



Underwriting Guidelines

Non-Recourse *Financing Program*

These guidelines are general rules used in determining what Drive Financial Services will approve and purchase. The deal structure must be consistent with these guidelines. Only authorized Drive Financial personnel have the right to make credit decisions. The following provides a general representation of the type of customers and the deal structures that are acceptable for purchase.

Typical Customer:

Our typical customer has credit problems or has little to no credit experience. We generally look for stability and ability to pay when there is an absence of acceptable credit history. We do not want customers who are currently delinquent on their obligations unless there are other overriding factors in the deal. Our customers must be able to prove their income and residency, and we ask that they provide a five-year history on each.

Residence Stability:

Generally, a customer must have one year at the current residence or three years in the area. Job transfers are acceptable. We request a five-year history of residence on each buyer. Each customer must have a phone.

Employment Stability:

Generally, a customer must have one year with the current employer or two years in the same field. Consideration is given for recent college or technical graduates. Job gaps should not exceed 30 days and we prefer no more than three employers in the last two years. Customers must be employed when they sign their contracts unless they are on a permanent fixed income. Customers receiving unemployment or temporary disability are ineligible for financing. Any job change automatically revokes the approval and the deal must be underwritten again.

Self-Employed:

Generally, self-employed customers are less acceptable but may be considered with excellent stability, credit and/or commitment.

Co-Signers:

Co-signers are requested when possible to aid in the contract purchasing process.

Dealership Employees:

Any employee involved in submitting credit applications is generally unacceptable. Employees in departments other than sales and finance will be considered on an exception basis.

First-Time Buyer:

A first-time buyer is a customer who has no credit history or whose Social Security number is not sufficiently verifiable from the credit bureau. We request a valid Social Security card on these customers.

Military Personnel:

Military personnel should be E-5 and above. All military customers need to provide a copy of their current orders showing discharge date, a current leave and earnings statement, and a valid military identification. In addition, we require a completed allotment accompanied by a receipt showing the allotment has been completed, as well as the customer's first payment. We require first payment to compensate for the extra time needed to process allotments.

Direct Check Credit:

Any credit not on the bureau must be accompanied by some proof of payment history or ownership. Examples of acceptable proof include a title with a released lien from the finance source, proof of payment history from a printout, a pay history verified with a DMV report or proof of insurance.

Eligible Vehicles:

Must be listed in the NADA *Used Car Guide*. All vehicles must be for private passenger use only.

Ineligible Vehicles:

1. Vehicles designed for racing or modified for use as a public delivery vehicle.
2. Any vehicle made by a defunct manufacturer.
3. Trucks with gross-load capacities exceeding 2,000 pounds.
4. Limousines, salvage vehicles, taxis and reconditioned titles.



Underwriting Guidelines

Non-Recourse *Financing Program*

Down Payment Requirement:

1. Rebates are accepted for up to 5% of the sale price.
2. Down payment can be cash, trade and rebate.
3. Minimum down payment of 0 to 15% is required depending on the quality of the customer's credit.
4. Pick-up payments and hold checks are not acceptable.
5. Trade-ins are usually booked in the NADA *Used Car Guide* to count toward trade equity. Exceptions can be made for trade-in values on well-paid accounts (i.e., a customer that is upside-down on a trade, etc.).

Income Criteria:

Individual applicants should have a minimum income of \$2,000 per month.
Joint applicants should have a minimum combined income of \$2,500 per month.

Proof of Income:

One and Complete Tiers:

1. In some cases proof of income can be waived for W-2 employees depending on the customer's credit worthiness.
2. W2 Employees: If needed we will require a year-to-date pay stub verifying gross monthly income as stated or a W-2 in the first three months of the year. In some cases, one month of cancelled paychecks from the employer (front and back) can be accepted with analyst approval.
3. Self Employed: Two years previous tax returns with schedule C attachments prepared and signed by a tax preparer using line 31 as gross income. With analyst approval we can accept three months bank statements in the customer's name or business name with DBA papers.

Solution Tier:

1. W2 Employees: We will require a year-to-date pay stub verifying gross monthly income as stated or a W-2 in the first three months of the year. In some cases, one month of cancelled paychecks from the employer (front and back) can be accepted with analyst approval.
2. Self Employed: We require three months bank statements in the customer's name or business name with DBA papers. We can accept two years previous tax returns with schedule C attachments prepared and signed by a tax preparer using line 31 as gross income.

Overtime/Bonus:

Income should be derived from the year-to-date figure effective April 1 of each year. The year-to-date figure must be consistent with the gross income for the pay period on each check. If overtime or bonus is included and the checks do not look consistent, verification from the employer will be required. Usually overtime cannot be more than 20% of gross income.

Part-Time Income:

Part-time income and second jobs are acceptable with valid proof of income and a six-month history. Part-time income is acceptable at the sole discretion of the analyst and should not be used in most cases.

Proof of Address:

1. The phone bill with the name, address and phone number must match the application. We prefer all pages of the phone bill. If the phone bill is not available, directory assistance must verify the name and address, and there may be extra discount charged.
2. If the phone is not in the customer's name, provide a phone bill with the same phone number as the application and an additional proof of address such as a utility bill or bank statement.
3. Landlord information must always be provided on the credit application, and rent must be verifiable with the landlord.

Driver's License:

A valid driver's license is required on all buyers. Generally, the license must be in the state the customer resides, but exceptions can be made.

Explanation of Credit History:

A credit explanation letter is requested on all customers who have any derogatory credit history. This is supplemental information we use to understand our customer's situation more clearly. This explanation must be a serious attempt to explain the customer's past credit. We prefer this letter up front to aid the analyst in the decision-making process.

