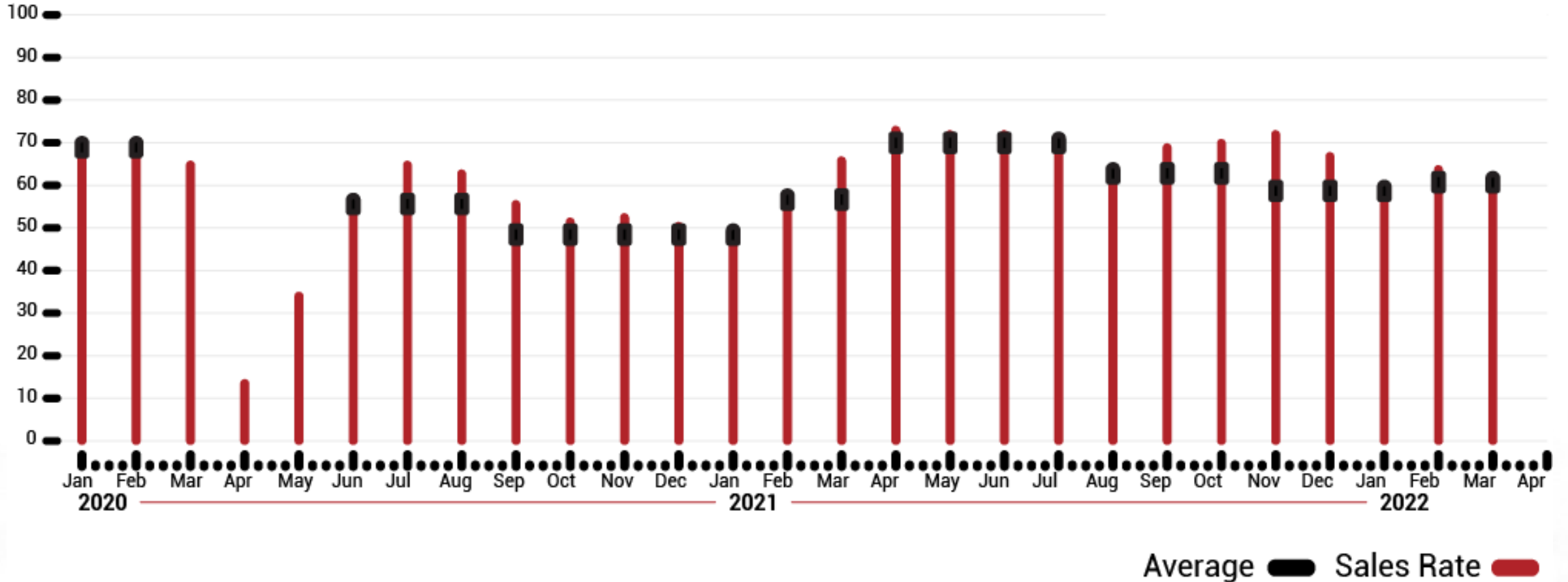


USED RETAIL LISTING VOLUME INDEX
VS 1ST Week of the Year



*Source: March 8, 2022, Market Insights – Black Book

AVG WEEKLY SALES RATES AT US AUCTIONS 2020-22



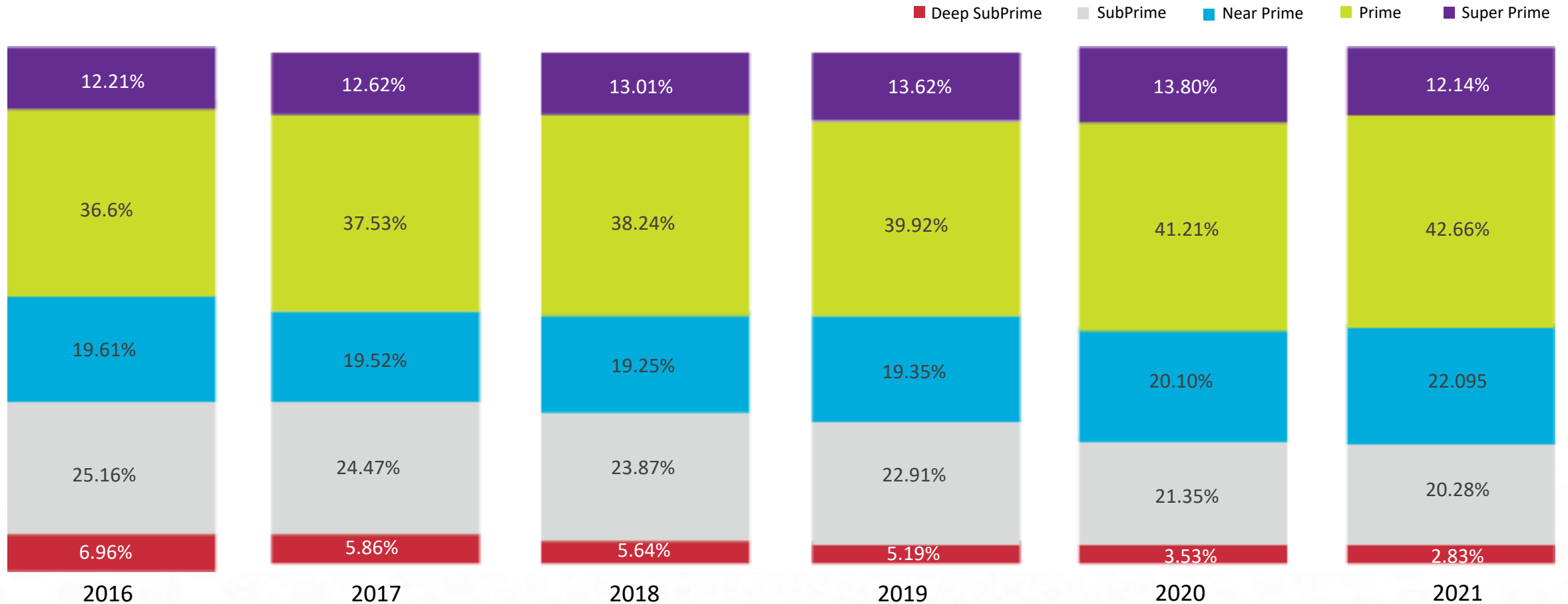
Source: Black Book Market Insights | Week Ending March 8, 2022



