

BHPH EXPERT PANEL

RECOVERY OUTLOOK
COMPLIANCE & RISK MITIGATION




MEET the PANEL



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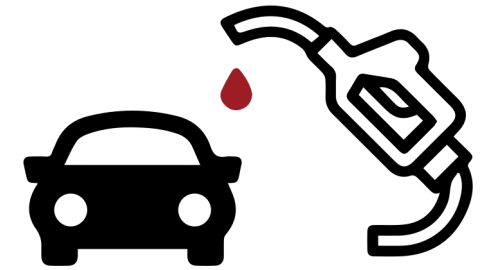
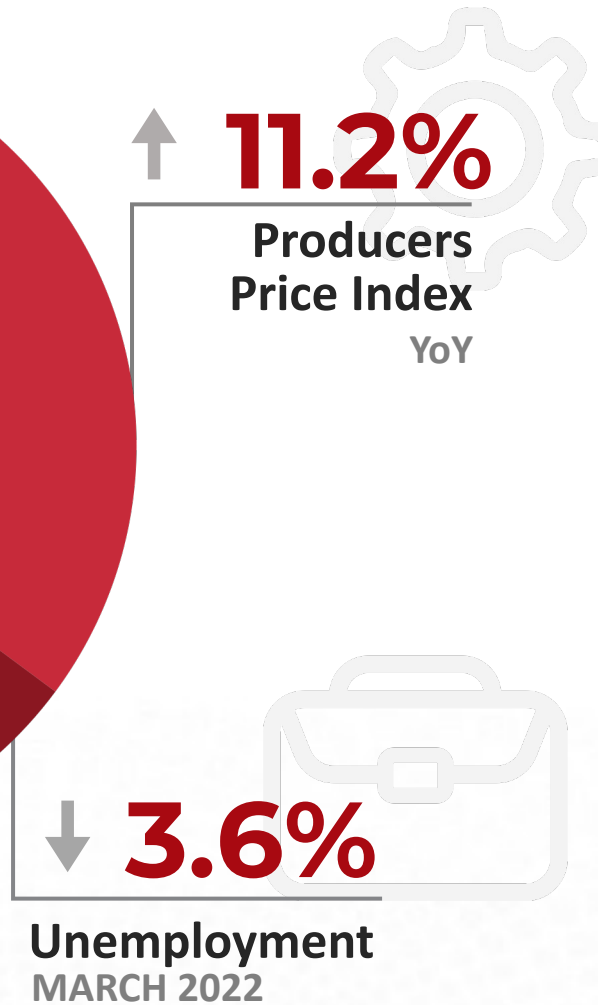
 gerrigentry@premierrecovery.onmicrosoft.com



MARKET 2022 UPDATE



TOO MANY DOLLARS CHASING TOO FEW GOODS.



