Auto Portfolio Sales

Presented by

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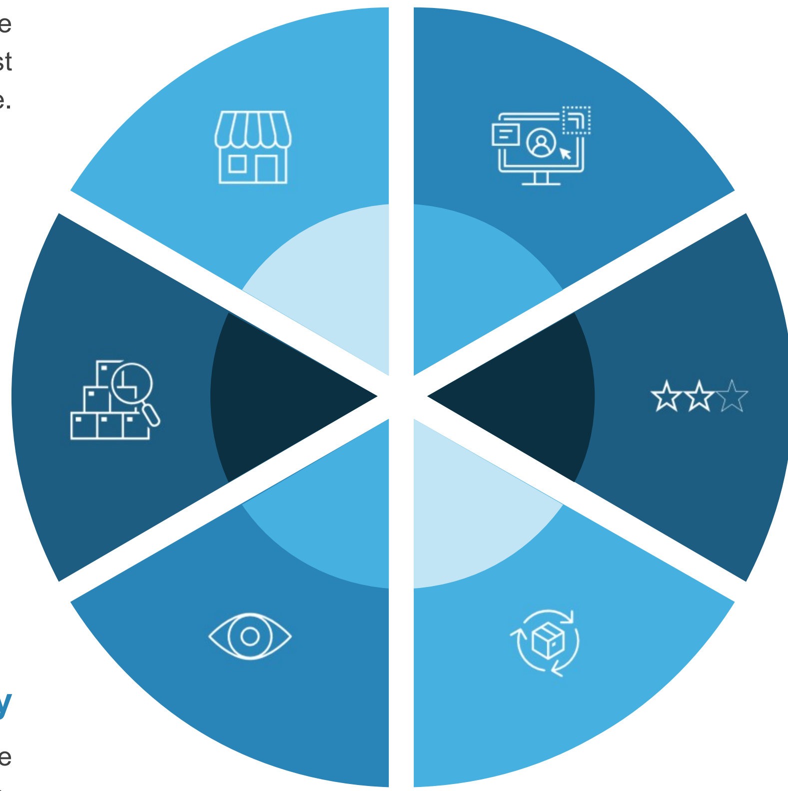
The Garnet Way to Sell Loans

Market Knowledge

Garnet’s constant presence in the loan markets provides the latest information on value.

Experience

Decades of experience across all product areas means Garnet understands how current and historical trends interact to create today’s market.



Analytics

Delivering an offering memorandum and sales materials aligned with buyer model inputs and yield requirements is critical.

Reputation

Garnet’s reputation for bringing only qualified investment opportunities to market maximizes buyer participation.

