OpenLending

Say YES to more automotive loans.

Executive Summary

OpenLending.com

Our Program

Much of a financial institution's automotive loan application flow results in lost opportunities due to less than favorable counter-offers or denials.

The **Lenders Protection**™ program increases opportunities from a financial institution's existing application flow. **Lenders Protection**™ allows an institution to expand their loan offerings with lower credit scores (560 minimum), higher loan advances (up to 145% of wholesale/trade values), longer loan terms (up to 78 months), and competitive interest rates that result in more affordable loan payments.

The **Lenders Protection**™ platform is interfaced in point-of-sales and loan origination systems. This means that the loan and the insurance process is delivered seamlessly through our program's proprietary software, eliminating the need to re-key application information.

Through our pricing tool, financial institutions customize their yield targets and operating costs resulting in the lowest interest rate possible for each loan that will achieve the financial institution's objectives.

Portfolio & Experience

2000 | **OpenLending** Established

2003 | Launch of **Lenders Protection**™

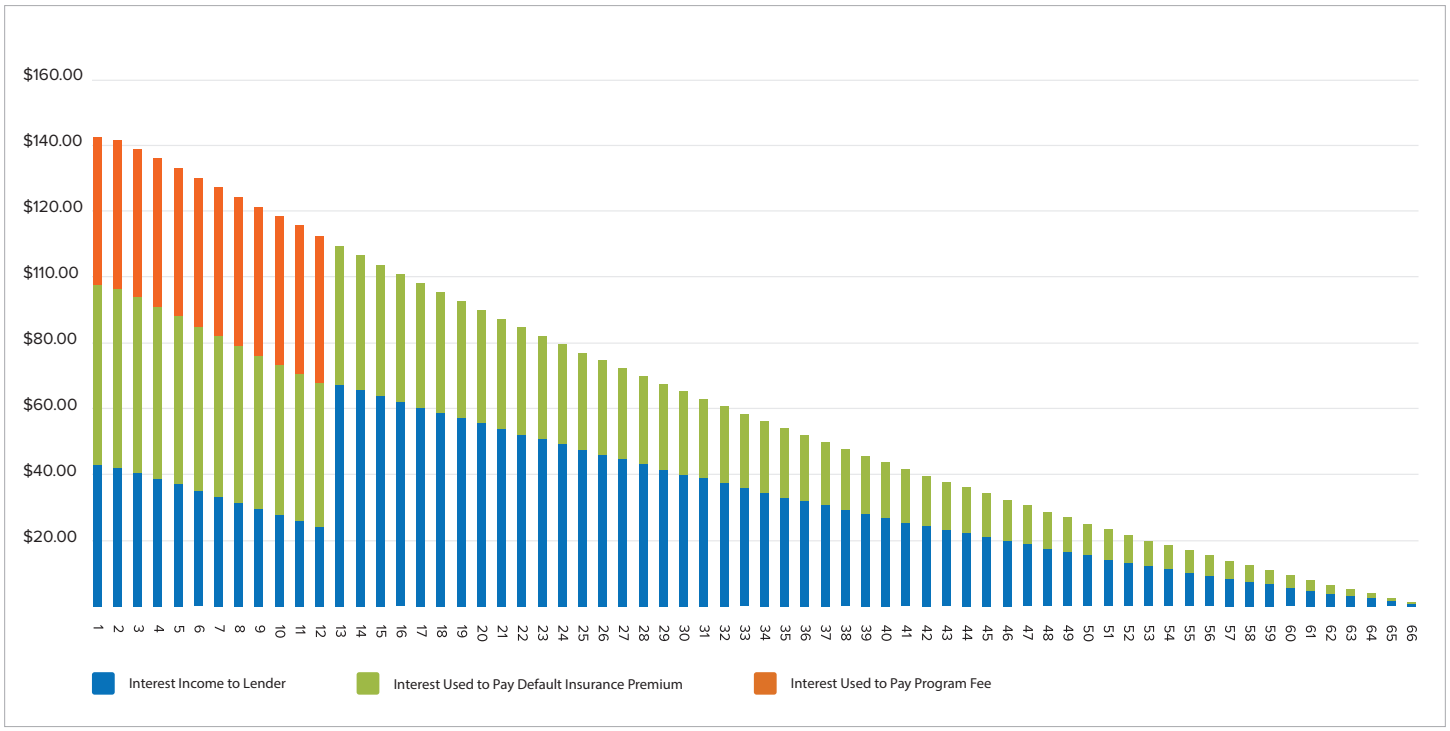
- Over 300,000 insured loans
- Over $6 billion in insured loans
- 400+ financial institutions in the U.S.
- Loans originated 2004–2009; 96% of institutions met or exceeded their ROA target through the recession
- Partnered with publicly traded "A" rated insurance carriers to provide automotive loan default insurance and advanced risk analytics to financial institutions
- 2.50% approximate net ROA: current financial institutions receive on insured automotive loan portfolio with an average life of about three years

The goal of **Lenders Protection**™ is to allow our financial institutions to book 20–30% more automotive loans from their existing application flow at higher returns than their prime lending programs with minimal increased risk or cost.

