



Executive Summary

LOC's Auto Loan Protection is a risk management program enabling lenders to optimize lending and finance income on direct and indirect loans. The program boosts loan yield and profit by significantly reducing charge offs on defaulted loans.

LOC Protection purchases repossessed vehicles from lenders based on guaranteed vehicle values less collision damage, mechanical defects, or excess mileage. LOC's purchase offers are consistently higher than auction values. To further reduce charge offs, the program provides principal balance reduction payments to a maximum of \$5,000.

The program is applied selectively to non-prime loans according to lenders' loan policies.

- ✓ LOC Protection provides \$3,000 to \$6,000 additional loan loss reduction on defaulted loans.
- ✓ Lenders make all loan approval and loan policy decisions.
- ✓ Lenders recover 80% to 90% of LOC Protection fees on direct loans by increasing the interest rate 1.5% or disclosing LOC's fees and adding the fees to the loans.
- ✓ LOC Protection is applied to new and used cars, trucks, and vans with maximum protection of J.D. Power retail value on used vehicles or MSRP less rebates on new vehicles.
- ✓ Available on vehicle purchase prices from \$1,000 to \$80,000, and loan terms from 1 year to 8 years.
- ✓ Refunds provided on paid off loans and total losses.

LOC PROTECTION

VEHICLE REPOSSESSION CLAIM EXAMPLE

\$18,000 vehicle purchase price, 12% APR, 60 month loan term
Vehicle repossessed in 12th month (average condition)

1. LOC's purchase offer for repossessed vehicle

\$13,687 LOC's first year stated value displayed on Interim Order form
-500 less collision damage (as determined by vehicle condition report)
-100 less excess mileage (\$.12 per mile penalty in excess of 15,000 annual miles)
\$13,087 LOC's offer for repossessed vehicle

2. LOC's principal balance reduction payment

\$15,694 10th month principal balance (12th month repossession date less two payments)
-13,687 less LOC's first year stated value
\$2,007 principal balance reduction payment

Lender receives \$13,087 for vehicle + \$2,007 principal reduction payment = \$15,094