Transparency

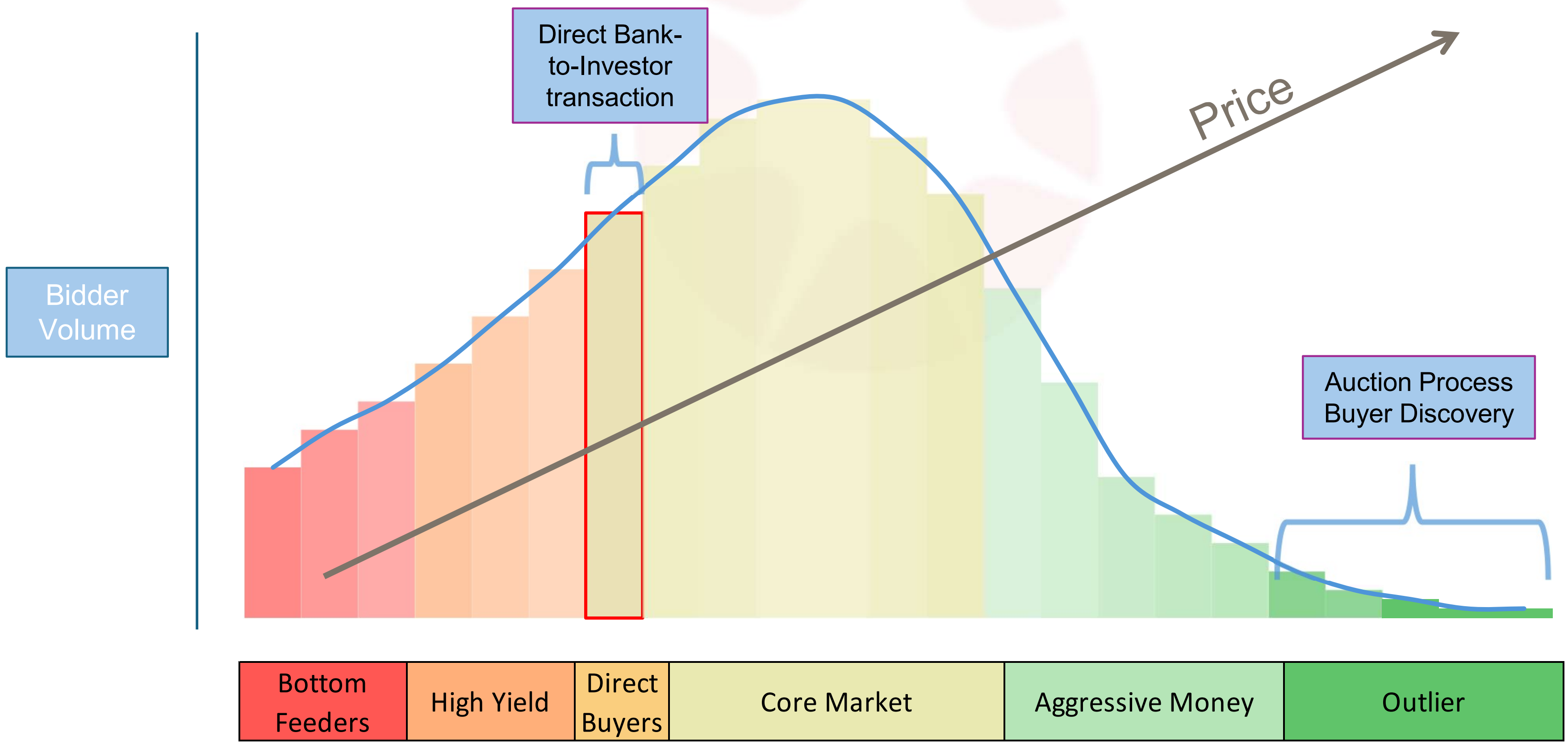
Garnet has assisted many public and private sector clients requiring fair, defensible, documented sales processes.

Process

The sale process is structured to tap new buyers and create competition among interested investors right up to closing.

Competitive Auction Dynamics

Garnet's competitive auction process presents a compelling value proposition for Sellers. Recent market turmoil and a widening of spreads have enhanced this value. Historical auction results reflect a consistent pattern of uncovering a single outlier investor to overshoot the market. Garnet's extensive buy-side coverage provides for the ability to pair the unique value elements of a given asset with an aggressive investor's buying preferences.



Performing Subprime Transactions

- Garnet has a long history in the subprime vehicle market working with sub-prime originators, credit facility providers and investors
    - Garnet has facilitated the sale of billions of auto loans over the past 20 years
    - We have competed sales in both non-distressed and distressed situations including sales following/during bankruptcy
- The secondary sale of sub-prime loans is greatly enhanced by the initial diligence process to address basic questions:
    - How was the pool originated?
    - How was the pool serviced?
    - What is unique about the portfolio, i.e., starter interrupt?
- We work with the seller to compile the required information and tell the story of the portfolio which increases marketability and achieves better pricing
- The investor market for subprime auto is centered in hedge funds
    - If the transaction size increases above $150 million, there is increased interest from private equity and other institution sources
    - Banks and similar financial institutions generally do not participate in the subprime market

$234 Million
Performing & Charged-Off Auto Leases

$26 Million
Powersports Loans

$100 Million
Subprime Auto

$30 Million
Harley Davidson Leases

$117 Million
Subprime Auto Leases

$10 Million
Subprime Auto

$300 Million
Subprime Auto Forward Flow

Garnet is Active in Auto Portfolio Sale Markets

$18 Billion in Auto Portfolios

$4 Billion

Performing Vehicle Loans

91 Transactions

$11.2 Billion

Auto Deficiencies

182 Transactions

$170 Million

Auto Related Bankruptcy Loans

11 Transactions*

$2.4 Billion

Secured Skips

60 Transactions

* 11 Bankruptcy only/bankruptcy specific transactions. The majority of auto bankruptcy transactions are done at the same time as deficiencies or secured skips, but pooled separately. Those bankruptcy transactions are not reflected in this total.