AUTOMOTIVE TRENDS



USED LOAN RISK DISTRIBUTION

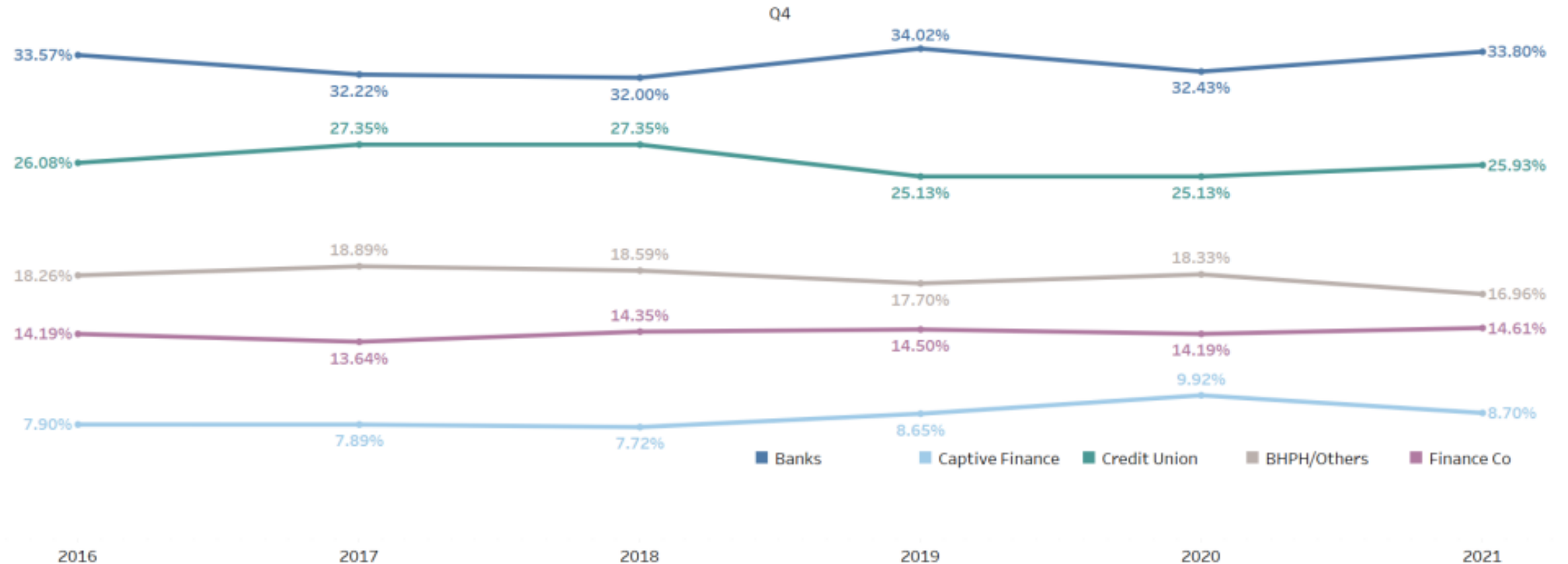


Source: Experian, State of the Auto Finance | Market, Q4 2021



USED VEHICLE MARKET SHARE

Used market share by lender type



Source: Experian, State of the Auto Finance | Market, Q4, 2021



AUTO LOAN DELINQUENCIES



AUTO LOAN DELINQUENCIES

Percentage of loans/leases 30dpd

Auto Lease

1.25%

0.94%

0.95%

Q4 2019

Q4 2020

Q4 2021

Auto Loan

2.42%