National Average Prices

Gasoline _____

↑ **\$4.879**

Diesel _____

↑ **\$5.675**

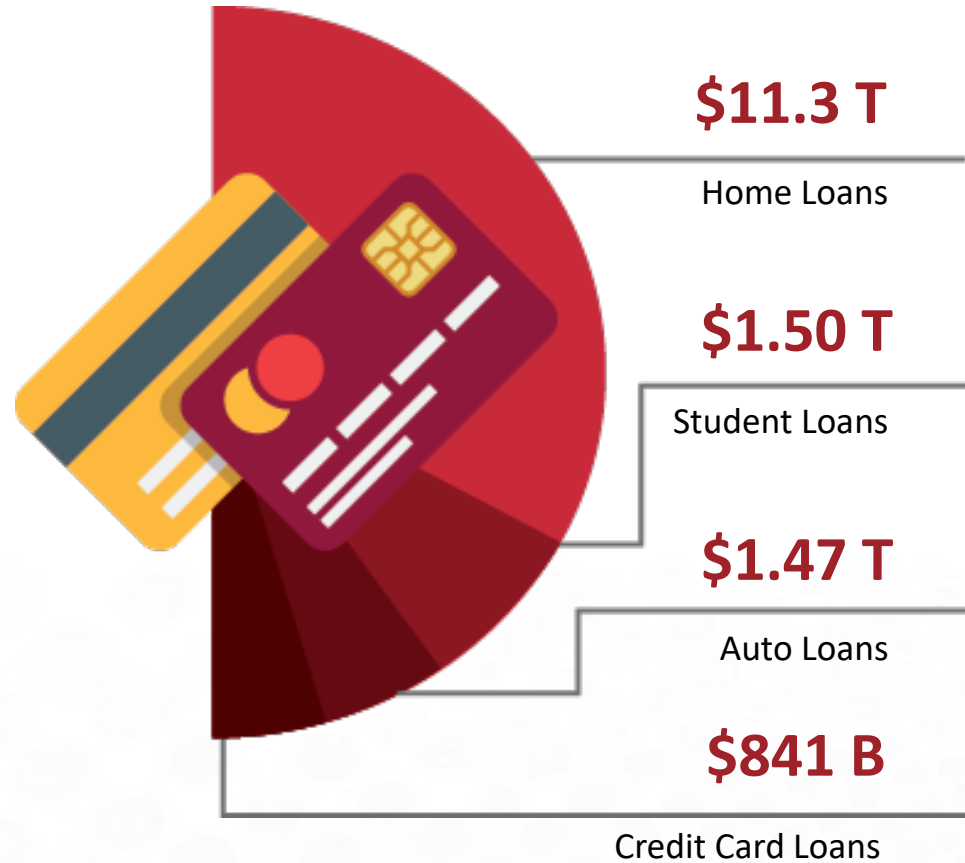
US Gas Charts

July 13, 2022

POTENTIAL RISKS AHEAD

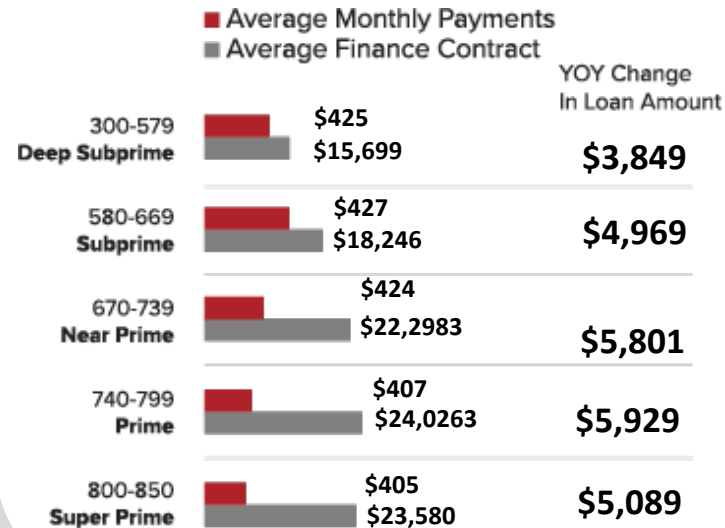
Consumer Debt \$15.6 T After May 2022

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



Average Used Car Loan Amount

Financed by Risk



↑ **73** mos to **84** mos

Large Growth in Terms



85+ mos
Surpass 1%

Overall Loan Balances Grow While YoY Delinquencies Increase

*Source: May 2022, Key Figures by American's Consumer Debt, Debt.org

*Source: State of the Automotive Finance Market, Q1, 2022

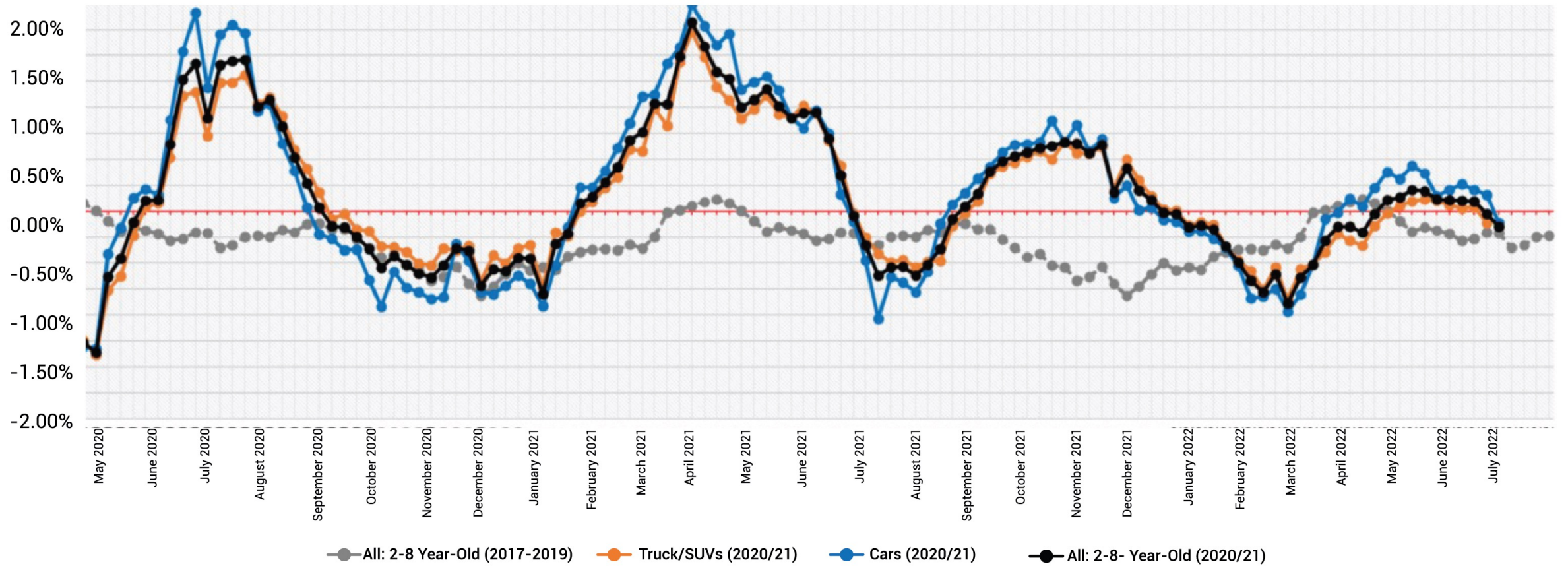
*Source: State of the Automotive Finance Market, Q1, 2022

AUTOMOTIVE TRENDS



WHOLESALE MARKET

Month over Month Wholesale Price Changes (2-8- year old- vehicles)

