>> Jim Chen: Good morning, everyone. This is day 2 of the FTC's auto roundtable. And today we're starting with panel 8, which is "Fair Lending -- Interest Rates, Markups, and Payments." We have a very distinguished panel here today, I'm happy to say. And I'm just gonna give a brief introduction, just further details in the bio packet. To my right is Chris Choate, who is the Executive Vice President and CFO of General Motors Financial. Next to him is Delvin Davis from Center for Responsible Lending. Next to him is Dr. Tom Durkin, who before retirement was a senior economist with the Federal Reserve. Then we have Andy Koblenz, who's Vice President and General Counsel of the National Automobile Dealers Association. And finally Chris Kukla, also with Center for Responsible Lending. So, to get it started, I think to understand -- And, you know, some people use the term "markup." Some people use the term "dealer participation." My understanding is that those two are synonymous, so I'll use those interchangeably, unless someone tells me they're not the same. Okay? Great. To understand dealer participation, I think we first need to understand the concept of a buy rate. And since we have a representative from a finance source here today, Chris C. -- Chris, if you could tell us what is a buy rate, and how is it calculated?

>> Chris Choate: Sure, Jim. A buy rate is a wholesale rate that is offered by the financing source to a dealer. It's really comprised of several different components. And I'll walk through those just very briefly. First and foremost is what is the cost of funds for the financing source. The financing source, one way or the other has to go get that money in order to provide it to the dealer.

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this particular deal to. The dealer also has discretion over which deal they show to the consumer. So while we talked about the consumer will indicate their preferences about what they might want, ultimately the dealer is deciding between a number of different loan offers, which one they're going to provide to the customer.

>> Jim Chen: Okay, so, other than, you know, the credit score, the structure of the deal, is there any other demographic information that's conveyed from a dealer to a finance source to get the buy rate? Andy?

>> Andrew D. Koblenz: Well, yeah, there's a lot. There are lengthy credit applications, and they have all sorts of -- You know, the finance sources tell the dealers what they need to know, and there's lots of information beyond the credit score. Credit score is a nice, convenient way that the market -- and efficient way the market has picked to sort of synthesize down to a quantitative number a representation of a credit history of a customer, but I don't know of any finance companouro2 TT ell Tw

>> Jim Chen: Okay. So given what Andy just said, how, okay, we've got the credit score, we've got the deal structure, we've got a whole bunch of other data, like how long you've been in your job, so forth, so on. Just in terms of the buy rate, is there any concern over fair lending, other fair lending concerns raised with respect to the establishment of the buy rate? Okay. We can move on, then.

>> Andrew D. Koblenz: I guess I -- I mean --

>> Jim Chen: Go ahead, Andy.

>> Andrew D. Koblenz: The Equal Credit Opporuren2(O)2(p4(a)2ua)4(l k(di)-2(p4(a)2ua) k(D)-2(p2a)4(l k(di)

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starting with a more broad question, what kind of discretion do dealers have in deciding how much of a markup or dealer participation is added to the buy rate to get to the ultimate contract rate that's offered to a consumer? Andy.

>> Andrew D. Koblenz: Yeah. Well, Jim, as you said, this was discussed extensively in Detroit. And for many transactions, dealers negotiate the rate with consumers. The fact of the negotiability of this is smack on the front of every contract -- This is, for those who watched the panel that we were on in Detroit, this is -- Went through it all. It's a big piece of thh Tc -0.002-1.73 0 Tddt Tc discretiumestinue

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>> Chris Kukla: There's a few things wrapped up in this that Andy pointed out. I think that the first, and I think something that we discussed a lot yesterday was when does the consumer actually see that disclosure that your rate is negotiable? Are they seeing that before they enter into the deal, or are they seeing it when those papers are handed to the customer at the end of the deal? And what we at least heard yesterday is that in most cases, those papers are handed to that person at the end of the deal, not at the beginning. In North Carolina, for instance, there is a -- the state law requires that there's a sign that has to be posted in the dealership that says, "Your rate can be negotiated, and we reserve the right to increase the interest rate for compensation." I went to my local Honda dealer to actually try to find that sign. The first time I went in, it was conveniently placed between the bathrooms. So I'm not sure people were gonna spend a lot of time looking at the sign. The second time I came in, interestingly enough, I was pushing the door open on the front door and I noticed that there was something on the window underneath the door handle, and I noticed that it was the sign that said, "You may negotiate your interest rate." If my 3-year-old had been with me, he could have maybe pointed it out to me. But my niece saw it. I probably wouldn't have. And I think most people walking into the dealership are not looking underneath the door handle to see that. So I think there's a real question about when is the customer actually made aware of the fact that this interest rate's negotiable? And I would argue that it's toward the end of the transaction. We've done polling in North Carolina where we've asked the question, "Were you aware of this practice?" And 85% of people in two polls that were done in two separate counties, and then another poll that was done statewide, the numbers were very consistent. 85% of people said they had absolutely no idea that this process occurred. We can talk about this being a consumer-education aspect, but the fact is that there are still a significant number of people who have absolutely no idea that there's this practice of -- hat the dealer's compensation is tied into the rate. Then there's also the question of how do you effectively negotiate. If you can get your financing elsewhere and bring it in with you, that's the best way to do it, because then you have at least one option that you can compare with this other rate. But what if you don't have a lot of access? We talked a lot about competition with prime customers, and folks who have good credit have a lot of options available to them. If you have blemished credit, and a vast majority of people in this country right now do, it's difficult to find a financing source, especially a direct one. And if you go into certain neighbors in Durham and elsewhere, there aren't a lot of brick-and-mortar institutions that are out there asking for your business. Now, we've also heard that you can go