Our risk analysis and risk-based interest rate pricing are data driven. The basis of our risk assessments is driven by actuarial analysis of our extensive database of loan origination attributes and loan-life performance history.

PRICING TOOL MATRIX

Min FICO	Cost of Funds	Servicing Cost	Target ROA	Target Yield	Est. Sale	Repo Fees	Origination Fees	Origination Exp
750	1.00%	080%	1.80%	3.60%	70.00%	$750	$0	2.00%
700	1.00%	0.80%	2.00%	3.80%	70.00%	$750	$0	2.00%
680	1.00%	0.90%	2.20%	4.10%	70.00%	$750	$0	2.00%
660	1.00%	1.00%	2.40%	4.40%	70.00%	$750	$0	2.00%
640	1.00%	1.10%	2.60%	4.70%	70.00%	$750	$0	2.00%
620	1.00%	1.15%	3.00%	5.15%	70.00%	$750	$0	2.00%
600	1.00%	1.20%	3.10%	5.30%	70.00%	$750	$0	2.00%
580	1.00%	1.25%	3.20%	5.45%	70.00%	$750	$0	2.00%
560	1.00%	1.30%	3.30%	5.60%	70.00%	$750	$0	2.00%



EXAMPLE: breakdown of interest on a 66 month, $19,000 loan at 13.40% (if the loan defaults or prepays Lenders' obligation to pay remaining insurance premium and LP program fee is terminated)

Highlights

- Default insurance is available to the financial institution on **EACH LOAN,** mitigating risk of loss and enhancing the credit quality.
- Proceeds from the default insurance coverage and incremental interest priced into each loan are set to cover **all projected losses** for the financial institution.
- There is **NO COST** for the **Lenders Protection**™ program **until a loan is booked and insured.** The institution will incur the cost of an additional credit report pulled under the financial institution's subscriber code**.**
- For each insured loan, the **financial institution pays a Program Fee** which is 3% of the loan amount. This fee is billed equally over the first 12 months of the loan: **($20,000 LOAN X 3% = $600, PAID EQUALLY OVER FIRST 12 MONTHS = $50 PER MONTH).** If the loan pays off or defaults within the first 12 months, any unbilled program fee is waived.
- Insurance **premiums vary with the level of risk** and can be paid as an upfront single premium or monthly premium paid from the interest income received on each insured loan (the obligation to pay premium terminates if a loan prepays or defaults).

Coverage

- Insurance policy is issued directly to the financial institution
- No disclosure to consumer other than the contract interest rate

- Insurance is provided by multiple **"A" rated carriers** (A.M. Best)
- Claim payment is calculated as: the deficiency loan balance less, the greater of, net repossession proceeds OR 80% of vehicle value (without reduction for physical damage)

A wholly owned subsidiary of Open Lending is the third-party administrator that adjudicates claims and remits claim payments on behalf of the insurance carriers.

CLAIM SCENARIOS

	Repossess and Sell the Vehicle **ABOVE 80% Book Value**		Repossess and Sell the Vehicle **BELOW 80% Book Value***	
Loan Balance at Time of Default Vehicle Value at Time of Default	$20,000 $10,000		$20,000 $10,000	
Greater of: **(A)** Amount realized from sale of vehicle **(B)** 80% NADA Trade or KBB Wholesale	**$9,000** **A=Sale Amount**	$8,000 **B=80%**	**$7,000** **A=Sale Amount**	$8,000 **B=80%**
Financial Institution loss without **Lenders Protection**™	$11,000		$13,000	
Claim Payment (Plus 60 Days Interest)	$11,000		$12,000	
Financial Institution uninsured loss with **Lenders Protection**™	$0		$1,000	

*Uninsured losses can be priced for using our Custom Risk Based Pricing Tool.

Profile

2.50%

projected return on assets (ROA)

$18,872

average loan amount ($16,616 for direct and $19,064 for indirect)

643

average credit score of insured portfolio

11%

average interest rate (9% for direct and 12% for indirect)

116%

average loan-to-value (wholesale)

67 months

average loan term

60%

portfolio make up for indirect loans

87%

portfolio make up for used vehicles

80%

average of wholesale value realized from sale of repossessed vehicle

Guidelines

- Personal use autos up to 9 model years from current year are eligible
- Loan-to-value maximum of 145% of wholesale trade + back-ends of 20% of vehicle value to a maximum of $5,000
- Mileage limits:
  Up to 100,000 miles qualifies for 78 month term; up to 125,000 miles qualifies for 60 month term; up to 150,000 miles qualifies for 48 month term
- Discharged Bankruptcy eligible; dismissed must be older than 24 months
- Maximum loan amount of $55,000+ up to $5,000 of back-ends
- Maximum DTI (debt-to-income) 50% (varies by credit score)
- Maximum PTI (payment-to-income) 20% (varies by credit score)
- Automatic counter-offer if loan cannot be approved as submitted

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