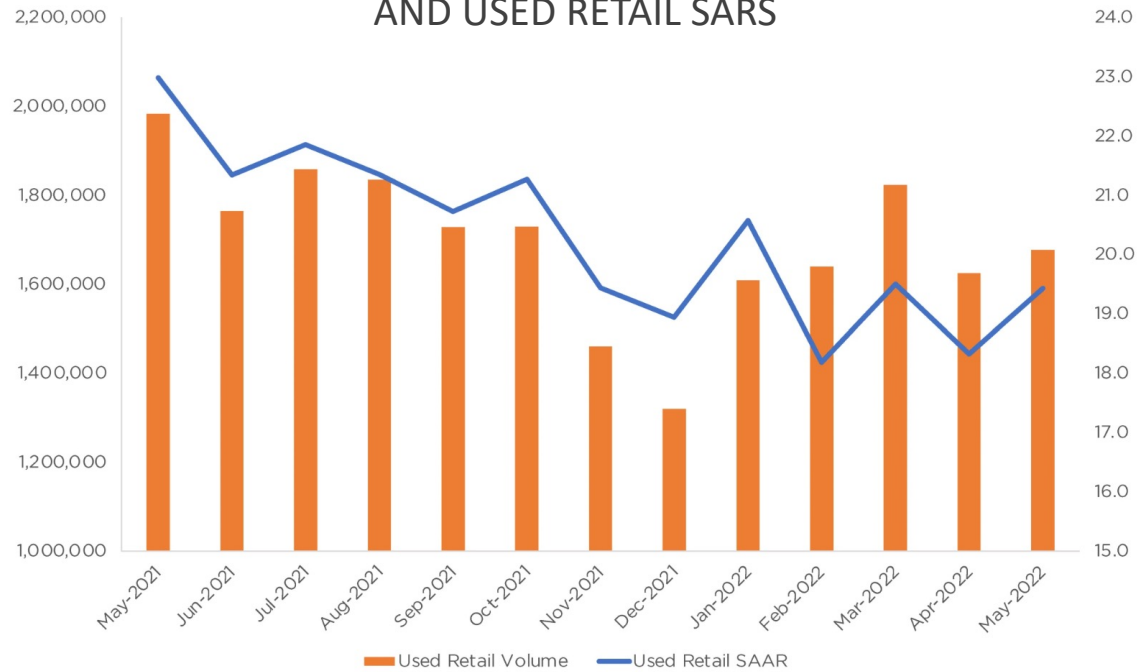


*Source: July 5, 2022, Market Insights – Black Book

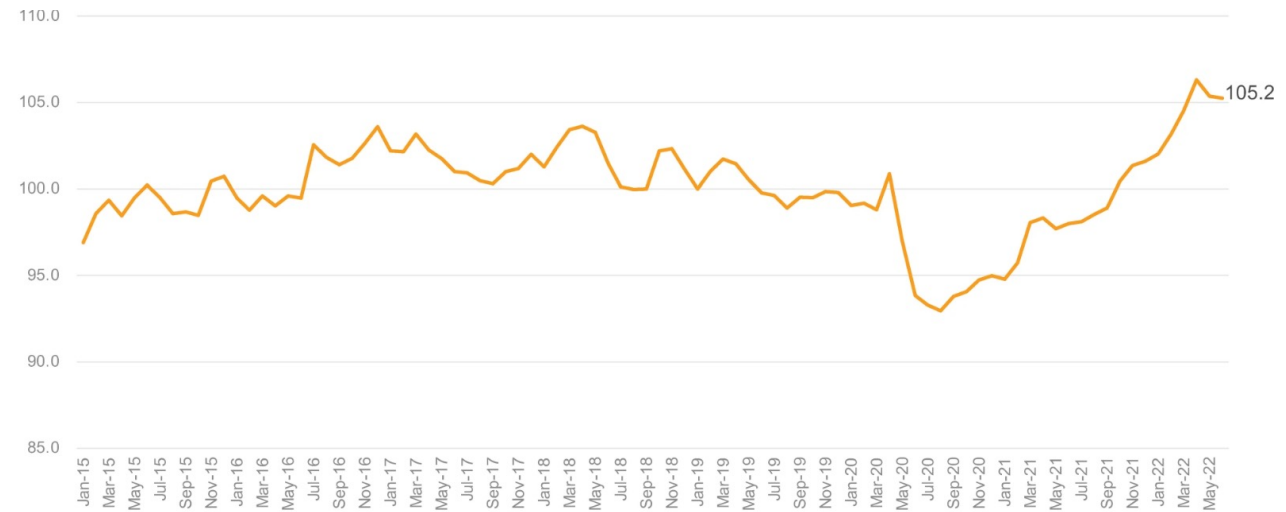


AUTO SALES SAARS AND CREDIT AVAILABILITY

**TOTAL USED RETAIL VOLUME
AND USED RETAIL SAARS**



**ALL AUTO LOANS INDEX
(JAN 2019 = 100)**



COX AUTOMOTIVE

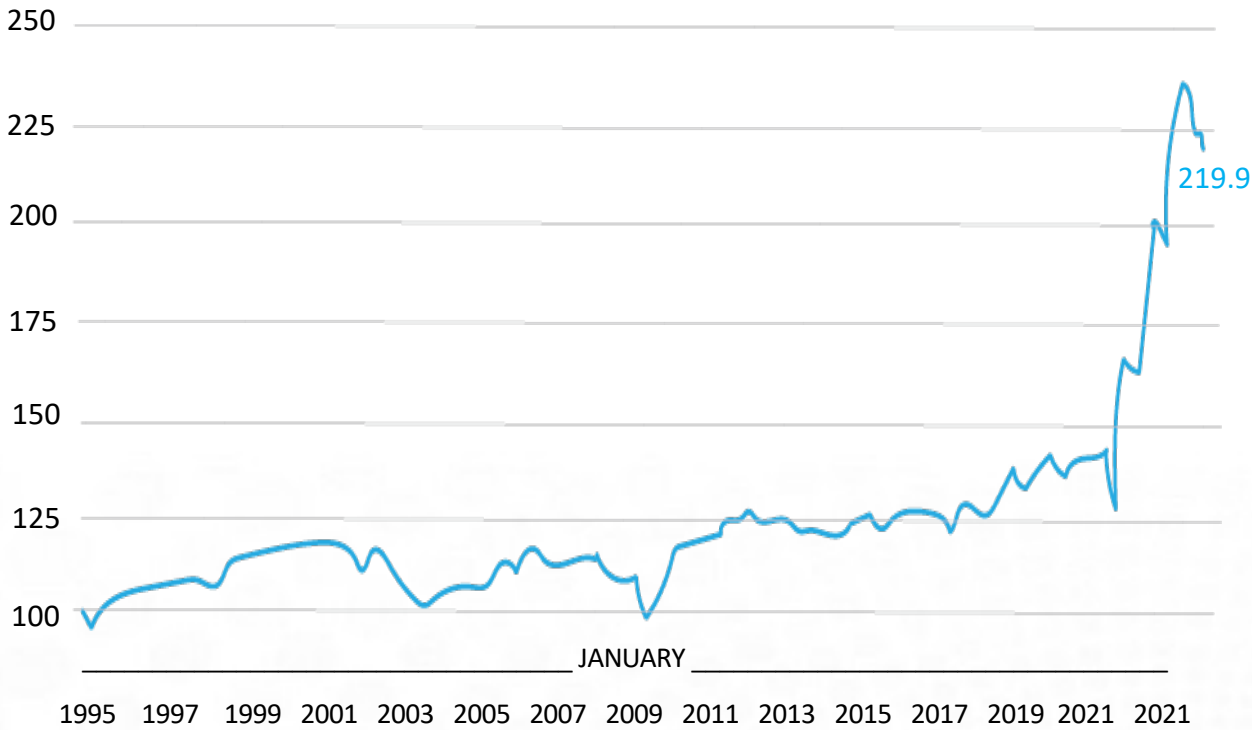
Source: Dealertrack, Cox Automotive

* Source: Cox Automotive

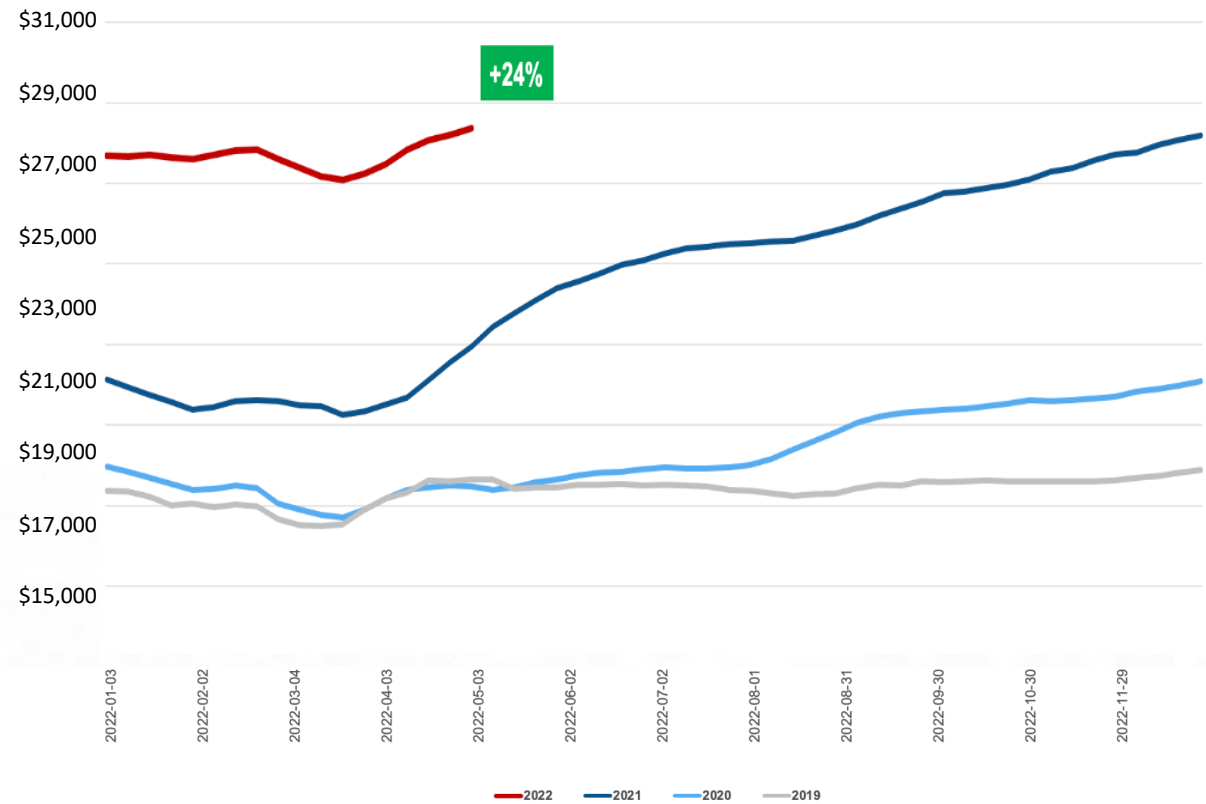