1.81%

1.86%

Q4 2019

Q4 2020

Q4 2021

Percentage of loans/leases 60dpd

Auto Lease

0.49%

0.44%

0.46%

Q4 2019

Q4 2020

Q4 2021

Auto Loan

0.83%

0.64%

0.66%

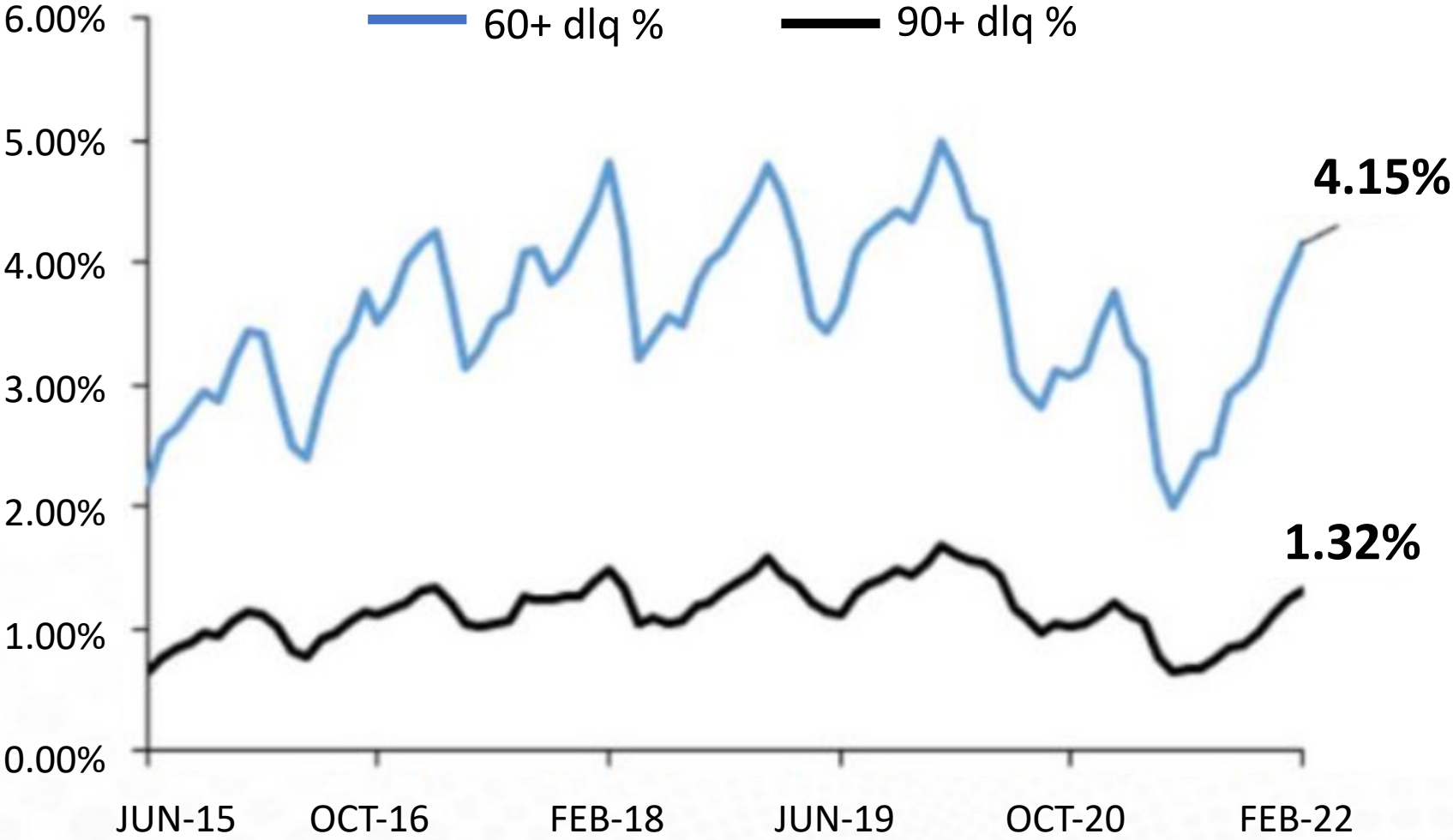
Q4 2019

Q4 2020

Q4 2021



SUBPRIME AUTO ABS DELINQUENCY RATE



Source: MarketWatch



IMPACT TO PRIME AND NON-PRIME

Figure 1: KBRA Prime Auto Loan Index

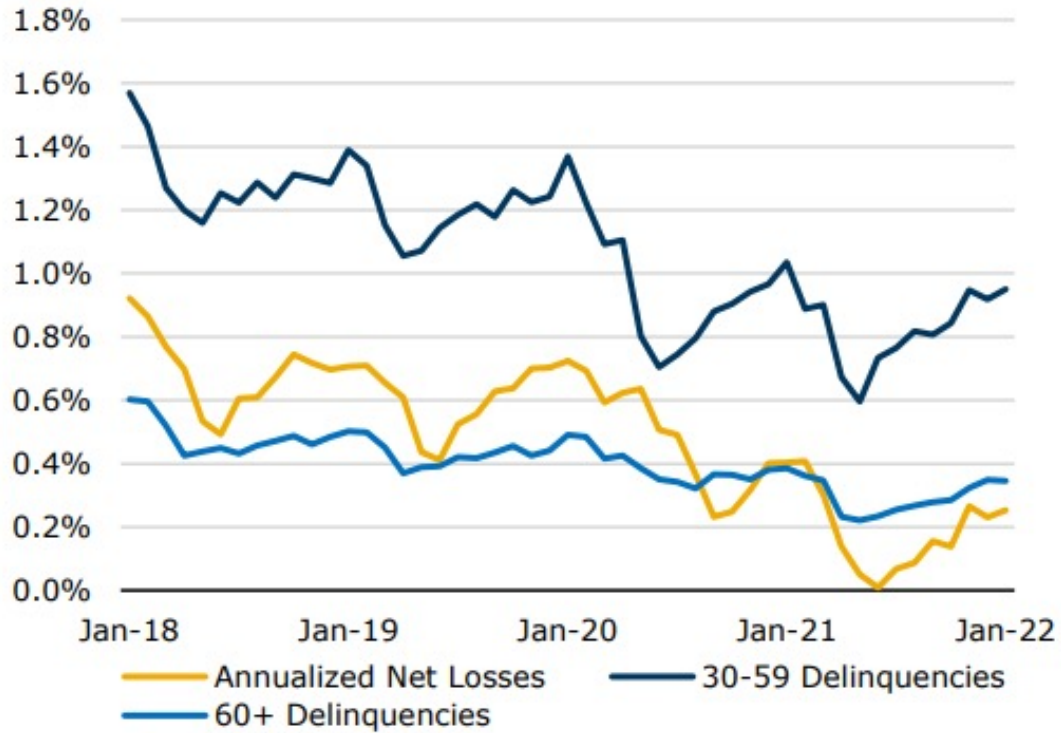
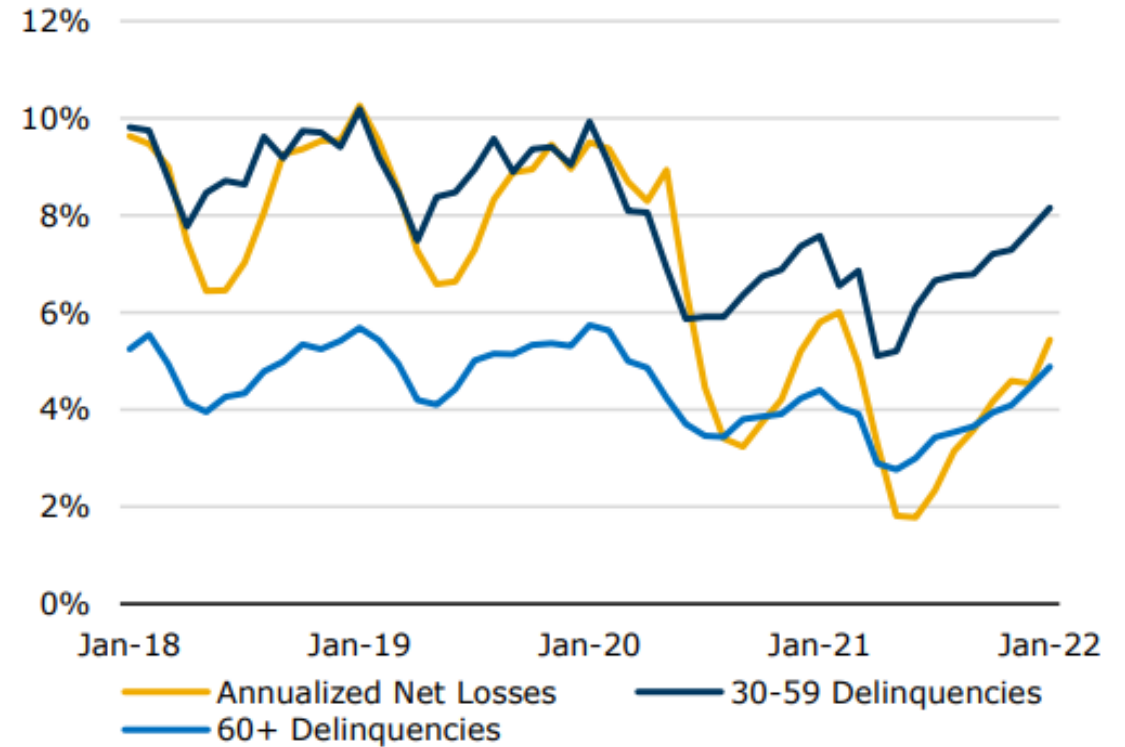


