



Auto Finance Trends and Industry Insights

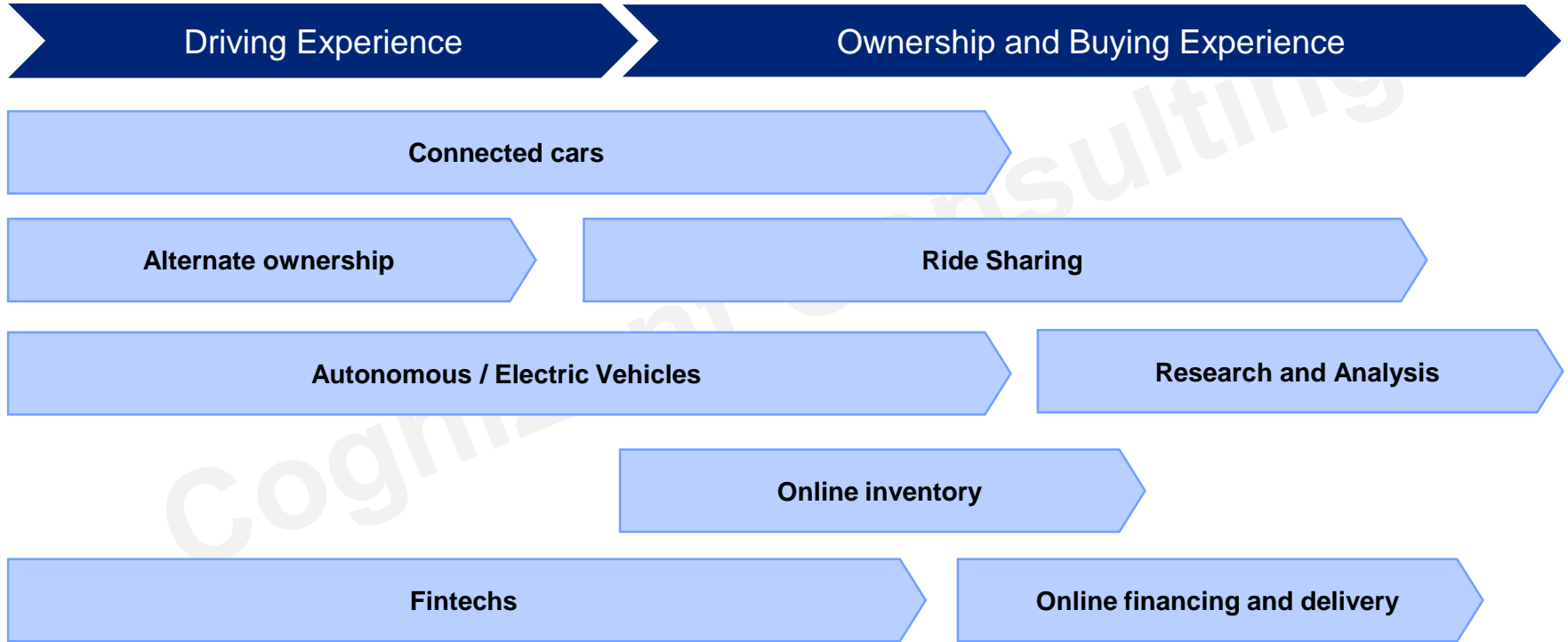
Cognizant Point of View

Nov, 2020

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The future of auto industry is being shaped in various ways – from driving experience to ownership and car buying experience, key themes include connected cars, autonomous vehicles and ride sharing. These themes have the potential to fundamentally redefine the way world experiences cars for years to come



And auto finance industry apart from being impacted by these broad auto industry trends is being shaped by its own set of events and Fintechs (1 of 2)

1. Changing customer demographics and expectations

- Increasing technology savvy millennial customers, with pragmatic car buying approach seeking enablement, faster turnaround, value, greater information access, omni-channel features, research prior to dealership contact.
- Demanding seamless buying and financing transactions across channels.



2. Changing mobility solutions and transportation eco-system

- Pragmatic approach to mobility is leading to rise of shared mobility solutions.
- On-demand transportation, ride-sharing, customer-centric and solution-centric business models.
- OEMs exploring alternative vehicle access platforms.