USED VEHICLE VALUES AND INVENTORY

MANHEIM USED VEHICLE VALUES
JUNE 2022



AVERAGE USED CAR LISTING PRICE
COX AUTOMOTIVE

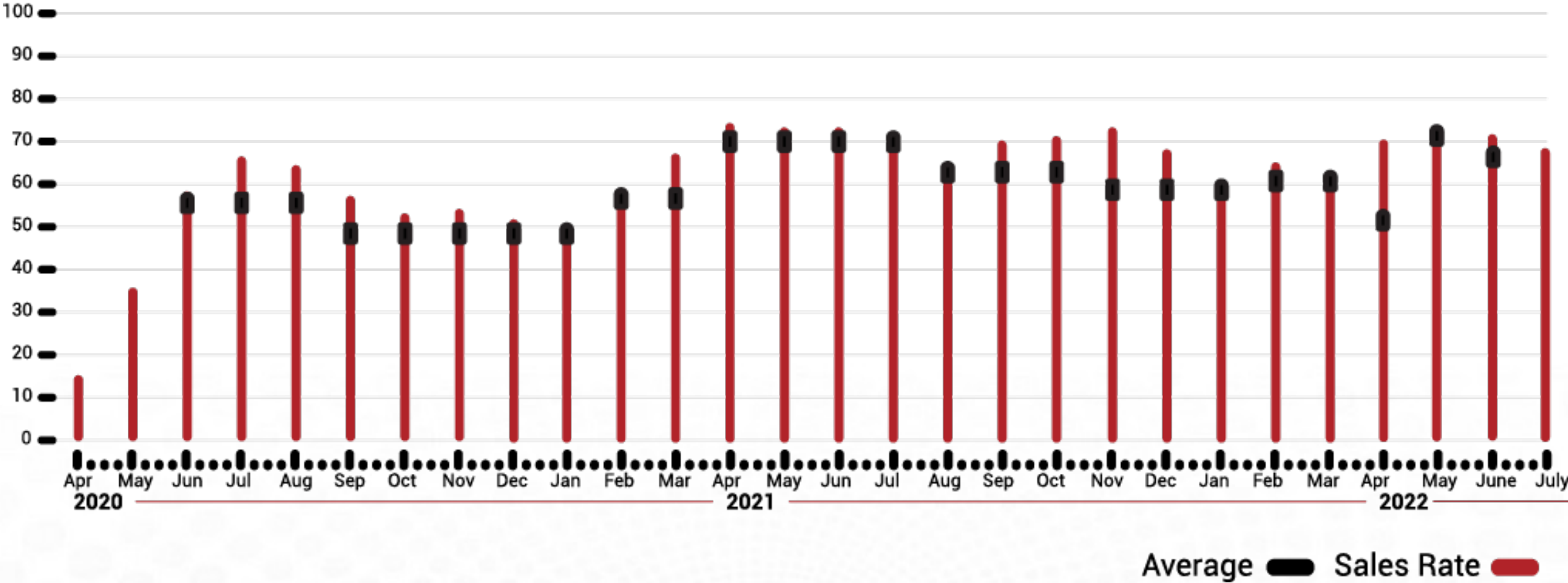


Source: Cox Automotive VMA Database



AVG WEEKLY SALES RATES AT US AUCTIONS 2020-22

Estimated Average Weekly Sales Rate at US Auctions in 2020-2022

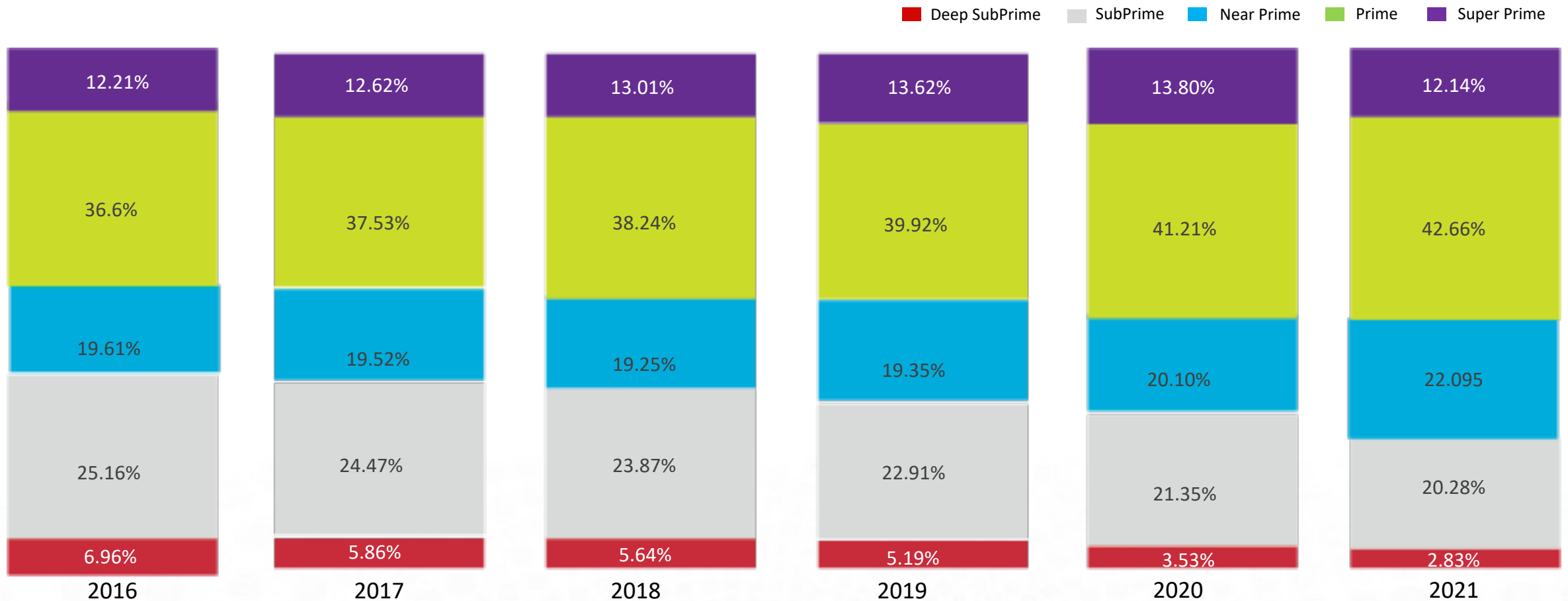


Source: Black Book Market Insights | Week Ending July 5, 2022