negotiable, and they can and I've heard that they are in some direct-lending institutions, that they're negotiable. And Delvin continues the notion that there's, again, a fixed -- that there is a buy rate for which the customer qualifies to borrow, is simply not the case. And that the direct-lending institution, for example, has an internal buy rate, effectively, and if you pull the loan distribution costs out of the APR that a direct-lending institution offers, that will reveal the same thing and no one is talking about disclosing to the consumer how much direct-lending institution is marking up its internal buy rate. So, the -- And we even sit there saying, "That doesn't even make sense." And that's right. It's not a particularly important number. So the notion that this should be disclosed would only lead to confusion in the marketplace, something that, as we discussed the last time, has been established by a couple of the government agencies, including the Federal Trade Commission. That's what I wanted to add on that.

>> Jim Chen: Chris C.

>> Chris Choate: Yeah, just another item or two on the competitive environment in the market forces and dealers' incentive relative to rate participation. We may get into later on the panel the impact of rate participation on credit performance for which we really, at GM Financial, don't really see any correlation, but there is a correlation, that we observed -- I think most finance companies would observe. I understand that dealers would observe this. That, you know, if the rate participation is marked up too high, that there is a competitive force kind of after the fact. There are re-fi opportunities out there. There are some lenders that engage even more specifically in the subprime segment in attempting to basically pick off recently originated loans and re-fi those down for a lower rate. And that lower rate a lot of times presents its opportunity, if there was too high of a rate participation marked up by the dealer, allows some room for someone to do a prescreen on a credit bureau, come in, pick those off. We've seen instances where, you know, a consumer, to save 20, 30 bucks a month, which would be sort of representative of around a 1% type participation, if a third-party finance company can come along and do a prescreen mailing and capture that, that is a back-end protection on a dealer overcharging for participation and frankly, in that scenario, makes that dealer look very bad. The consumer gets it at that point, that the dealer has effectively done something that, you know, wasn't good for them. And that's not somewhere dealers want to be in trying to build life-long customers.

less likely to shop around... [Speaks indistinctly] ...and stick with that, yes. So once they get in, they kind of stay in. You can't really assume that once you get into a subprime product that it's a natural step up into prime credit on down the road. And least data and other [indistinct] have declared that. And secondly, as far as what the dealership -- the kind of metrics or methodology that they use to determine what the markup is -- A few years ago, when all of the class-action lawsuits were going down against the lenders, there is testimony from, at least from one particular dealer from Texas, that is representing -- It waIte>(act)-6(i)-6(o)-4(n4og( )Tj 5(im2 Td02 Twc)6 Tc -02 Te T)-3(e telling me that they are -- What they are doing is

and maybe you guys have seen this, was by -- criticizing some of the statistical methodology was by James Heckman of the University of Chicago, and he was specifically referring to some problems in the econometric evidence. I would listen to James Heckman seriously. Now, this may sound like an appeal to authority of some sort, but you got to start somewhere. James Heckman won the Nobel Prize for his contributions to econometrics, and so it's somebody that's certainly worth listening to.

>> Jim Chen: Chris C.?

>> Chris Choate: My comment is decidedly less scholarly than Tom's comment, but I'd like to sort of maybe disabuse the notion that when a dealer marks up the buy rate or there's a yield spread, that it's purely subjective based on, you know, what they can get away with. We've talked about market constraints, we've talked about ratios inside the deal, competitive factors and all that limit that, but it also certainly bears noting that there is much more than zero amount of work or effort and risk on the dealer's side that goes into originating that loan. And, again, I'm not trying to get as completely off the path that we've been on with the last few comments, but particularly in the subprime space, it is -- it is not always an easy task to get the funding source satisfied with the conditions that are called stipulations -- proof of income, proof of residency, you know, show up with paychecks and other things that the dealer has to help accommodate along. That can take a fair number of days, in many instances, during which the dealer is out that liquidity. They are potentially out some financing costs to help float that. You know, in other words, financing sources can be relatively difficult to deal with in order to get something accomplished. Secondly, there is the risk of not getting the deal funded whatsoever. We at GMF kick back a decent percentage of the deals that come in the first time through that have to go back to the dealer for some further processing. There's always a risk those won't be ultimately fundable. There is risk down the road with the reps and warranties that dealers make to us in connection with each contract that we will ultimately seek recourse or put that thing back to the dealer. So, there is a fair amount of work. And there is a decent amount of risk the dealers take, and it seems to me entirely appropriate that they would be compensated for that. And it's not simply a matter of, wolot sf -1.73 Td [.P94k Td [(an)-4l Td [(de14(rCu]TJ

>> Jim Chen: Andy?