3. Automotive technology advances

- Autonomous vehicles, connected cars, electric cars altering the customer mobility landscape
- Alternative vehicle access platforms may upend the automotive financing market by providing easier pay-as-you-use transactions in the longer term.
- This could give rise to increased emphasis on fleet and B2B financing models.



And auto finance industry apart from being impacted by these broad auto industry trends is being shaped by its own set of events and Fintechs (2 of 2)

4. Digital disruption in Automotive Finance industry

- Changing customer habits and technological advances has led to growth of Digital entrants.
- Connect with customers early in the decision cycle directly and be part of decision cycle.
- Provide information, efficiencies and short turn around time.
- Incumbents are adopting digital technologies, partnering with new entrants to remain relevant.



5. Digital technologies and innovations

- Latest technological advances enabling incremental innovation within the existing ecosystems.
- Blockchain technologies for Title management.
- Robotics Process Automation for process efficiencies, Machine Learning and Artificial Intelligence for Credit Decisioning, Social and mobile for customer out-reach etc.

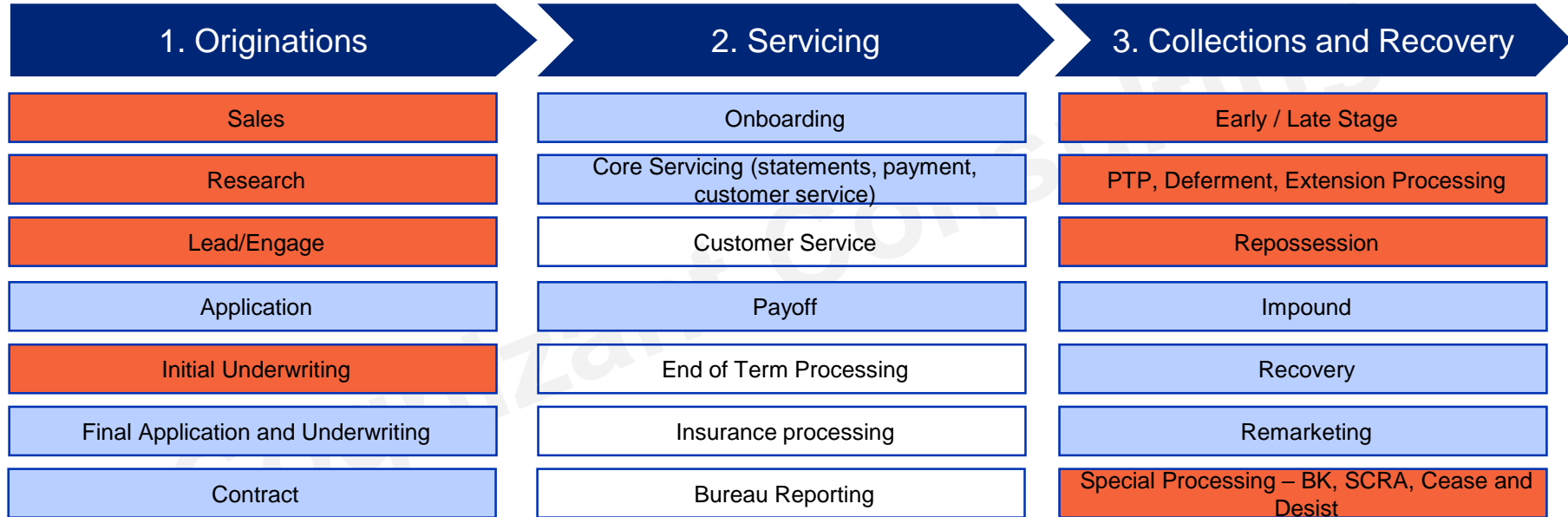


6. Regulatory environment

- Increased emphasis on customer experience in dealership and lenders role in transaction.
- Increased scrutiny on the ability-to-pay regulations and dealer role in meeting compliance.
- Regulatory focus areas – credit decision, repossessions and collections.



These broad auto industry trends are shaping the future of auto finance as well across the value chain. Auto Finance is a large and complex value chain across Origination, Servicing, Collections and Recovery that need to be looked at separately and different areas will get impacted differently.



And industry has undertaken several initiatives to respond to these...