Figure 2: KBRA Non-Prime Auto Loan Index



Source: KBRA Auto Loan Indices: January 2022



ROLL RATES

Figure 6: KBRA Non-Prime Auto Loan Index (30-59 DQ by Year)

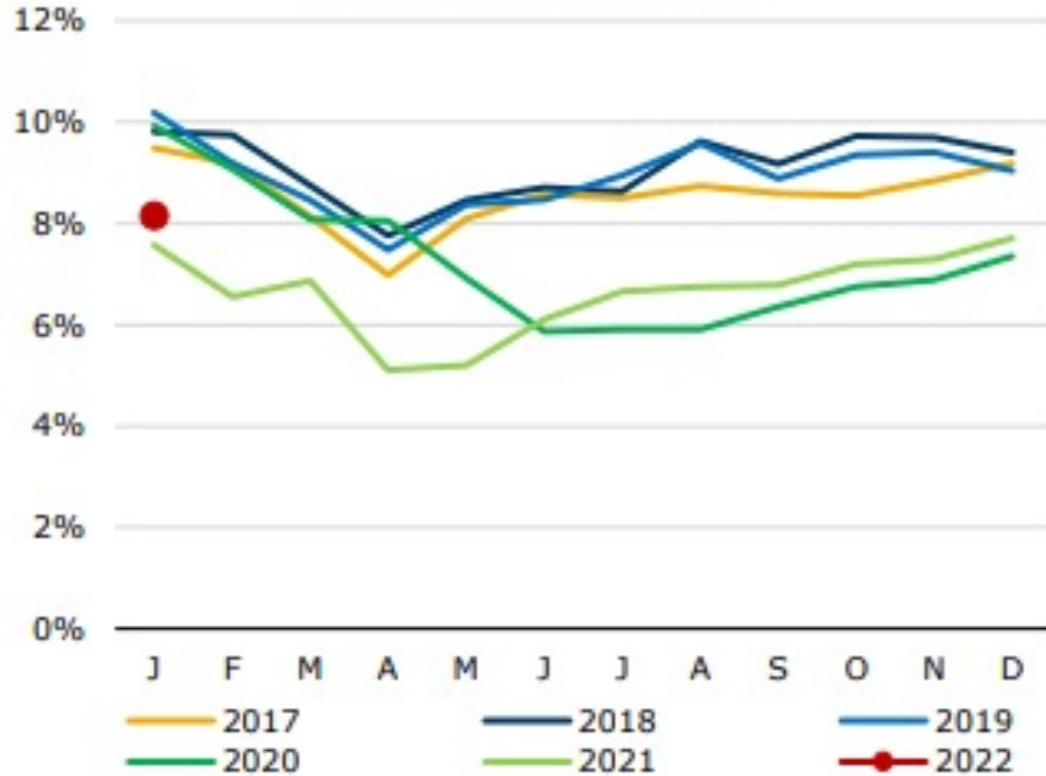
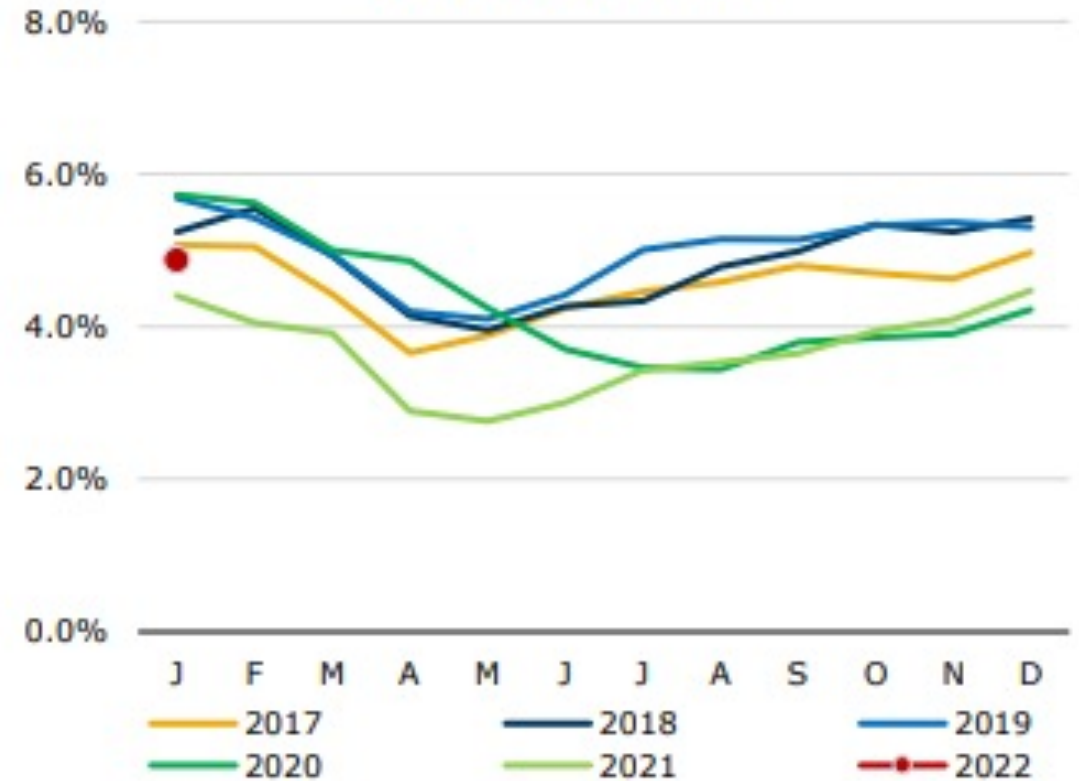


