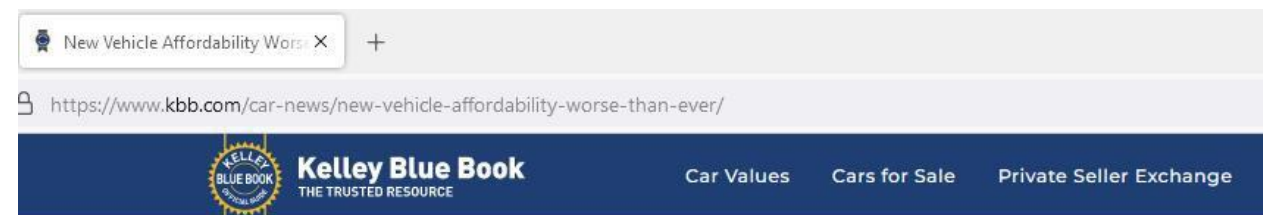




***Higher Yields, Lower Payments,
Greater Loan Term Retention with
Residual Based Financing***

HIGH VEHICLE PRICES + HIGH INFLATION RISING INTEREST RATES

VEHICLE AFFORDABILITY CRISIS



Home > General > New Vehicle Affordability Worse Than Ever

General

New Vehicle Affordability Worse Than Ever

By Sean Tucker 01/18/2023 8:06am



The average new car buyer in December took on a monthly payment of \$777.

Record-high new car prices have combined with high interest rates driven by the Federal Reserve to make cars harder to afford than ever before.



NEWS REVIEWS RESEARCH MAGAZINE BEST CAR DEALS

SUBSCRIBE

High Car Prices, Loan Rates Fueling an Affordability Crisis in the Auto Industry

By DAVID STRAUCHAN EDITED BY BRENDA WOODS REVIEWED BY RESEARCH TEAM CAR NEWS LAST UPDATED: MARCH 24, 2023

Home > Car News

Automobiles were far from the only commodity that saw a dramatic rise in cost in 2022, with historic inflation affecting nearly every sector of the economy. However, a perfect storm of ballooning costs and increasing auto loan interest rates has resulted in an affordability crisis that is putting pressure on both the auto industry and individual consumers.

Vehicle Affordability Is at an All-Time Low

Save On Car Insurance

Enter your zip code to shop for the best rates in your area:

48035

SEE RATES

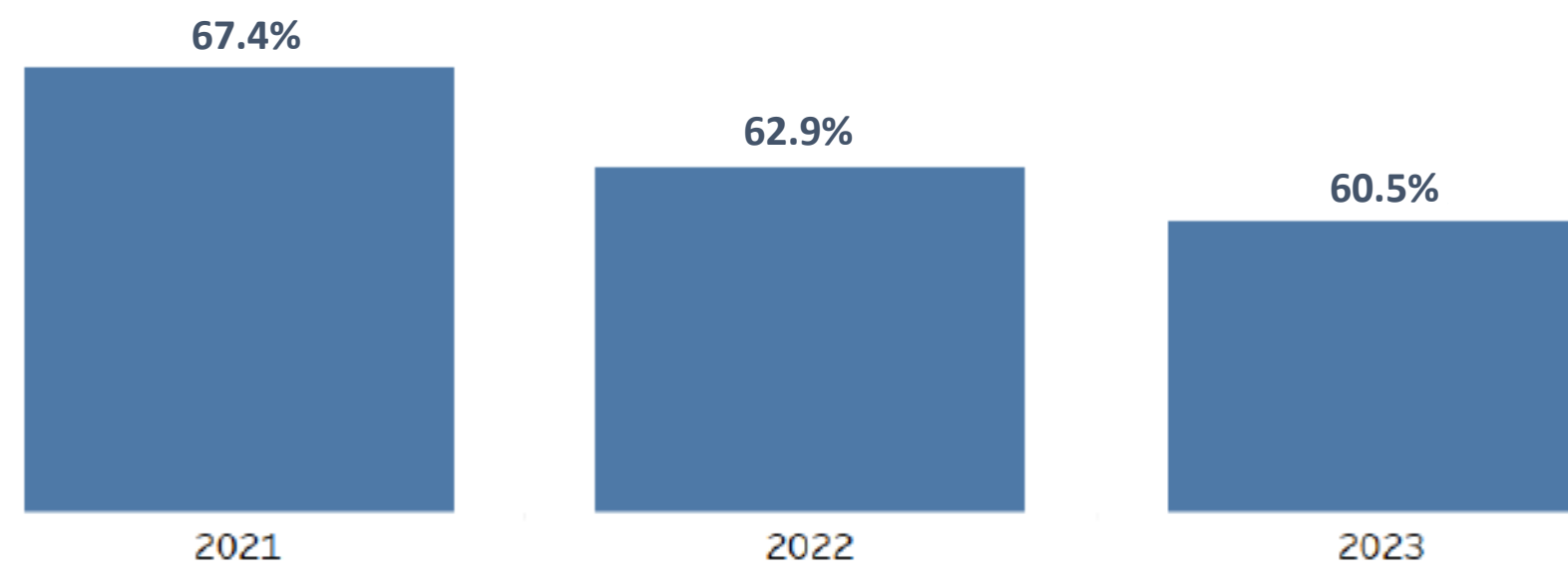


VEHICLE FINANCING TRENDS

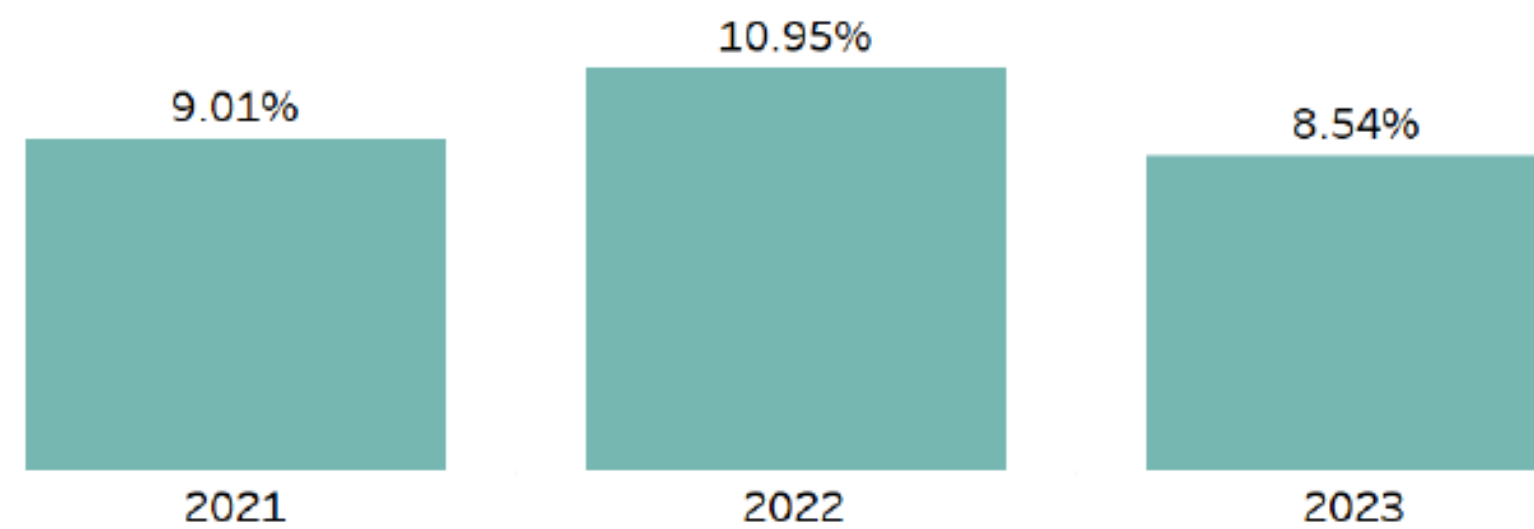
Automotive financing

Snapshot of how and what consumers are financing

% of all new vehicles that are leased (MICHIGAN – 3 out of 5 borrowers)



Used vehicle % of total lease market



VEHICLE FINANCING TRENDS



AFG AFFORDABLE VEHICLE FINANCING OPTIONS

Differentiation

Retaining and attracting new borrowers through AFG's innovative programs that set you apart from the competition.