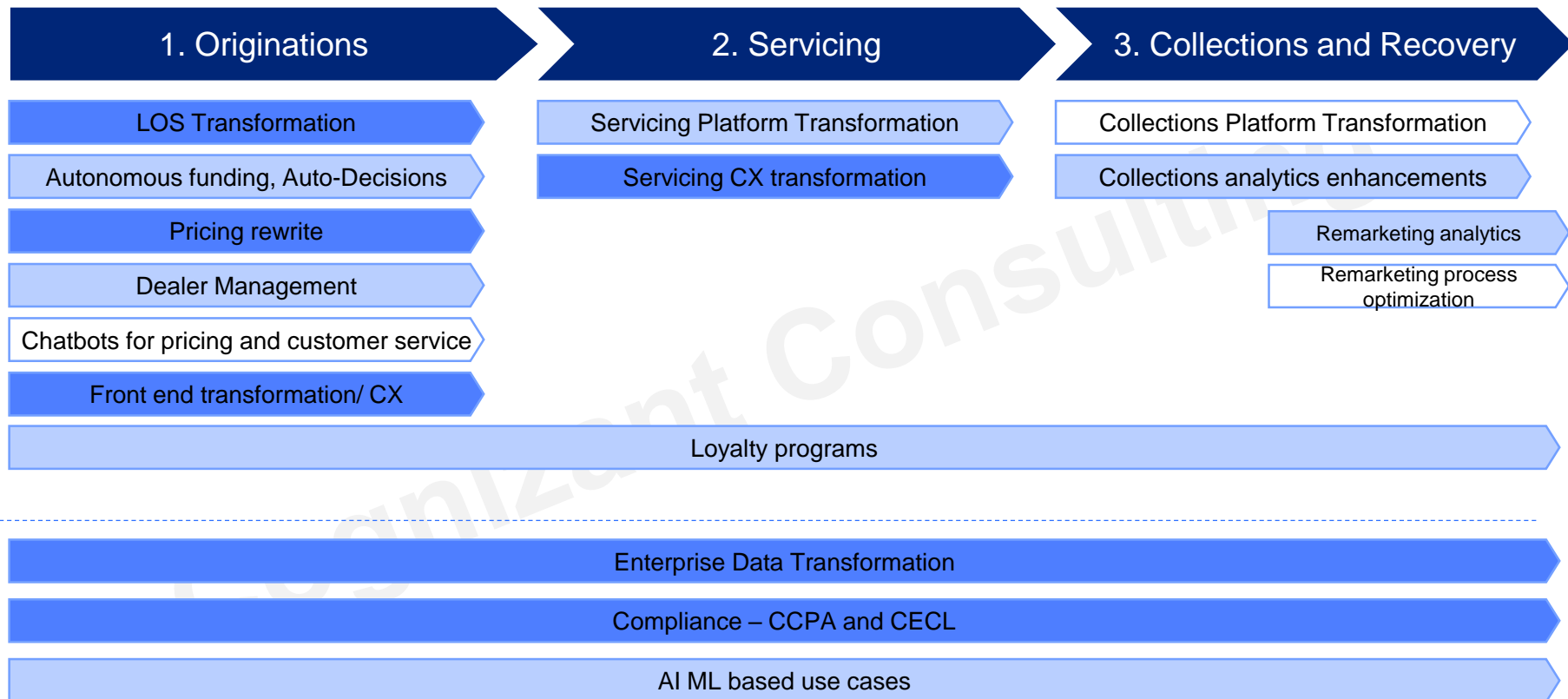


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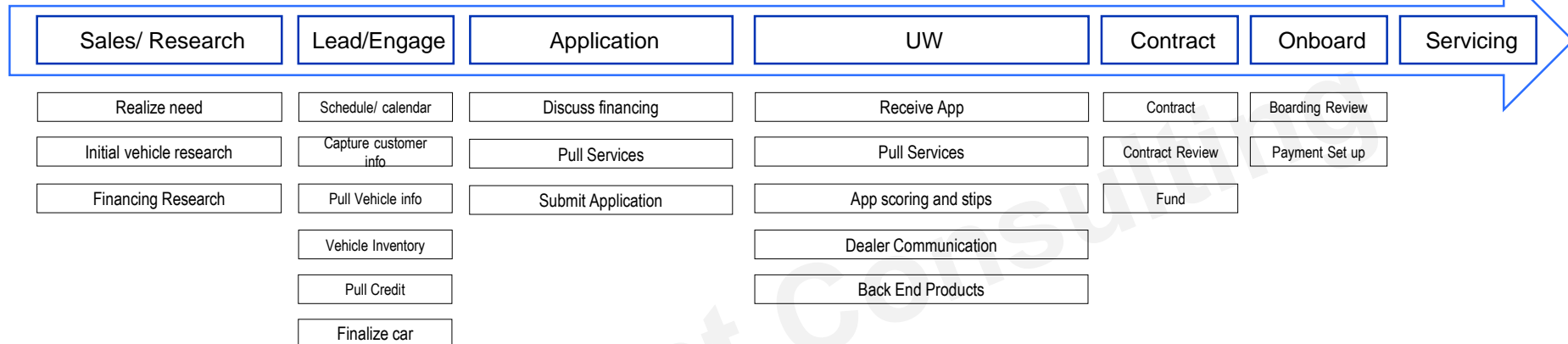
Current Auto Finance Origination Experience is painful

"76% of the US drivers polled said that they would consider purchasing a car directly online – Automotive Digital Survey"

1. Originations

2. Servicing

3. Collections and Recovery



- So many cars, which one do I go for?
- Are these financing options for real? They sound too good to be true. Do I have good enough credit?

- I wish I could try out more models.
- Should I ask if I can afford that upgraded model?

- I have no visibility, transparency and control.
- Am I getting the best price? Should I have negotiated more?
- The Ad said 199/month, there's nothing at that price and I have to pay 2500 upfront?
- What these extra charges – license, registration and fees?
- Why is my trade in value so low?

- They're trying to push/sell extra stuff
- Gosh I have to read all docs in 15 mins.
- Why can't I get more options for financing in transparent manner and compare?
- I just want to get out of here with my car.
- So I can take the car, but my payment may change based on my income review? Will I still be able to afford it?

- So they told me I'll get a letter or statement for monthly payments, why can't I set it up now?
- So now I have to go to the website and register and set up payments?

Originations trends and industry response

1. Originations

2. Servicing

3. Collections and Recovery

Key trends →

Interest Rates and Macroeconomic factors

- Strongest economy, stabilizing growth, rising interest rates
- Steady growth in subprime, loan/lease amounts and payments up, increased use of long-term loans
- Prepare for economic uncertainties

Fintech march and customer experience focus

- Dealer experience is lender experience for indirect
- Everyone is trying to move up the chain – research
- Customers demanding greater transparency, personalization
- Race for market share

Legacy regulations, technology and mindset

- Dealer local strength and laws protecting dealers
- Stuck with legacy LOS and Decision Management systems
- Lender responsible for dealer practices
- Lending laws and regulations

Dealers getting more sophisticated

- Captive dealers getting better access to technology
- Integrating with upstream providers
- Demanding faster funding and flexible pricing

Industry Response →

Originations Process and Technology Transformation

- LOS transformation, API based approach
- Decision and pricing engine re-write
- Connect technologies with upstream players
- Build/buy contemporary borrower engagement solution on top of legacy
- Fine grained and more responsive pricing
- Leverage specialized vendors and vendor services
- Data and analytics initiatives for customer 360, customer experience and process friction
- Move to cloud based platforms

Dealer Engagement

- Deepen dealer relationships
- Autonomous funding
- Deep dealer profitability analysis