Auto Loan Transactions Across the Credit Spectrum

Truist	Flagstar	Arivo	TCF Bank	TD Bank	Santander Consumer
$1.5 Billion	**$950 million**	**$200 Million***	**$150 Million**	**$1.8 Billion***	**$3.4 Billion***
Performing Auto	Prime Auto	Performing Auto Forward Flow	Prime Auto	Chapter 13, Secured Auto, Auto Deficiency	Auto Deficiency and Secured Auto

Exeter	Chrysler Financial	Navy Federal Credit Union	American Credit Acceptance	AmeriCredit	Carvana
$2.1 Billion*	**$2.1 Billion***	**$600 Million**	**$1.5 Billion***	**$633 Million**	**$1.3 Billion***
Chapter 13, Secured Auto, Auto Deficiency	Auto Deficiency and Chapter 13	Chapter 13, Secured Auto, Auto Deficiency	Auto Deficiency	Auto Deficiency	Auto Deficiency

Central Bank	WCC Wisconsin Consumer Credit	Mercedes-Benz Financial Services	Citizens Bank	J.D. Byrider Cars. Credit. Care.	Crescent Bank
$127 Million	**$38 Million**	**$239 Million**	**$120 Million**	**$128 Million**	**$140 Million**
Prime Consumer Auto Leases	Near-Prime Auto	Auto Deficiency	Auto Deficiency	Auto Deficiency	Auto Deficiency

*numerous sales

Chapter 13 Bankruptcies – Secured and Unsecured

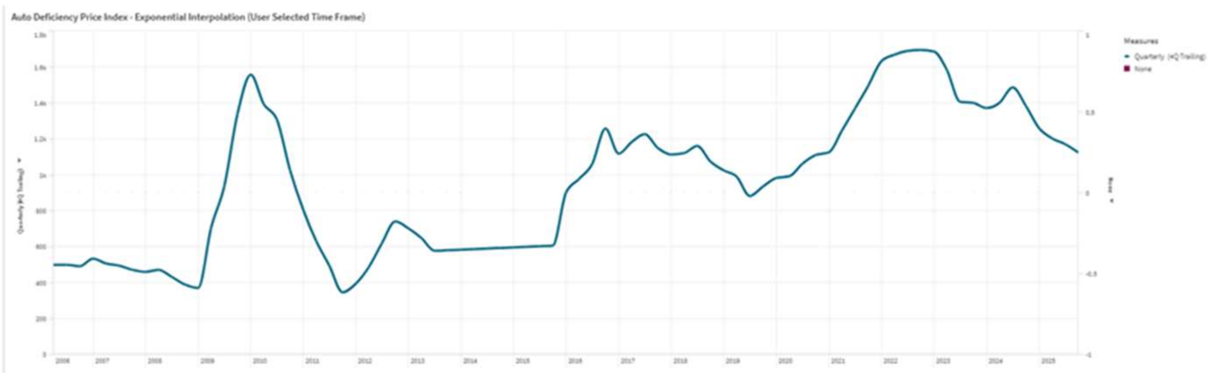
Pricing has risen dramatically and markets for Chapter 13s have become more robust

- Consumer bankruptcy purchasing is highly driven by:
  1. Cost of funds
  2. Historical performance data analysis
  3. Effective & efficient servicing of “fallout” accounts that dismiss/refile
- The anemic supply of product available for sale, new market entrants, and buyer appetite continues to push pricing levels close to future gross collection projections.
- Low-cost bank financing has driven overall pricing up significantly.
- Bankruptcy sales can be executed on a bulk, flow, or combination basis.
- Chapter 13 liquidations are highly predictable allowing sophisticated buyers to underwrite to unusually low yields.