Figure 8: KBRA Non-Prime Auto Loan Index (60+ DQ by Year)

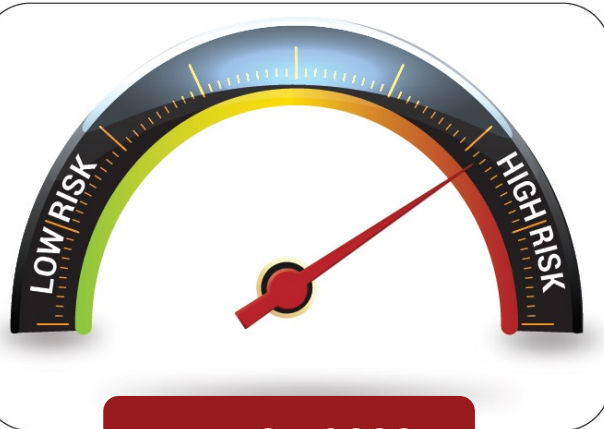


Source: KBRA Auto Loan Indices: January 2022



CREDIT CHRONOMETER BAYESIAN-INFLUENCE FORECAST

- Credit Chronometer, a quarterly market study of sub-prime auto participants, has been tracking market sentiment and forecasts for the future health of auto ABS
- Participants include originators, investors, trustees, and servicers