Compliance initiatives

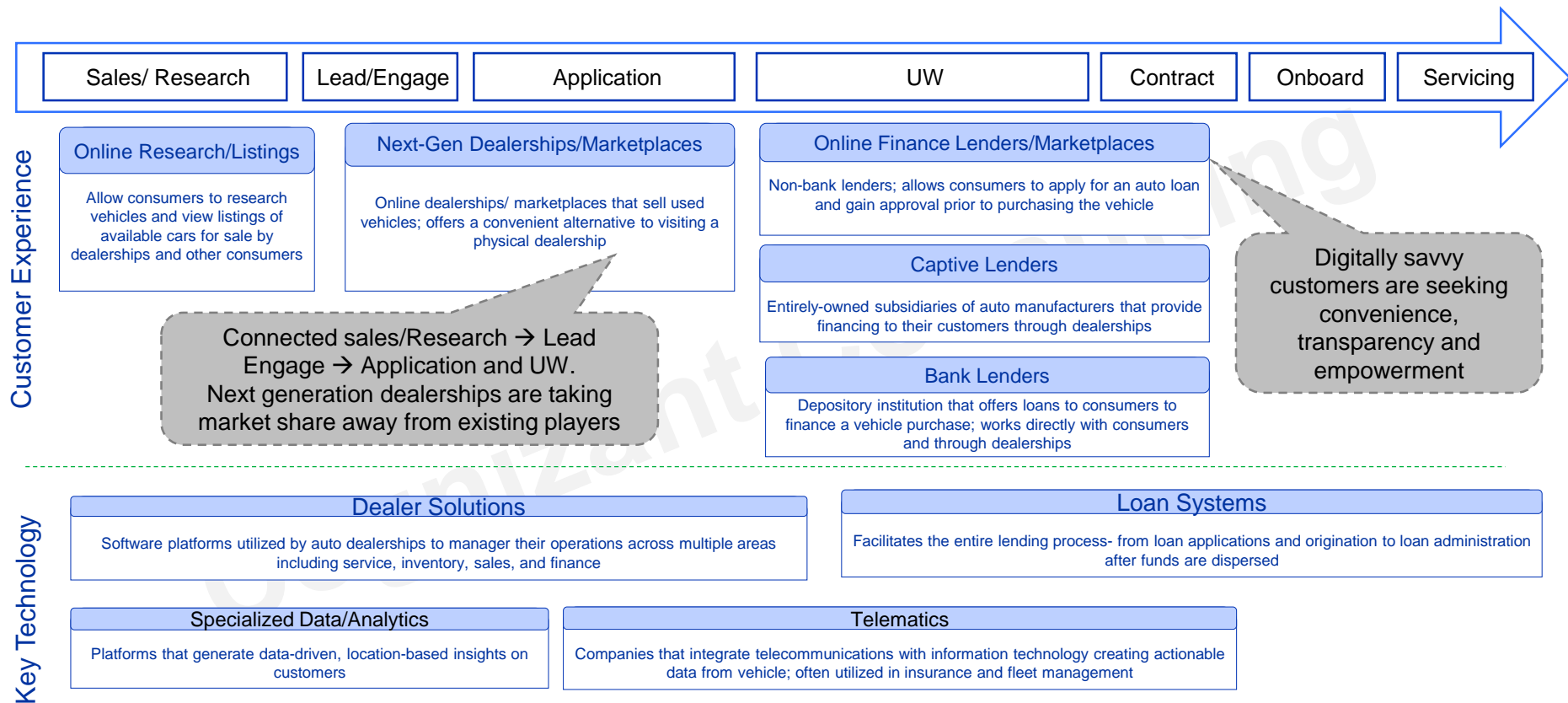
- Operations and regulatory risk management
- “Evidence of Compliance” focus

Originations trends and industry response - Fintechs

1. Originations

2. Servicing

3. Collections and Recovery



Originations trends and industry response - Fintechs

1. Originations

2. Servicing

3. Collections and Recovery

The Fintechs are evolving at a rapid place and making their impact felt across the board, even taking market share from established players

Customer Experience

Sales/ Research

Lead/Engage

Application

UW

Contract

Onboard

Servicing

Online Research/ Listings



Next-Gen Dealerships/Marketplaces



Online Finance Lenders/Marketplaces



Captive Lenders



Bank Lenders



Key Technology

Dealer Solutions



Loan Systems



Specialized Data/Analytics



Telematics



Auto originations – Cognizant Point of View

1. Originations

2. Servicing

3. Collections and Recovery

Using this approach, lenders can develop a set of flexible, configurable core capabilities that they can pull together to define customer journeys and deliver experiences based on their Personas