PRODUCT	PRICING	FACTORS
Unsecured	**12% - 19%**	Freshly filed or a clean static pool
Secured	**30% - 65%**	Freshly filed or a clean static pool Pricing a function of: • Wholesale Collateral Value (LTV) • Plan Ages • Payment Patterns • Surrender and Dismissal Rates

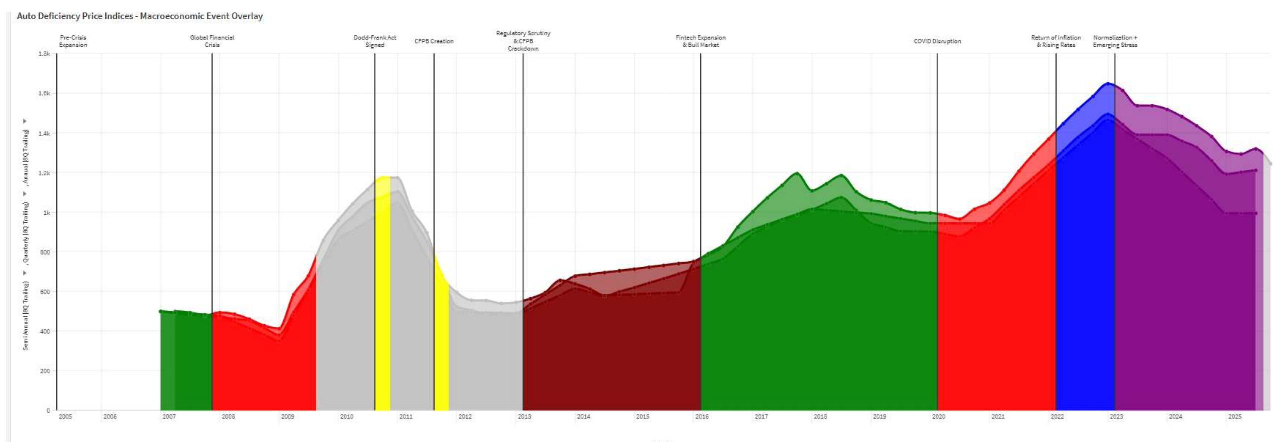
Auto Deficiencies ~ 20-year price history

Garnet has been tracking deficiency pricing for 20 years

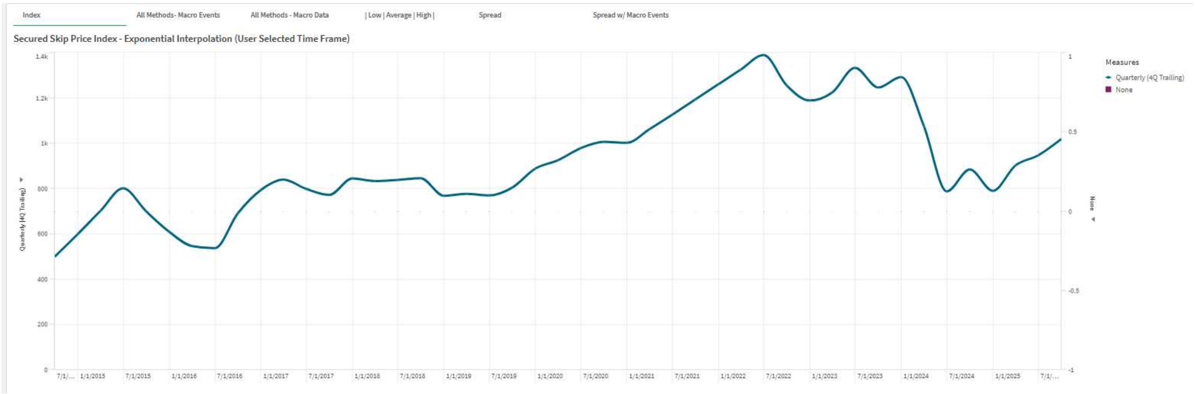


Garnet's broad span of clients and long tenure in the business helps us understand how today's conditions are perceived by buyers and how pricing is affected

Having sold portfolios in every economic scenario means Garnet can anticipate market trends and position your portfolio to achieve the best possible price and participation