AUTOMOTIVE TRENDS



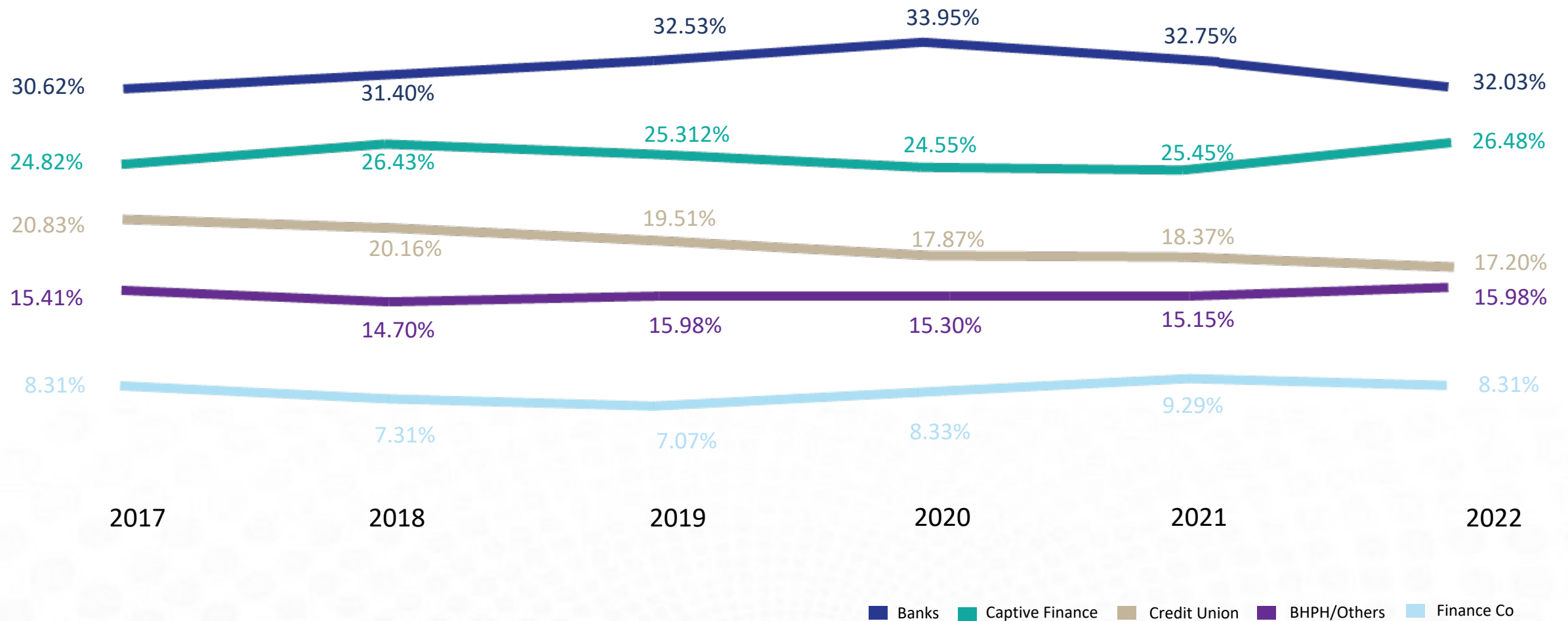
TOTAL RISK DISTRIBUTION



Source: Experian, State of the Auto Finance | Market, Q1, 2022



USED VEHICLE MARKET SHARE



Source: Experian, State of the Auto Finance | Market, Q2, 2022



DELINQUENCIES



IMPACT TO PRIME AND NON-PRIME

Figure 1: KBRA Prime Auto Loan Index

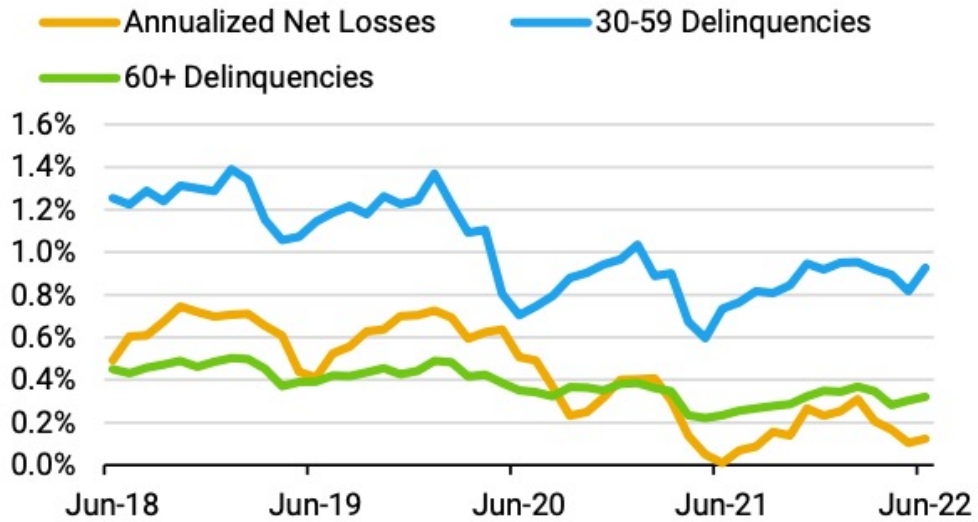
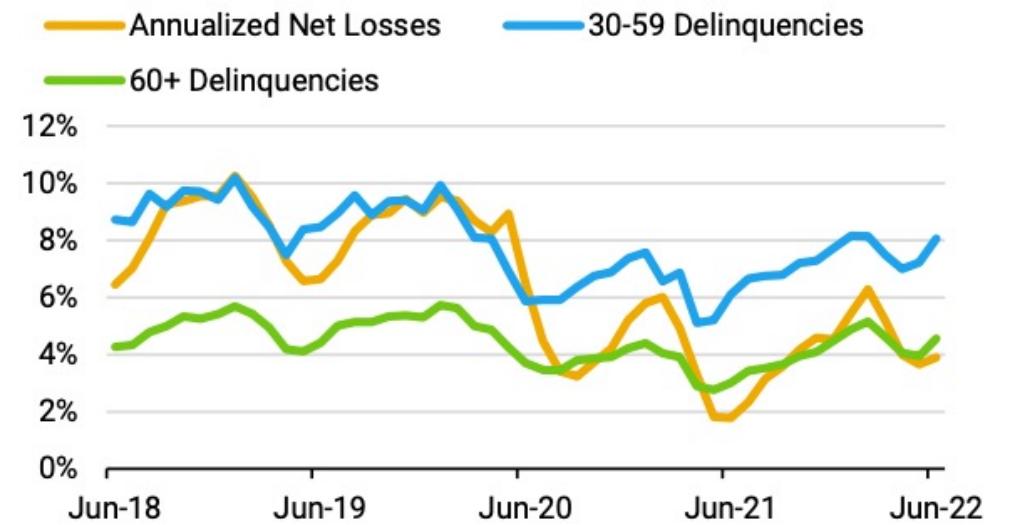