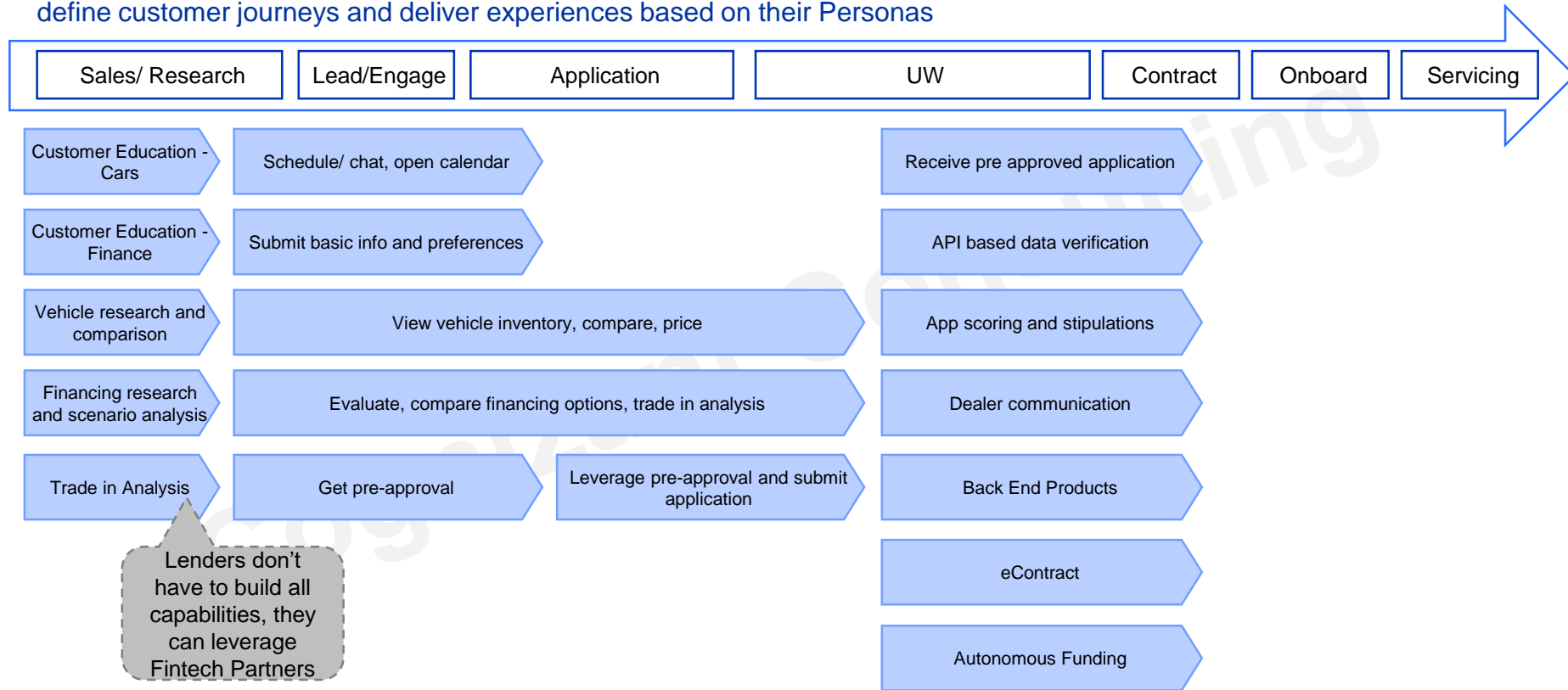


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Current Auto Finance Servicing Opportunities

1. Originations

2. Servicing

3. Collections and Recovery

Onboarding

- Automated data to document recon
- Automated Loan Quality checks
- Customer engagement starts at onboarding – automated onboarding
- Training and navigation videos

Core Servicing

- Payment options
- Payment processing automation
- E-Statements

Customer Service

- Account information access
- Prepay feature
- Customer chat/ chat bot, omni-channel support
- Enhanced inquiry and complaints management

Payoff

- Automated payoff processing

End of Term Processing

- Automated lien release and paperwork
- Automated alerts and offers

Insurance processing

- Automated insurance processing
- Accurate bureau reporting
- Credit reporting alerts and resolutions

Bureau Reporting

Servicing trends and industry response

1. Originations

2. Servicing

3. Collections and Recovery

Key trends →

Streamlining Process

- Disparate systems lead to process inefficiencies
- Limited multi-channel capabilities in digital world

Cost and Efficiency

- Enhance legacy systems to reduce manual effort and rework
- Streamline processes across value chain
- Automate people intensive processes

Data and analytics based approach

- Leverage additional data for insights
- Expand traditional parameters and create customer 360 view