Repossessions:

We request an explanation for all recent repossessions. We prefer no multiple repossessions but will consider these deals with a good explanation, accompanied by stability and commitment. There is no minimum time frame since the date of repossession.



Underwriting Guidelines

Non-Recourse *Financing Program*

Foreclosures:

A foreclosure is acceptable if finalized, and we request an explanation if it is recent.

Bankruptcies:

Multiple prior bankruptcies are usually not acceptable. A Chapter 13 bankruptcy converted to a Chapter 7 only counts as one. A Chapter 7 that has been discharged is acceptable. There is no minimum time frame needed since discharge. Derogatory credit since the bankruptcy is sometimes acceptable, but definitely decreases the credit quality. A letter from the trustee is required on open Chapter 13s, approving the customer to incur debt outside the bankruptcy. A schedule of debts may be required to clarify the credit bureau and to help calculate a correct budget. The payment to the trustee must fit within our maximum debt-to-income ratio (55%).

Budget:

Our budget is based on a maximum 55% debt-to-income ratio. This ratio is derived by calculating the customer's total gross income and subtracting all current obligations. Consideration will be given to net income and fixed income when determining a gross income figure. All current debts on the credit bureau are budgeted unless the balance will be paid off within 90 days. Credit cards, tax liens and judgments are budgeted at up to 5% of the current balance. Student loans, deferred or not, are budgeted at 3% of the current total balance unless an exception is made.

Wholesale Book:

We use the NADA *Used Car Guide* plus/minus adds and deducts and adjustments for mileage. We usually do not advance for conversion packages or for custom wheels or wheel covers.

Consumer Credit Counseling:

Customers in credit counseling can be considered.

Rent/Mortgage:

A minimum rent figure of \$250 will be used for all customers who do not own their homes outright unless they have a mortgage that proves to be less. Rent must always be verifiable with the landlord. We prefer customers who are homeowners and extra consideration is given due to this increased stability.

Insurance:

A minimum of \$100 is calculated to budget for insurance. We require an insurance binder on every deal prior to funding. We also need the agent's name and phone number to verify coverage. The maximum deductible is \$500 for comprehensive and collision insurance, and insurance must always be full coverage. The preferred minimum binder term is six months.

New Vehicle Advance:

From 100% up to 120% of invoice PLUS tax, title, license and back-end. A new vehicle must have less than 4,000 miles and be untitled. If the vehicle appears in the NADA *Used Car Guide*, it will be treated as a used vehicle regardless of mileage as of October 1. Company demos that are the current model year have a 5% decrease in advance. For all applications dated after October 1, advance is determined by the analyst.

Exceptions to advance can be made by the analyst.

Used Vehicle Advance:

100% to 120% of wholesale NADA PLUS tax, title, license, and back-end. Current model year used vehicles are based on 85% of like invoice.

Exceptions to advance can be made by the analyst.

Total Advance:

Up to 125% of invoice or wholesale NADA including tax, title, license and back-end.

Multiple Notes:

Generally, multiple open autos are not acceptable. Exceptions are on a deal-by-deal basis.

Maximum Payment:

The lower of available income from debt ratio or 18% of gross income.



Underwriting Guidelines

Non-Recourse *Financing Program*

References:

We request up to seven references on every deal. All references will be checked and are very important to the overall success of each deal.

Purchasing:

A completed checklist, a buyer's order, and all stipulations are required for contract purchasing. Upon receipt of the completed contract package from the dealer, we will verify the entire application. All verifications will be based on the date of instrument. In other words, all employment, residence, and other applicable information on the credit application must be correct as of the day the papers were signed.

Pre-Purchasing Interview:

Each customer will be contacted to verify the ____ deal documents. The customer's understanding of the transaction, down payment and/or trade-in, and vehicle equipment will be discussed.

Contracts:

All contracts must be simple interest. Any handwritten changes to the contract must be initialed by the customer.

Titles:

All titles must have lien recorded as: Drive Financial Services
P.O. Box 560583
Dallas, TX 75356-0583

Amount Financed:

Minimum Amount Financed is \$5,000.
Maximum Amount Financed is \$30,000 up to \$50,000 with analyst approval.

Back-End:

We will finance credit life, disability and service contracts. Total soft-adds cannot exceed \$2,500.

Contracting Errors:

Our goal is to correct any error in contracting without having to send the contract back to the dealer. Any advance in excess of the approval or back-end cap will be deducted from the dealer proceeds. Interest rate mistakes can also be withheld from dealer proceeds, unless it exceeds the state maximum. Mileage and term errors will be handled on a case-by-case basis. If possible, additional discount will be charged and the deal purchased. Any increase in discount to help purchase a deal will only be done with approval from the finance manager at the dealership.

First Payments:

The first payment should be included in the contract packet if the deal is not received within 15 days of the customer's due date. The payment must be made voluntarily by the customer. If the customer will not voluntarily make their first payment early, then the contract will not be purchased until it is received. Dealer checks are only accepted if the customer brings cash and a receipt is provided by the dealer. First payment due dates must fall between 30 to 45 days from the date of the contract. Payment dates should not exceed the 25th day of month.

Approvals:

Contract approvals are valid for 30 days. If a contract is not received within 30 days of the approval date, the deal must be resubmitted to the underwriting department. All approvals are based on the information provided on the credit application and are subject to verification prior to purchasing.

Service Contract:

New vehicle service contracts must equal the full term of the contract and be the best coverage available. We consider best coverage to be "bumper to bumper" type plans. We prefer the maximum service contract amount to be \$1,295; however, a four-wheel drive vehicle has a maximum of \$1,395. Used vehicle service contracts must be at least 24 months. They must also provide the best coverage available. Powertrain and limited coverage is unacceptable and will not be cashed. In some cases, however, 12-month coverage is acceptable on exception on higher mileage cars if a 24-month plan is not available.