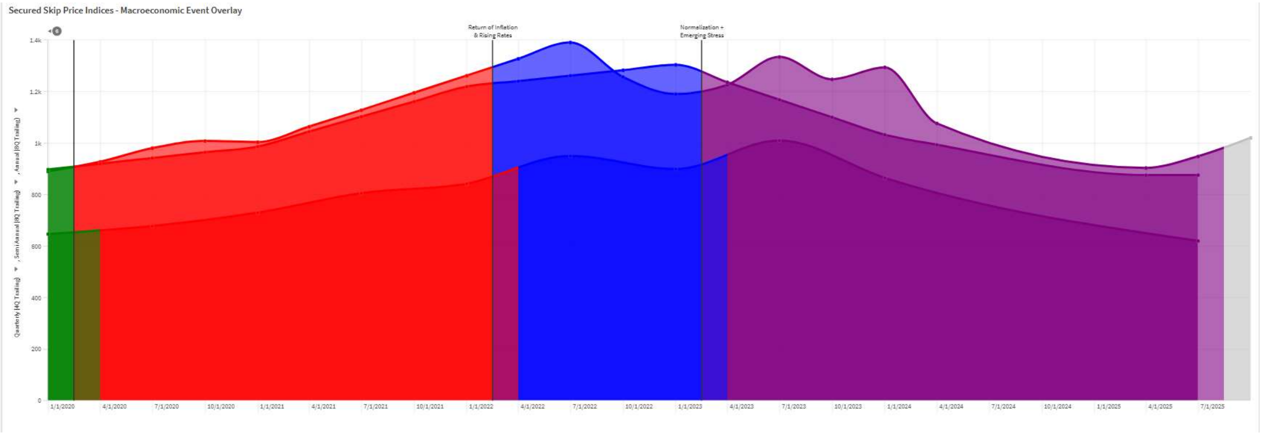


Auto Secured Skips ~10+ year history



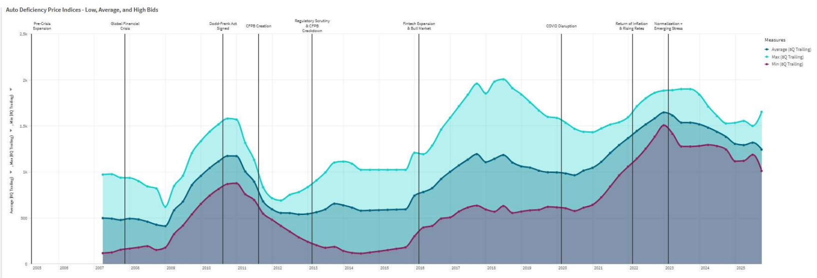
Garnet created a market for this asset class (including creating the name "Secured Skips"). We have spent time educating the market on the collection opportunities available in this asset class

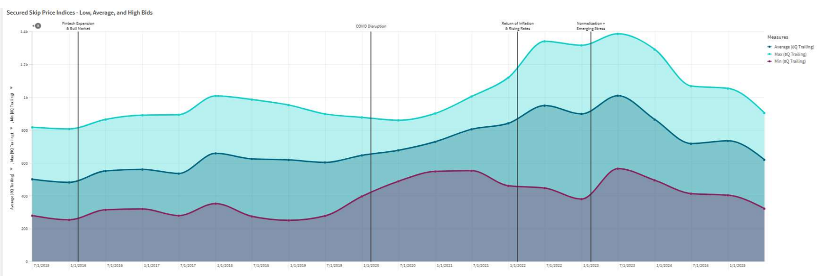
Garnet's depth of knowledge in this asset class has enabled us to customize portfolio presentation in a way that will maximize attention and derive maximum value



Historical LMH and Bid Spread Percentages

Garnet tracks pricing over time and uses buyer feedback to build better portfolio stories going forward





Understanding how macro-economic events have affected portfolio pricing historically provides tremendous insight into buyer behaviors during volatile (or stable) market conditions.

Bid spreads demonstrate the importance of a broad marketing effort and not relying on the same “go-to” buyer for each transaction.

Post-Closing Desk Reference – Charge-Off Sales

Garnet's involvement doesn't end at closing

Logistics.

Garnet provides a post-closing package that lists deal-specific items to be completed post-closing:

- Key contacts at parties
- Repurchase and indemnification highlights
- Post-closing audit requirements
- Key dates (i.e., delivery schedules, indemnification burnoff, putback termination)
- Deal-specific tips for avoiding problems

Documentation.