Enhance customer experience

- Consolidate info across enterprise to drive customer experience
- Enhance communication
- Reduce response times on inquiries and complaints

Industry Response →

Process and Technology Transformation

- Real time/near real time integrations
- Platform wraps for efficiencies
- Deeper data capture, reporting and analytics

Data Initiatives

- Build data store for customer 360, efficiency, servicing friction reduction, customer service and complaints management
- Dealer performance analysis

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Current Auto Finance Collections and Recovery Opportunities

1. Originations

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Early / Late Stage	PTP, Deferment, Extension Processing	Repossession/ Impound	Recovery	Remarketing	Special Processing – BK, SCRA, Cease and Desist
<ul style="list-style-type: none"> Account summary views for ease of navigation and orientation Automated prioritization and queuing logic with sorting Automated agent reminders Dialer integration with Collections system Configurable worklist and routing logic Ability to systematically send emails, generate documents 	<ul style="list-style-type: none"> Automated calculators with automated waterfall and calculations Direct integration of plan info with letters Account summary views for ease of navigation and plan offers Automated prioritization and queuing logic with sorting, reminders, dialer integration, systematically send emails, generate documents Consolidated view of all assets, accounts, and entities under a parent 	<ul style="list-style-type: none"> Account history screen for ease of orientation Automated prioritization and queuing logic with sorting Ability to systematically generate documents using system templates Automated prioritization and queuing logic with sorting, reminders, dialer integration, systematically send emails, generate documents Communication through unified vendor portal Systematically close open assignments when there are multiple repo vendors Real time Repo tracking 	<ul style="list-style-type: none"> Account summary screen for ease of navigation and orientation Automated calculators with automated waterfall and calculations Automated prioritization and queuing logic with sorting, reminders, dialer integration, systematically send emails, generate documents Consolidated view of all assets, accounts, and entities under a parent 	<ul style="list-style-type: none"> Unified view of vehicles Integrated vehicle location tracking Vehicle condition capture and maintenance integration 	<ul style="list-style-type: none"> Configurable special queues for real time load balancing Different alerts and calculators Preventive controls Account history and summary views for ease of navigation and offers Automated prioritization and queuing logic with sorting, reminders, dialer integration, systematically send emails, generate documents

Key trends →

Streamlining Collections Process

- Disparate systems lead to process inefficiencies
- Limited multi-channel capabilities in digital world
- Broken communication with partners

Cost and Efficiency

- Enhance legacy collections and recovery systems to reduce manual effort and rework
- Streamline and connect vehicle remarketing programs
- Automate people intensive processes

Data and analytics based approach

- Leverage additional data for decision making and insights
- Expand traditional parameters and create customer 360 view
- Need to prepare for possible economic slowdown

Enhance customer experience

- Consolidate info across enterprise to drive customer experience
- Enhance collections communication
- Reduce cycle times for delinquency workouts

Industry Response →

Process and Technology Transformation

- Collections technology re-write based on modern platforms (Pega)
- Real time/near real time integrations
- Platform wraps for efficiencies
- Deeper data capture, reporting and analytics
- Streamline Repo to Auction process
- Collections algorithm enhancements
- Move to cloud based platforms

Data Initiatives

- Build data store for customer 360, collections efficiency, servicing friction reduction, customer service and complaints management
- Dealer performance analysis

Vendor integrations

- Integrate vendor capabilities through new channels and technologies
- Create unified vendor portals and mobile apps