RESIDUAL BASED FINANCING

- **Walk-away Balloon (Direct and/or Indirect Lending)**
- **Leasing (Indirect Lending)**



USER-FRIENDLY TECHNOLOGY

AFG provides a customized web-based residual value and payment quoting calculator



GUARANTEED FUTURE VALUE

100% of the residual value is guaranteed by AFG, and AFG is a guaranteed buyer at the end of the loan term in lieu of the member making the final balloon payment



END OF TERM PROCESS

Auto Financial Group handles disposition of the vehicle: Member communications, preliminary vehicle inspection, pickup/transportation and final inspection/check to the credit union to apply to remaining balance

WHY PAY FOR THE WHOLE VEHICLE?

\$65,000 VEHICLE LOAN



GUARANTEED FUTURE VALUE
\$37,757

PAY FOR WHAT YOU USE
\$27,243

GFV means options at loan maturity

Actual Vehicle Value at Loan Maturity

\$39,757

- Trade in
- Sell
- Pay off
- Refinance

\$35,757

- "Walk Away"

Available any time
with no early
termination fees



Available at the
end of the loan
term

AFG'S RBF PROGRAMS OFFER PAYMENTS ON AVERAGE

30-45% LOWER

VS

CONVENTIONAL FINANCING

AFG WALK-AWAY BALLOON VS CONVENTIONAL FINANCING

2022 Jeep Wrangler 4 dr. Convertible Unlimited Rubicon 4xe
 Guaranteed Future Value: \$37,757

| 60-month loan term | | | |
|--|--------------------------------------|---|---|
| | Conventional (5.99% rate) | AFG Walk-away Balloon (5.99% rate) | AFG Walk-away Balloon (6.99% rate) |
| Amount financed | \$65,000 | \$65,000 | \$65,000 |
| Monthly Payment | \$1,256 | \$725 | \$770 |
| Net Interest Income | \$10,380 | \$14,732 | \$17,363 |
| ROI (Net Interest Income/Amount financed) | 15.97% | 22.66% | 26.71% |

Notes:

- All net interest income/ROI calculations have included an \$825 lender acquisition fee.
- Balloon Monthly Payments 1-59 (term of loan minus 1)



AFG PROGRAMS VERSUS CONVENTIONAL FINANCING



YIELD

Increase your yield



Cut your borrowers' monthly payment

PROGRAMS SUMMARY

| | |
|--|---|
| Terms | 24-72 months (Includes banded terms, 39, 42, 51, 54, 63 and 66) |
| Eligible Vehicles | Future Year, Current Year and up to five year used (under 105k miles) |
| Annual Mileage Allowances | 7.5K, 10K, 12K, 15K, 18K |
| Vehicle Protection Plan | Aftermarket product available to borrower that provides up to \$5,000 for covered vehicle damage; can create additional revenue for Lender, Staff & Dealer. Excess Wear & Tear (EWT) available in 49 states; Smart 360 Appearance Protection Program available in New York State for indirect lending only. |
| Residual Value | Automotive Lease Guide |
| AFG Guarantee to Financial Institution | 100% of residual value provided by AFG Calculator assigned to financial institution partner; AFG is backed by an A-rated Residual Value Insurer (RVI America) |

