

## TECHNOLOGY

### AMERICREDIT DEBUTS REVISED PRICING STRATEGY ON INDIRECT PORTFOLIO

A month after adopting Nomis Solutions's Price Optimizer 3.2 software, AmeriCredit Corp. has already rolled it out across its core indirect auto portfolio. Next in line: loans originated by AmeriCredit acquisitions Bay View Acceptance Corp. and Long Beach Acceptance Corp., as well as those made directly to consumers.

The Price Optimizer is a data-mining tool that analyzes all of a lender's submitted loan applications — not just those approved or funded — to identify pricing trends. The software aims to provide the finance company with pricing recommendations, based on historical evidence, most likely to be accepted — and that generate the highest possible profits.

In general, lenders may use the Price Optimizer to increase volume or to improve profits. AmeriCredit has largely been using it for the latter, as it trims its origination forecast for the coming year. Last quarter, AmeriCredit President and Chief Executive Dan Berce announced plans to reduce originations by about \$1 billion, to the \$9 billion to \$9.5 billion range. The



Preston Miller

move comes on the heels of already-slowing loan volume.

"The sequential decrease in origination volume resulted from normal seasonality, as well as our efforts to slow originations growth through more aggressive pricing strategies in light of the difficult credit markets," Berce said during a call to discuss financial results for the period.

Even before AmeriCredit implemented the Price Optimizer, it had started to raise prices. "During the September quarter, we successfully raised APRs on new loan originations by approximately

25 basis points across our platforms, and at an even greater rate in our core subprime business," Berce said during the call.

The company declined to specify how much further it might raise interest rates using the new tool.

Still, AmeriCredit is using the Price Optimizer to refine pricing by geographic region and customer risk profile as it looks to increase margin, said Preston Miller, the lender's chief operating officer. The Optimizer has the capability to enable pricing even by individual dealer.

"You've got to have a lot of volume — you've got to have a big dealer — to do it on the dealer level," Miller said.

Meanwhile, pricing tweaks are made regularly. AmeriCredit's pricing department meets as often as biweekly, Miller said. And because the data is evaluated in real time, changes can be made fairly quickly.

—MARCIE BELLES

## CAPTIVES

2006. "It is primarily driven by how we have gone to market with the auto company this year," Kent said, referring to its use of "a lot more" low-APR financing programs.

At the end of 2006, subvention and residual support totaled \$5.4 billion; in the first nine months of 2007 it reached \$6.4 billion, Kent said.

When asked whether the move was a way to further separate Ford Credit from the parent company, Schloss answered: "I think the further arm's-length-type transactions between the two is just a better way, or an improved way, to run the two businesses as we move forward."

—M.B.

### FORD CREDIT: BY THE NUMBERS

Performance at Ford Motor Credit Co. has been sliding this year. Here's a side-by-side comparison of a handful of data points from third quarter 2006 versus 2007.

	3Q06	3Q07
Earnings	\$452 million	\$334 million
U.S. Marketshare	56%	45%
Origination Volume	471,000 contracts	349,000 contracts
60-Day Delinquencies	0.18%	0.22%
Repossessions	20,000	19,000
Loss Severity	\$6,500	\$7,500
U.S. Credit Losses	0.62%	0.78%
Excess Liquidity	\$39 billion	\$27 billion
Borrowing Cost Rate*	5.7%	6.2%

\* on-balance sheet debt, includes the effects of derivatives and facility fees

Source: Ford Motor Credit Co.