Thank you

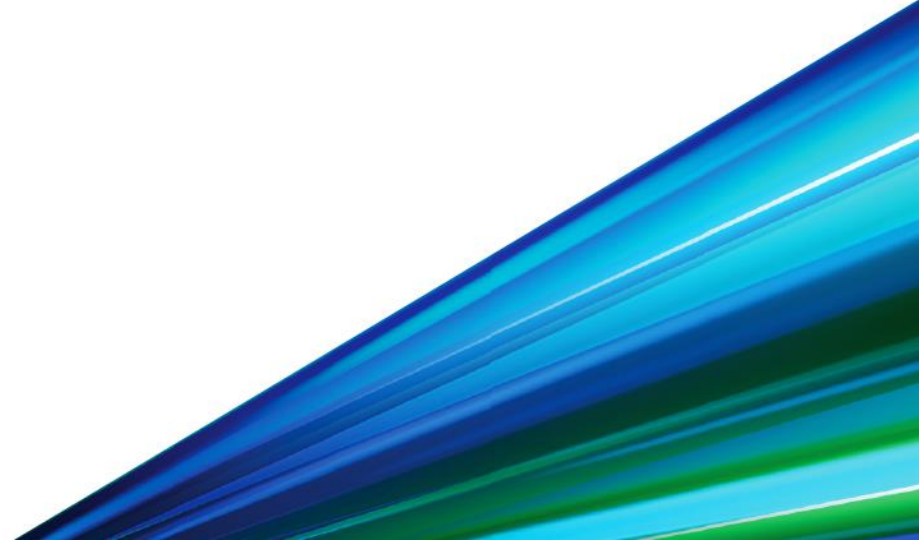


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Cognizant Auto and Equipment Finance Practice Overview

	Top banks	Captives	Service providers
Strong Clientele Top lenders/captives as clients	6 of top 10 auto lenders - banks	7 of top 10 Auto and equipment OEM Captives	Several top third party service providers
People Over 25+ Business Consultants, 500 + associates	<ul style="list-style-type: none">Consulting: 3 Principals, 20 Managers/ Sr. ConsultantsMarket team: 20+ Customer Service Executives/Relationship ManagersOverall: 500 + associates		
Transformational Projects Over 100+ projects across key areas, 50+ active projects	<ul style="list-style-type: none">Drive integrated Consulting → Execution approachAcross Digital Strategy, Consulting, Technology Transformation and Business Process Management		
Strong Experience across process chain	<ul style="list-style-type: none">Strong experience across lifecycle – Originations, Servicing, Loss Mitigation and Risk management		
Global Delivery 10+ Delivery centers across Asia, Americas, Europe	<ul style="list-style-type: none">US – Phoenix, Dallas, College StationIndia – Chennai, Pune, Hyderabad, KolkataSouth America – Buenos Aires		

Comprehensive capabilities across Digital, Consulting, Technology and Processes

Experience Design <i>- Customer 360 for top lender</i>	Loan Origination platform strategy <i>- Loan Origination platform assessment and roadmap for top lender</i>	Digital Strategy <i>- Digital Strategy for top 3rd party services provider and top lender</i>	Operations risk management/ assessment <i>- Enterprise Operations Risk assessment for top lender</i>	Business Process Optimization <i>- Business Process Optimization for top lender</i>	Platform evaluation and selection/ Build vs. Buy <i>- LOS & Servicing Platform evaluation and selection for top lender</i>
Speech analytics <i>- Enhance process, customer experience by leveraging speech analytics for top lenders</i>	Digital integrated platform strategy <i>- Leverage platform capabilities to define and implement lending ecosystem for top lender</i>	Loan Servicing platform roadmap and strategy <i>- Define target state technology for servicer</i>	Customer complaints management strategy <i>- Reduce complaints by leveraging journey and analytics</i>	Process and technology transformation <i>- Transform originations operations for top lender</i>	Platform and technology consolidation <i>- LOS consolidation for top 10 lender</i>
Digital Strategy			Consulting		
Helping clients redefine business			Transform technology and operations		
Helping clients build better solutions			Helping client operate better		
Build/ implement platforms <i>- Custom LOS, platform based LOS implementation, loss mitigation platform implementations</i>	Cloud and infrastructure services <i>- Hosting solutions for several top lenders</i>	Technology Manage/ maintain technology <i>- LOS platforms, Loss mitigation platforms for several lenders</i>	Process RPA <i>- Reducing cost by 50% to 70% for lenders</i>	Origination processing <i>- Loan set up, UW prep, processing for lenders</i>	Other <i>- Investor accounting/ reporting/ claims for top lenders</i>
Data & Reporting <i>- Build EDW, data management, reporting, governance for top lenders</i>	Analytics <i>- Build analytical models to drive business decisions, business analytics for portfolio strategy</i>	Testing <i>- Several LOS, loss mitigation platform testing engagements</i>	Call center <i>- Call QA monitoring for top lender</i>	Servicing <i>- Loan set up, payments for top lenders</i>	Default <i>- Document review</i>