MARCH 2022



*Source: Credit Chronometer



RECOVERY INDUSTRY

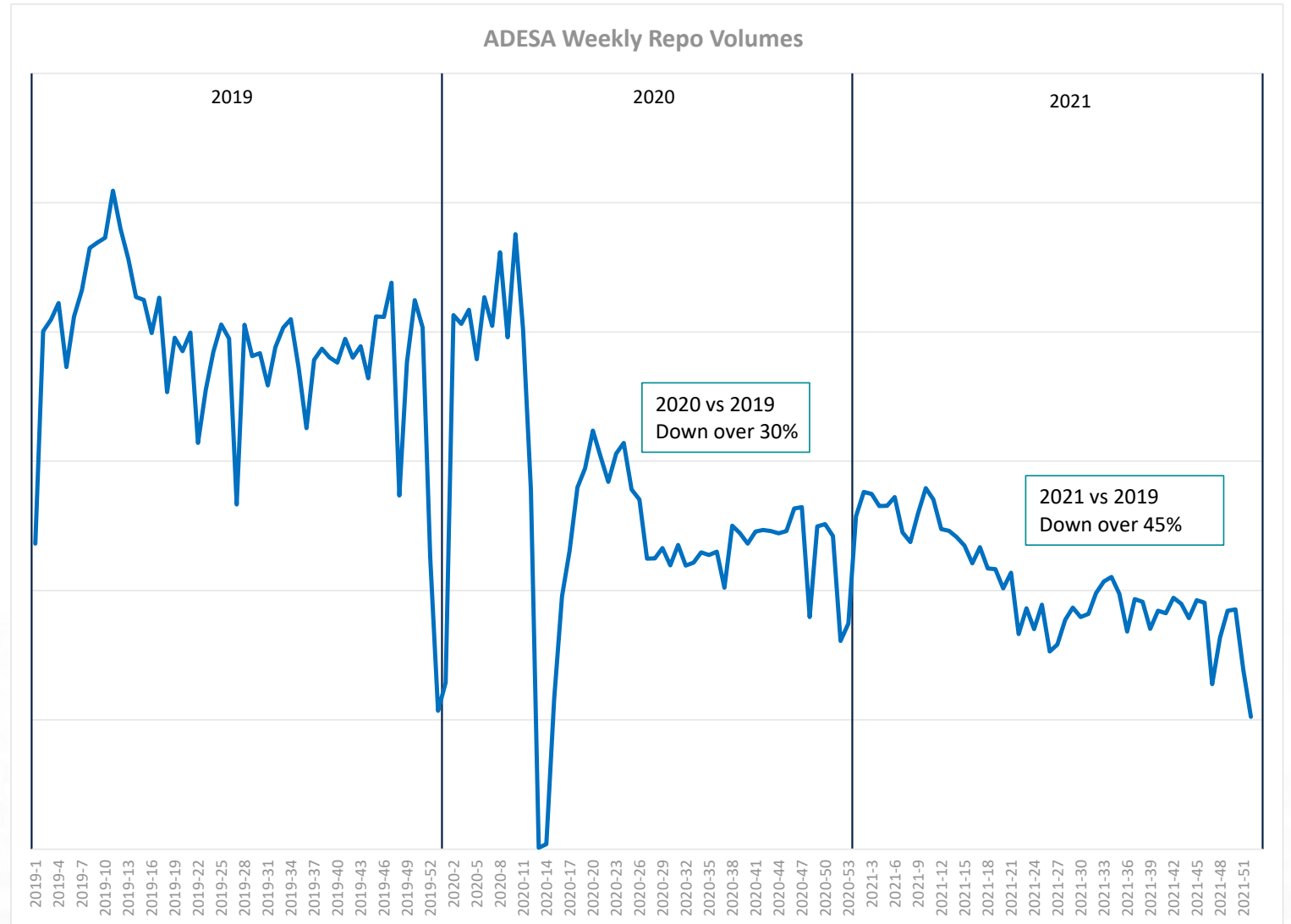


Automotive Analytics

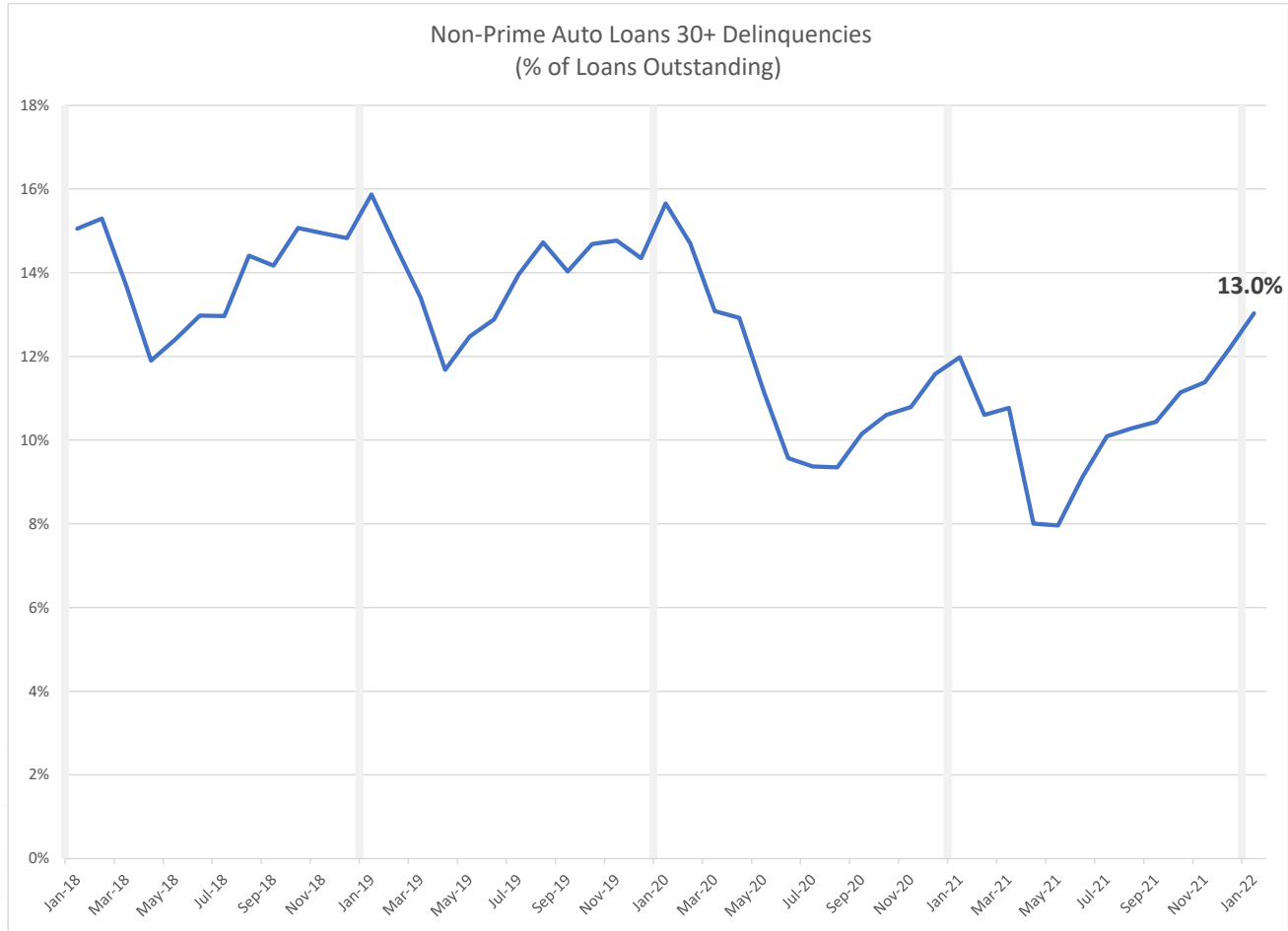


REPOSSESSION VOLUMES

Repos have been limited by government stimulus and lender forbearance but will likely be the “First Responder” to the used vehicle supply shortage.