Figure 2: KBRA Non-Prime Auto Loan Index



Source: KBRA Auto Loan Indices: June 2022



ROLL RATES

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

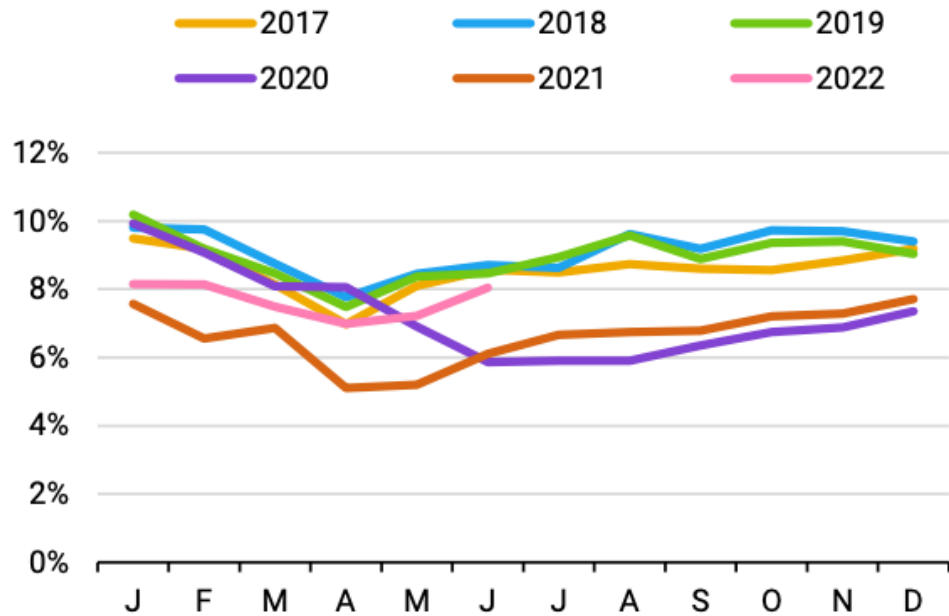
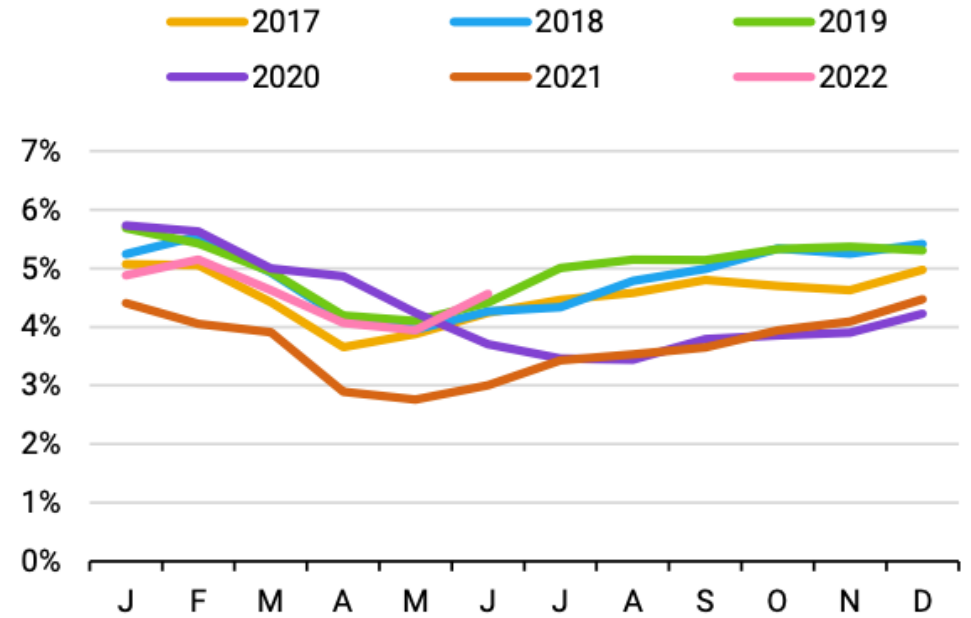


Figure 8: KBRA Non-Prime Auto Loan Index (60+ DQ by Year)

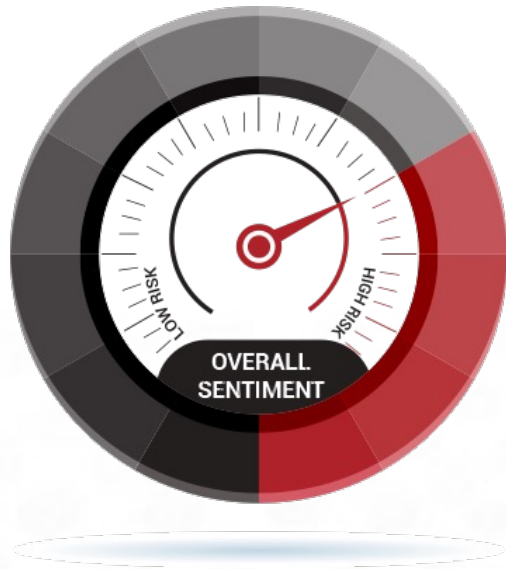


Source: KBRA Auto Loan Indices: June 2022



CREDIT CHRONOMETER - BAYESIAN-INFLUENCED FORECAST

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



Lending Practices and Factors



ABS Practices and Factors



Auto Market Risks

*Source: Credit Chronometer



RECOVERY INDUSTRY



Auto & finance



CONSUMER CREDIT DEFAULT INDEX

1 YEAR

3 YEAR

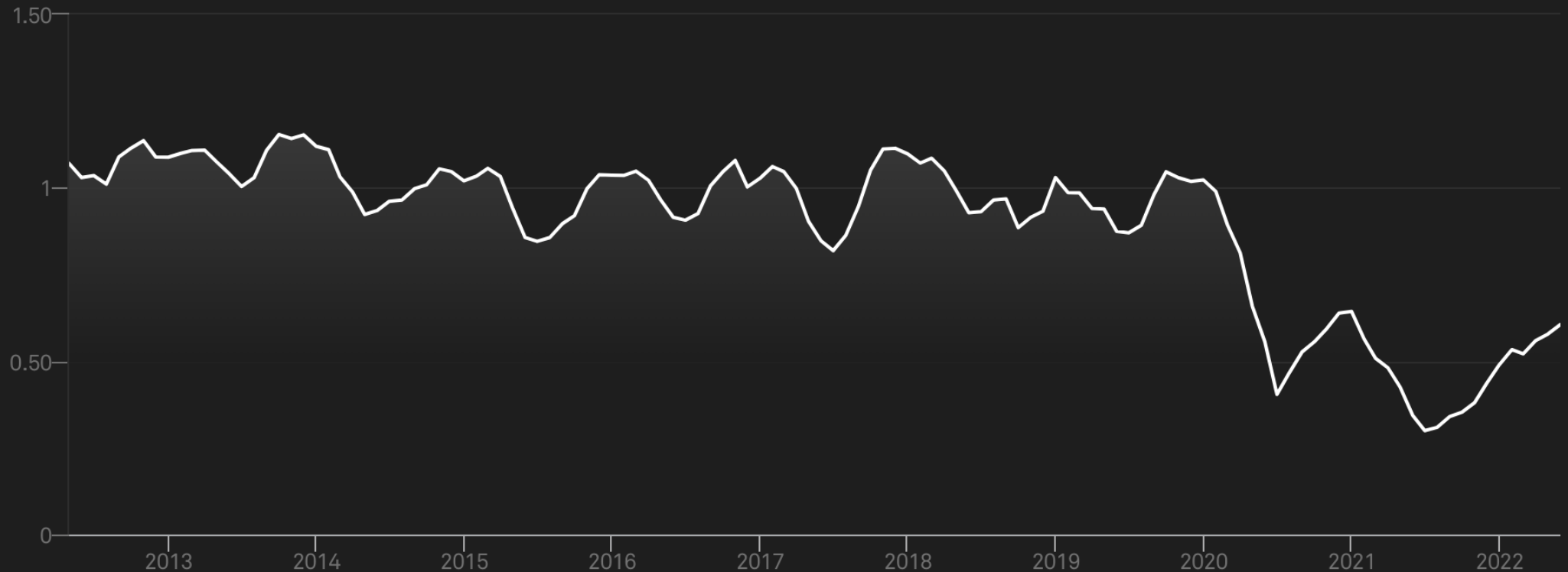
5 YEAR

10 YEAR


EXPORT 

COMPARE 

SPICE 



Jointly developed by S&P Indices and Experian, the S&P/Experian Consumer Credit Default Indices are published on the third Tuesday of each month at 9:00 am EST.