Garnet puts key documents from origination to completion in a desk reference for transparency to your key stakeholders. Topics covered in the post-closing guide may include:

- Financial Analysis
- Post-Closing Information
- Initial Settlement Statement
- Marketing Materials
- Bid Sheet
- Considered Bids
- Loan Sale Agreement
- Executed Exhibits
- Initial Releases
- Licensing
- Insurance
- Bonding
- Audits
- Attestation
- CFPB Review
- Security Review

Post Closing Desk Reference

Garnet Documents the Entire Sale Process
In an Electronically Searchable PDF Format

POST-CLOSING COMPLIANCE DOCUMENTATION RECORD

Table of Contents

Seller: [redacted]

Sale #: CO-1136 **Type: Secured Skip Auto Portfolio**

SECTION 1 VENDOR DOCUMENTATION
- a. Confidentiality Agreement
- b. Master Services Agreement
- c. Agreement for Limited License To Use Name and Logo

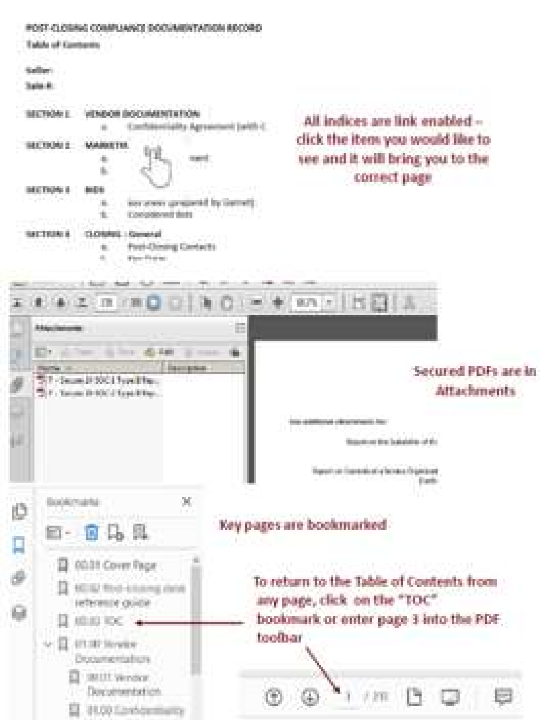
SECTION 2 MARKETING MATERIALS
- a. Sale Announcement
- b. Time and Responsibility
- c. Confidentiality Agreements
- e. Offering Memo
- f. Data File Layout

SECTION 3 BIDS
- a. Bid Form
- b. Bid Summary
- c. Submitted Bids

SECTION 4 CLOSING - Buyer Specific
- a. Counterparty Review Documents
- b. Loan Sale Agreement

SECTION 5 CLOSING - General
- a. Post-Closing Contacts
- b. Key Dates
- c. Post-Closing Punchlist
- d. Avoiding Common Problems
- e. Repurchase Quick Reference

Post-Closing Compliance Documentation Record



This book was over 1,100 pages
- *Meant to address post-sale questions*
- *Serves as a historical record*
- *Commonly referenced by many Garnet clients*

Forward Flow – A Highly-Managed Process

BUYERS PAY MORE

Initial Marketing

- Marketing a flow with a “Comprehensive Marketing Plan” typically provides for pricing enhancement as participants endeavor to secure seller relationships.
- Establish “Quality Guardrails” so buyers know they are bidding on something with manageable consistency.
- Establish timelines
- Provide guidance in establishing Sale Agreement terms.
- File analysis and historical trends - remove uncertainty.

SEAMLESS EXECUTION

Monthly Data File Processing

- Data file scrubs (bankruptcy, deceased, litigious consumers, etc.).
- File division – multiple counterparties. Garnet acts as the intermediary to “split” the files in a way that is equitable AND in-line with sale agreements.
- “Quality Guardrails” measurement and control. Garnet measures the files for quality guardrails conformity and proactively communicates with the buyer (avoids reprice and/or repurchase).

COMPLETE & ON-TIME

Closing

- Preparation of all monthly closing statements and legal documents.
- Escrow agent for closing documents.
- Escrow agent for closing funds (if desired).

NO SURPRISES

Ongoing Buyer Management

- Garnet is regularly in contact with the buyers to gather file & performance intelligence. Buyers will often tell Garnet more than the seller because they don’t want to risk offending the seller if there is a problem or concern.
- Assistance with putback review – Garnet can assist in both spotting excess putbacks and “pushing back” as third-party reviewer.
- File monitoring. Monitor trends in monthly files for potentially problematic changes in the future.