30-DAY NON-PRIME DELINQUENCIES

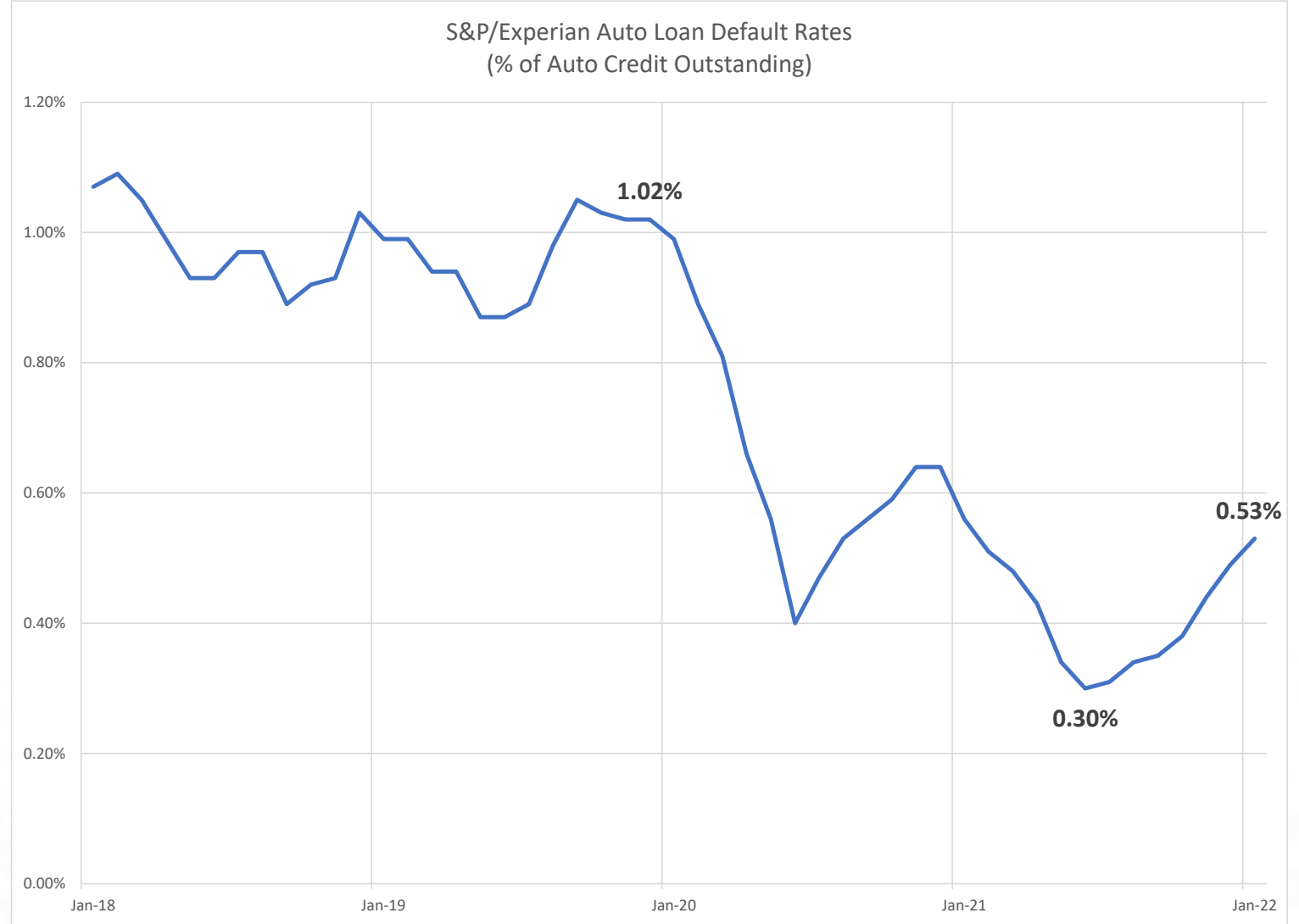


The rise in 30-day non-prime delinquencies is a leading indicator that more repos could be coming.



AUTO LOAN DEFAULTS


Auto loan default rates are showing a similar uptick as seen in delinquencies, though this may reflect a seasonal pattern and will need to be monitored to see if it continues in 2022.



NEXT EXIT

**RECOVERY
CHALLENGES**



A photograph showing a blue and yellow striped car lift on the left side of the frame, positioned next to the front of a silver car on the right. The lift has a red and yellow striped safety panel with a taillight. The car's front grille and headlight are visible. The background is a paved area with a grassy strip and a curb.

**A significant number of agency
owners have left the business**

20% - 25%



RECOVERY INDUSTRY CHALLENGES

- Insurance
- Employee Hiring and Retention
- Inefficiencies Created with Various Software Requirements
- Lack of Standardization i.e., Condition Reports, Compliance Requirements
- Fuel Costs
- Cost of Compliance





Symbol of Quality

REPOSSESSION PROCESS VIRGINIA

Repossession Process

- Make sure you are within your rights to recover a vehicle based on VA laws
- Reasonable notice of the time and place of the sale is generally required to be given to other secured creditors and the debtor. (VA Code 8-9-504(3).)
- Make sure you have a standardized, documented recovery process that your collections team is trained on
- Hire a certified Recovery Specialist and review their recovery processes and make sure they understand and follow your processes
- Repossession success rate increases up to 99% if you are using GPS technology

NOTES:

- If consumer is more than 10 days late with all or part of a payment, a creditor may repossess
- If creditor agrees to accept late payments or change due date, repossession may not be allowed. - A change in your due date may happen orally or in writing, or by your creditor repeatedly taking late payments without complaint.
- A creditor doesn't have to give you a notice before repossession but many lenders that have settled complaints by AG's in their states by sending one regardless.
- A creditor may repossess only if that can be done without a breach of the peace
- The Virginia Department of Criminal Justice Services (DCJS) provides statutory oversight of individuals who drive a tow truck in the Commonwealth of Virginia



RECOVERY REGULATORY CLIMATE



- Nissan Consent Decree
- CFPB reiterated its intent to focus on investigating allegedly unfair & deceptive practices including repossessed vehicles:
 - If a consumer's loan account is current
 - If a consumer enters an agreement to extend the loan
 - If a consumer follows any instructions to the company said would result in avoiding repossession
 - If a consumer files for bankruptcy
 - As a result of processing payments in a different order than what was communicated to consumer
 - After unlawful fees pushed to the consumer's account into default
 - Withhold personal property found in vehicle until consumers pay an upfront fee
 - Charged for collateral protection insurance after it's been repossessed
- The CFPB will be monitoring market participants from auto lender to repossession companies
- CFPB will focus on lenders and servicers to police policies and practices of its repossession companies



OTHER LEGISLATION TO WATCH

Hunstein v. Preferred Collection and Management Services, Inc.

- The U.S. Court of Appeals for the Eleventh Circuit's recent ruling in *Hunstein v. Preferred Collection and Management Services, Inc.* may upend the long-standing and rather routine business practice of financial services companies using third-party vendors to manage, service and collect on outstanding debt.
- The Eleventh Circuit reversed the lower court, holding that when a debt collector provides an outside letter vendor with personal account information relating to the collection of a debt, it rises to the level of an impermissible communication with a third party to which there is no exception *if there is no consumer consent*.
- If left unchecked, the opinion will significantly broaden the scope of the FDCPA.



OTHER LEGISLATION TO WATCH

H.R. 2547

- Imposes several new restrictions on private debt collection. Specifically, title VI would require federal agencies to wait 90 days after a delinquency or default to turn over debt to a private collection agency (PCA).
- If this bill passes, repossession activity may become extremely complicated and even legally risky.

Bill 24-347 – Protecting Consumers from Unjust Deb Collection Practices Emergency Amendment Act of 2021 – The District of Columbia

- Clarifying that calls initiated by the consumer, or a single call made by a debt collector at the request of a consumer for a returned phone call, do not count toward the call limit of three calls in any 7-day period;
- Ensuring that the documentation requirement for an itemized accounting of credit card debt is feasible and aligned with industry practice;
- Requiring debt collectors to send a notice to consumers stating that they may request specific information about their debt before collecting or attempting to collect debt; and
- Correcting a technical error related to potential court penalties.