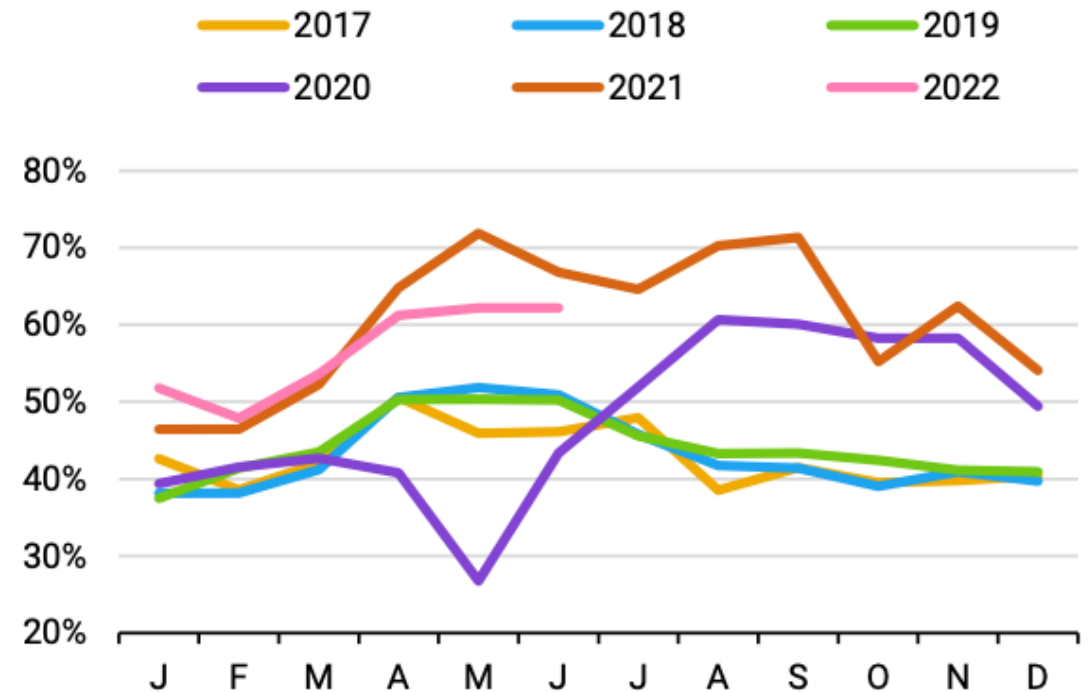
The index Launch Date is May 04, 2010. All information for an index prior to its Launch Date is hypothetical back-tested, not actual performance, based on the index methodology in effect on the Launch Date. [SEE MORE](#) 



REPOSSESSION & WHOLESALE VOLUMES

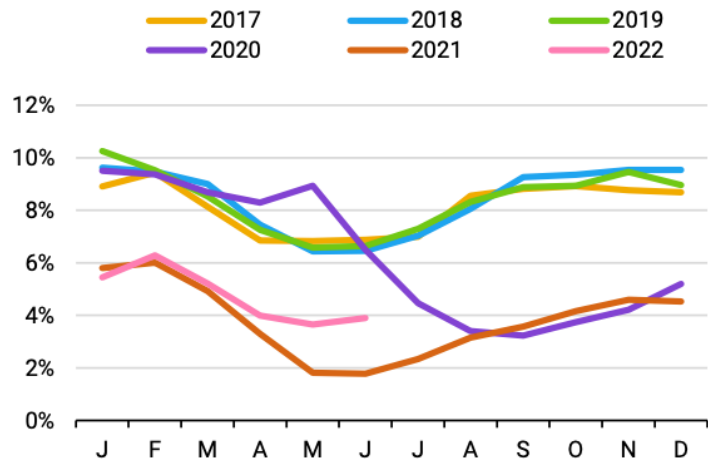
- Subprime repossessions are rising, as are prime repossessions
- Industry analysts are watching to see whether repossessions pick up again, as federal support for rent and mortgage payments goes away.
- Analysts say it could take a year — maybe longer — for the metric to return to what it was at the end of 2019.

Figure 10: KBRA Non-Prime Auto Loan Index (Recovery Rate by Year)

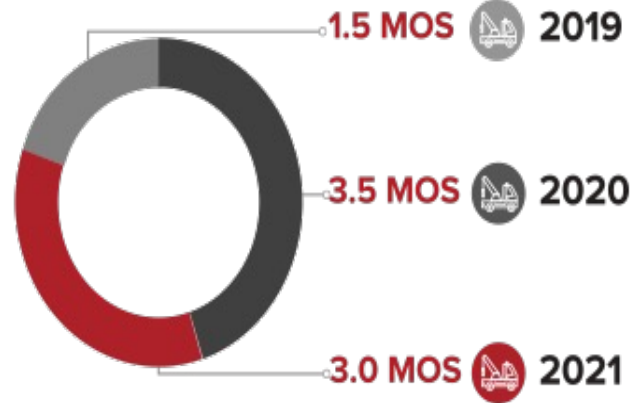


DRIVERS OF THE RECOVERY LAG THE RECOVERY LAG

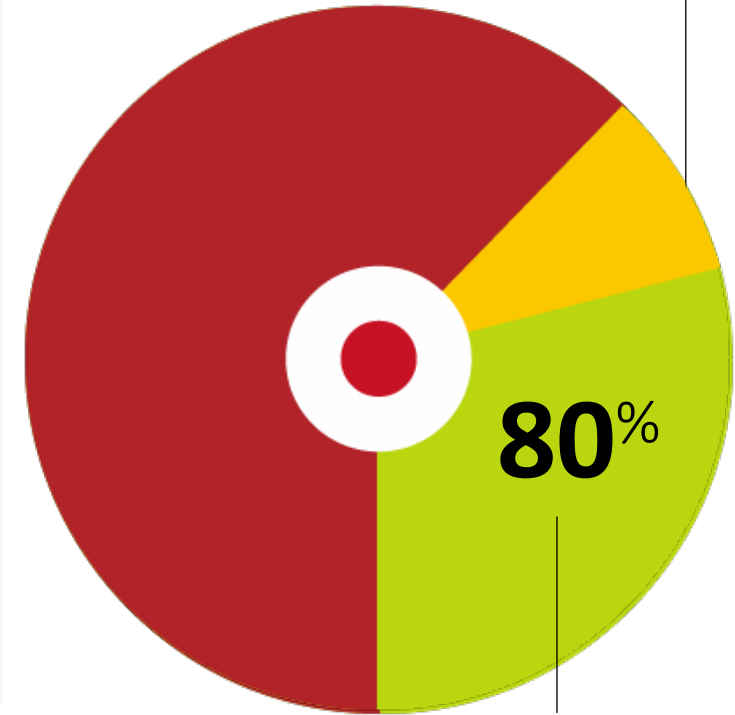
Figure 4: KBRA Non-Prime Auto Loan Index (ANL by Year)



Average Recovery Time for Liquidation Backlog



National Recovery Rate



Vehicles Recovered within 10 Days



CHALLENGES OF THE RECOVERY LAG

Depending upon the state, there are only 1-3 collateral recovery Insurance Carriers writing the coverages needed for this Industry vs. 8-10 Carriers in 2016.

● Since 2016 ...

- Wrongful Repo claims are **↑200%**
- ≈ 35% from Title Loan companies

● 2020 Challenges

- **↑74%** in claims that have **No Right to be Repossessed**
- **↑54%** in claims where **Agents says Gate was Open, Debtor says it wasn't**

● 2021 Challenges

- **↑33%** of claims received have **No Right to be Repossessed**

● Invalid orders are being assigned with **NO** repercussions either from or to the lender because of Unfair, One-Sided contracts - A **BIG** reason for fewer Carriers and increased insurance premiums

● In certain states, you must go to an Excess Lines Carrier for Repossession Coverage (higher premiums)



RECOVERY REGULATORY CLIMATE



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.



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.



LEGISLATION TO WATCH



Connected Car Technology



LEGISLATION TO WATCH

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

- 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.

States including California, New York, and Virginia have already passed laws that may impact the recovery industry when it comes to connected car data privacy laws.