EASY FOLLOW-UP

Post-Closing Document

- Post-flow documentation. Garnet provides consolidated documents at the end of the flow in one package in case any documents were misplaced as a part of the sale.

Forward Flow – Initial Marketing

Garnet harvests marketing points using the portfolio evolution/history and uses that to increase pricing.

- Marketing a flow with a Comprehensive Marketing Plan typically provides for pricing enhancement – participants endeavor to secure seller relationships
- Establish "Quality Guardrails" so buyers know they are bidding on something with manageable consistency
- Establishment of timelines
- Provide guidance in establishing Sale Agreement terms
- File analysis and historical trending
- Remove uncertainty
- Tell the story
- Generate competition

All sale and marketing materials are customized for your offering and subject to your approval.

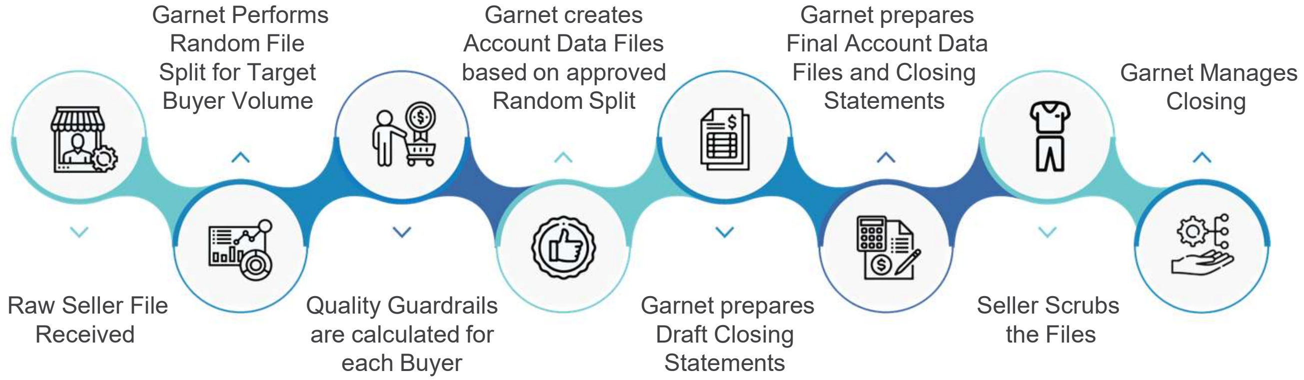
Forward Flow – Data Management

Monthly Data File Processing

- Data scrubs (bankruptcy, deceased, litigious consumers, etc.).
- File division – Garnet acts as the intermediary to “split” the files in a way that’s equitable AND in-line with sale agreements.
- “Quality Guardrail” measurement and control. Garnet measures the files for quality guardrail conformity and proactively communicates conformity with the buyer (the buyer cannot say that the file is sub-standard and they want a refund or to reprice).

Proper processing and control secures seamless execution

Conducted for One or Multiple Buyers



Closing

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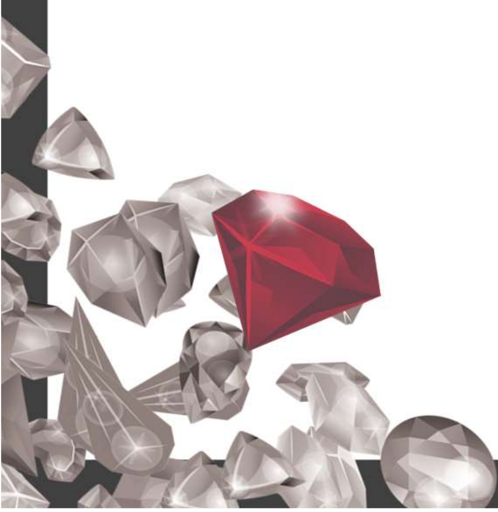
Garnet Benefit in Flow Sales

Garnet monitors flow sales (graph below) to spot and address potential issues BEFORE they become problems.

In COVID (2Q2020), most (if not all) flow programs not run by Garnet defaulted. <u>All</u> Garnet flow programs stuck to agreements. Garnet was in constant contact with both buyers and sellers, assuaging fears and increasing communication to bolster partnerships.



Garnet. The Real Deal.

Honesty. Integrity. Focus.
Adding value throughout the process.