CONNECTED CAR DATA



CONNECTED CAR DATA

Regulators are on high alert when it comes to **consumer data privacy and security**. The recovery industry should be aware of and pay close attention to existing or potential laws and regulations:

- Destroy identifying information left on vehicles from previous customers or owners
- Provide notice of a breach if personally identifiable information is accessed by unauthorized third parties; and
- Implement reasonable measures to prevent unauthorized access to the information of past drivers contained on vehicles.



“Hackers gained access to the infotainment system of the government vehicle she drove to a meeting through malware uploaded to her cell phone from her car. Using the vehicle’s cameras, they obtained the vehicle information of the other attendees.”

Modern Vehicles Present Unique Threats and Vulnerabilities to the Military

By Lieutenant Commander Dan Bell, U.S. Coast Guard



CONNECTED CAR DATA

The industry should likewise keep the following compliance considerations at top of mind now, irrespective of the current state of the law (regulations are coming):

- Who in the chain of custody and control should be responsible for deleting consumer information from vehicles
- What contractual protections should be implemented to mitigate risk (e.g., hold harmless clauses)
- How to properly access and destroy the personally identifying information left on vehicles from previous owners
- Developing measures to prevent unauthorized access to personal information
- How to identify and respond to breaches when they do happen.



MODERN ANALYTICS MITIGATE RISKS

Data analytics can provide insights on a macro-, micro-, national, and regional level—something that can make a big difference when it comes to strategy & profitability.



BEST PRACTICES



Integrate Modern Analytics To Monitor Your Collateral



Stay Updated on Legislation (VIADA, NAF, NIADA, NABD, Advantage and ARA)



Document & Audit Collections Process



Train Collectors & Establish Consistent Practices



Hire Bonded, Certified Licensed Recovery Specialists



Build Relationships & Over-Communicate with Your Recovery Specialists



Provide Location Intelligence to Assist in Fast Recoveries



GPS Predictive Analytics to Guide Future Funding Decisions

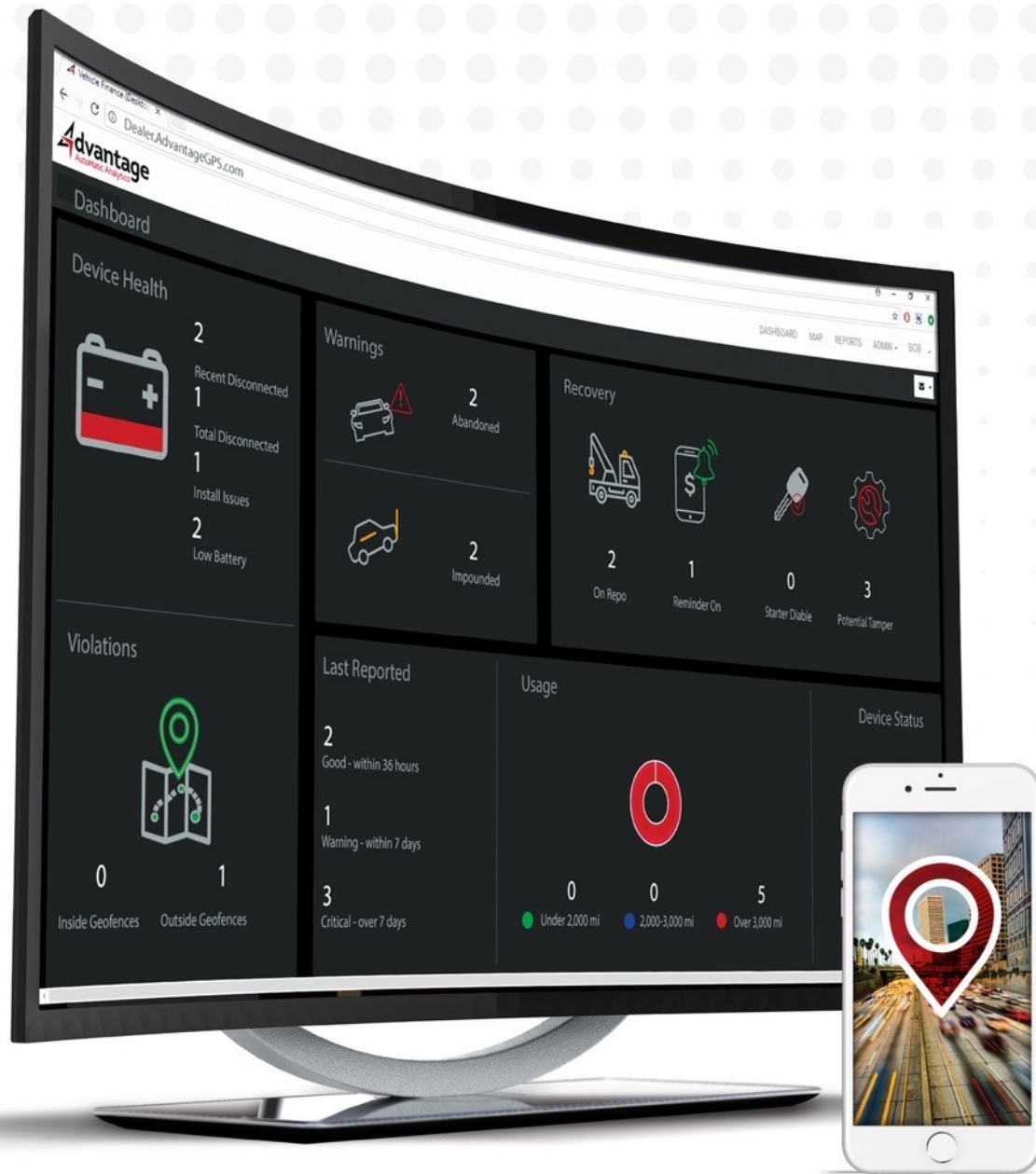


Support Associations in Educating State & Federal Legislators



Build a Culture of Compliance Internally & with Your Partners





SCAN TO DOWNLOAD

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