LEGISLATION TO WATCH

Gramm-Leach-Bliley Act (GLBA)

- New provisions effective Dec 9, 2022
- Adds provisions and provides guidance to financial institutions regarding an “information security program, such as (1) encryption of customer information over external networks and at rest, (2) multifactor authentication, and (3) secure disposal of customer information”

<https://www.jdsupra.com/legalnews/glba-safeguards-rule-amendments-become-8621602/>

FTC Chiming in on Consumer Personal Data

- Focus on protecting sensitive customer data

https://www.ftc.gov/business-guidance/blog/2022/07/location-health-other-sensitive-information-ftc-committed-fully-enforcing-law-against-illegal-use?utm_source=govdelivery



CAROLINAS REPOSSESSION REGULATIONS

NORTH CAROLINA

Once a buyer misses a payment, North Carolina allows the creditor to immediately repossess the item unless there is some contractual protection.

So long as no breach of the peace occurs, a creditor or their agent may enter your property for the repossession without providing notice.

- North Carolina repossession agents may not enter your home uninvited to recover your property.
- North Carolina repossession agents may not use violence in any way to repossess your vehicles, or other property.
- Repossessions in North Carolina cannot happen when a repo agent has tricked you into bringing your vehicle into a shop and then repossessing it after you've left.
- In North Carolina, it is required that the tag stay with the consumer.

If the property sells for less than the value of the note, the lender has the right to seek the difference from the original buyer, in addition to reimbursement for repossession costs. If the property sells for more than the balance owed, the lender is required to give the overage back to the customer.

SOUTH CAROLINA

Title 37 of the South Carolina Code establishes when a lender can repossess a vehicle. Lenders must provide defaulting borrowers with a “Notice of Right to Cure” their loan defaults before proceeding with repossession. Under South Carolina law, a borrower is not in default of his loan obligations until he is at least 10 days behind in his payments. Additionally, the notice must give a borrower at least 20 days to cure his delinquency or default. However, federal credit unions do not have to provide this cure opportunity.

Lenders can repossess their vehicles by filing a self-help lawsuit after completing a “Claim and Delivery” notice or by towing defaulting borrowers’ vehicles. A lender can hire a repossession agency to conduct the repossession, or the lender can conduct it. However, lenders and repossession agencies must comply with the existing South Carolina laws, which state that as long they abide by the state’s peace laws by not breaching the peace, they may repossess vehicles on the borrower’s private property or at their place of business if contracts provide them with these rights. Lenders have a right to sue car buyers for the remaining deficiency or the difference between the sale amount and the outstanding loan amount, if they sell repossessed vehicles.



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.



TAKE A PAGE FROM THE PAST

Economic contractions and recessions have boded well for the subprime and BHPH markets in the past. Prime consumers who take a credit hit, become subprime customers. Subprime customers who take a credit hit become BHPH customers.

Twenty-one years ago, political and economic pundits suggested it could take 20 years for the U.S. economy to recover from the Great Recession.

Fortunately, within just several years there were green shoots everywhere. Technology made huge improvements for consumers and businesses, making products and services less costly and far more beneficial.



BEST PRACTICES



Integrate Modern Analytics To Monitor Your Collateral



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



Document & Audit Collection Process



Train Collectors & Establish Consistent Practices



Hire Bonded, Certified Licensed Recovery Specialists



Build Relationship & Over-Communicate with Your Recovery Specialists



Provide Location Intelligence to Assist in Fast Recoveries



GPS Predictive Analytics to Guide Future Funding Decisions

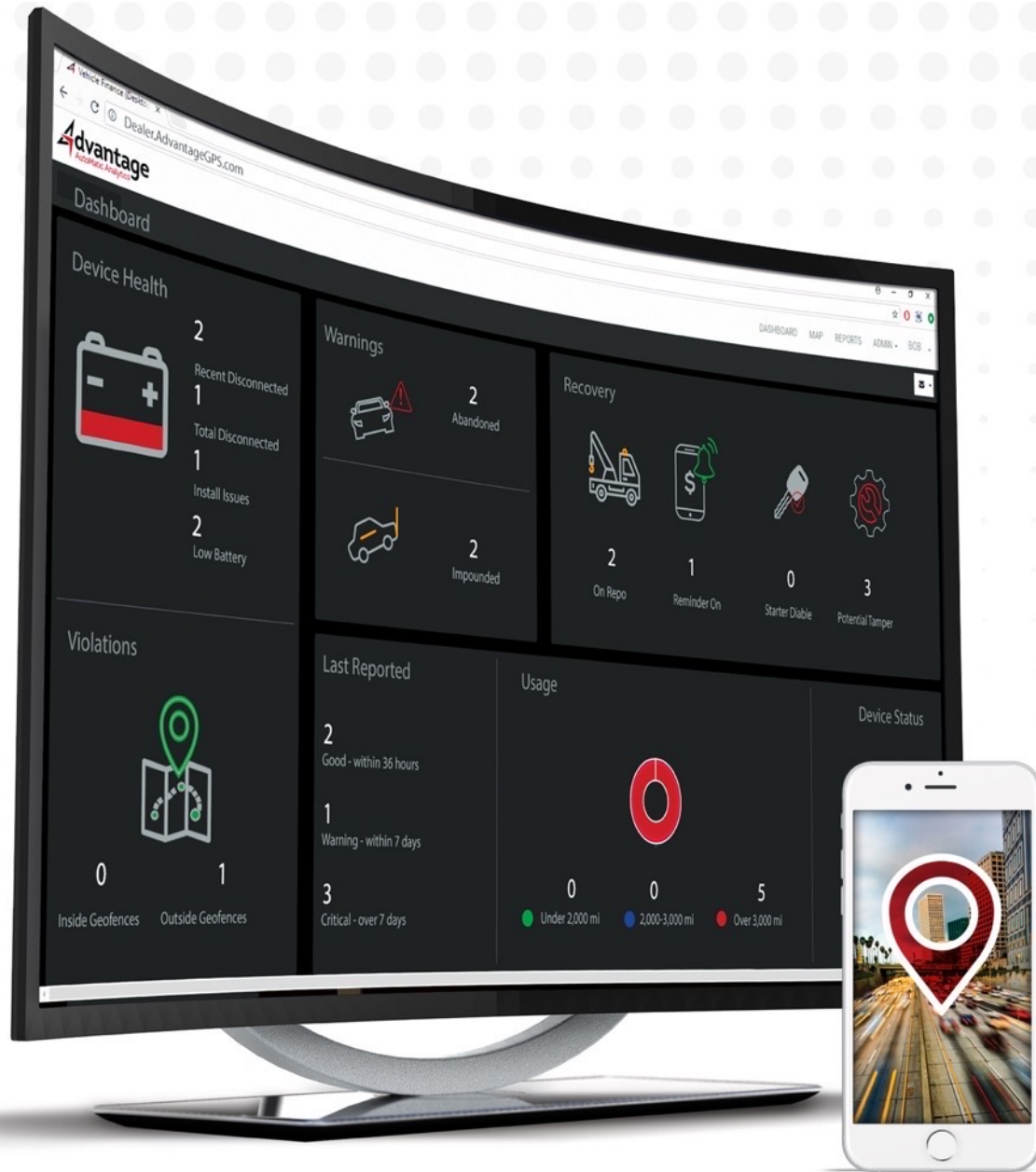


Support Associations in Educating State & Federal Legislators



Build a Culture of Compliance Internally & with Your Partners





THANK YOU