AFG WALK-AWAY BALLOON & LEASE COMPARISON

| Category | AFG Balloon (Direct and Indirect) | AFG Lease (Indirect Only) |
|--------------------|--|--|
| Disposition fee | \$195 | \$395 |
| Over mileage fees | .10 per mile | .20 per mile |
| Servicing fee | None | \$10 per funded lease, per month (covers insurance tracking, the contingent insurance; AFG handles use tax rendition to state and any ongoing administration) |
| Acquisition fee | \$825 (usually baked into the APR) | \$925 (charged directly to the lessee and is rolled into the net cap cost) |
| Monthly minimums | Minimum of two (2) vehicle enrollments | No minimum requirement |
| First payment | Up to 51 days deferred | Lender determines option: Due at signing, 30- or 60-day deferral |
| Finance rate | APR | APR or money factor (lender choice); rate is NOT disclosed on lease contract |
| Payments | Term minus 1 | Term – monthly payment lower at same term, same rate vs. balloon |
| Document printing | Conventional loan docs with a 2-page AFG addendum | Perfected lease contract & lease worksheet printed from AFG calculator State specific docs as required |
| Title | Titled in borrower's name and lender as lienholder | Titled with AFG as lessor, borrower as lessee and lender as lienholder |
| GAP insurance | Lender or dealer can sell | Blanket GAP insurance 135% of MSRP or CRV; Maximum Liability of \$25,000; Financed amount must be less than or equal to \$150,000; Automatically included in each lease (part of acquisition fees) |
| Insurance | Provided by the borrower | Provided by the borrower; backed by AFG's contingent and excess liability coverage |
| Insurance tracking | Lender tracks insurance | AFG provides insurance tracking, will notify lender of any insurance lapses |
| Sales tax | Charged on sales price | Varies by state |

CURRENT LIQUIDITY ISSUES?

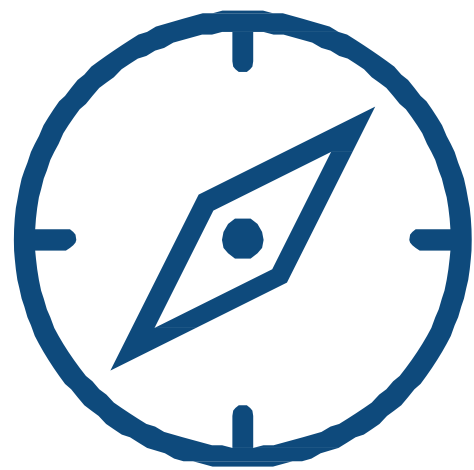
- VET THE PROGRAM WHILE LENDING IS SLOW
- EARN MORE YIELD NOW ON THE LOANS YOU ARE PUTTING ON THE BOOKS
- SWAP THE CONVENTIONAL VOLUMES WITH RESIDUAL BASED FINANCING PROGRAMS
- BE READY WHEN LIQUIDITY NORMALIZES

KEYS TO SUCCESS

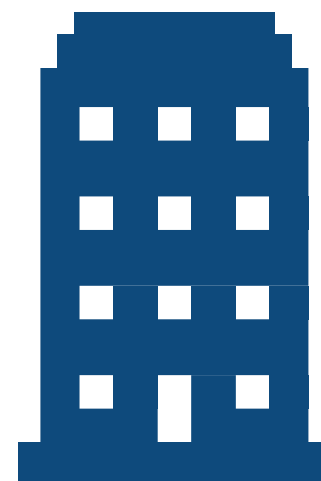
- LEAD WITH LOWER PAYMENT PROGRAMS
EDUCATE MEMBERS/STAFF ON CONVENTIONAL VS
AFG WALK-AWAY BALLOON/LEASE VS TYPICAL LEASE
- TRAIN STAFF
AFG DOES THE TRAINING FOR YOU!
- MARKET THE PROGRAM
AFG HAS MARKETING SUPPORT MATERIALS

COMPANY OVERVIEW

AFG'S mission is to provide innovative, revenue producing products for financial institutions.



ESTABLISHED IN
1999



HEADQUARTERS
IN HOUSTON, TX



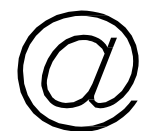
RESIDUAL BASED FINANCING
&
VEHICLE REMARKETING



JILL MALCZEWSKI
REGIONAL SALES MANAGER



586.243.1992



jmalczewski@autofinancialgroup.com

***THANK YOU FOR YOUR
INTEREST IN AFG! WE
HOPE TO PROVIDE A
ONE-ON-ONE
PRESENTATION FOR
YOUR TEAM!***