>> Andrew D. Koblenz: Yeah, and just to echo and build on what Chris just said, those -- that amount of work varies dramatically deal to deal. There's CNW out there that says

>> Delvin Davis: Yeah

when I came down here, I guess, that I was, as it turns out, literally in the middle of an argument between analysts. And, you know, I'm sitting here looking around the room, and I notice that I'm the oldest person in the room. I suspect that that would go without any challenge by anybody, and it brings me back to the point that I wondered about yesterday when I was coming down here on the plane, looking out at the thunderheads and so forth, and I was thinking, "What exactly am I -- Where am I going and what am I doing there?”

authors to produce a better second draft that then can lead to publication in the academic or economic literature, that there's a few things that advocacy reports normally exhibit, and this one, I think, exhibits all of them. One is that advocacy reports tend to start with the conclusion, and then they try to marshal evidence and data and so forth to support this conclusion. I'm not questioning the intellectual integrity of doing that. That actually is a well-established methodology in the field of law. That's what lawyers do all the time. They establish a conclusion. The client is guilty or the client is not guilty. And they marshal all of the evidence that they can to support that. And they tend, unfortunately to ignore evidence that doesn't agree with that "hypothesis" or that conclusion. So, sometimes that leads to a lack of transparency in the work itself. And I think that that unfortunately appears to be true in the CRL report. You cannot really tell how they used the data. So, for instance, one of the first things I do when I look at a study is look at the second labeled "methodology." Many studies have this. In this study, the methodology is about four paragraphs long. It begins on the bottom of page 9 and goes on to page 10. I would suggest that maybe it's because the thing is so short that I defy you to tell me what exactly is going on with the data there. They're not well described. There's no tables of statistics, the data, and there's no discussion of how waiting was used or how it was -- how the data simply were organized in their own analysis. There are some questions, and I could read some specific sentences there that are particularly disturbing, but there were adjustments. It used the word "adjustments" a number of times. It's not clear what those adjustments were, and so, simply, Delvin, if you would, take those data that you have, walk us through how you got from point "A" to point "B" to point "C" To point "D" and then all the way through point "Z." Then at the bottom of page 7, there's a number that springs. It's 2.47, is the proportion of that percent. That's a proportion of the dealer participation relative to the size of the average loan. That number may be right, but I can't derive that from the paper. It's simply not there, you can't do that, and so to an analyst, it's an assertion. You made an assertion. It's 2.47. You cannot derive that from the body of the paper. An analyst is supposed to be skeptical. I am skeptical. That's the nature of an academic analyst and somebody commenting on the paper. And so you've got to spell it out a little bit where this came from. Now, another thing that needs to be done that tends not to be done in advocacy papers is a specified hypotheses, and so this paper and many others unfortunately seem to specify conclusions rather than hypotheses. What you do is you specify something from theory or previous experience and knowledge seems to be true, and then you study that more. Do you have new evidence to suggest it's not true? So in other words, you can deny the hypothesis. In this case, it seems like the paper has two parts. And the hypotheses in one of them is specified better than the other, but in one of them, the hypothesis seems to be that the cost of dealer credit is higher than the cost of direct credit. Now, I'm not aware of evidence that suggests that. In fact, the Federal Reserve, which has data that addresses that slightly, although it's not well defined and so forth --

>> Jim Chen: I'm sorry. I don't mean to cut you off. I want to try and tie it a little bit more to the topic of whether there are studies -- if your all's study is one of these that examine how interest rates and markups are charged different subgroups of consumers.

>> Thomas Durkin: I think it's an important point I'm making, though, that the 2.47 is not a number that's derived in the study itself. It's asserted there. It's much higher -- again, the gray hair -- it's much higher than any number I've seen before. I think it needs to be better established. Also, I would comment a little bit about the statistical procedures. The relationship there clearly is a multivariate relationship, and it does not seem, for a variety of statistical reasons, that the multivariate relationship is carried through and analyzed

Those need to be introduced as separate variables to the extent that you can apart from the multivariate problem I mentioned.

>> Jim Chen: I know that this is a very complex topic. We need to move on a little bit.

>> Thomas Durkin: Yeah, and I will finish up. I do have some suggestions for the author at the end that I would make for improving the paper, but just let me specify. Rather than going through that -- I think they're useful and would be helpful to the authors as well. But let me just say that there's one last problem, and that is that it appears that the data in the regressions that are used have what's called an outlier problem. They should be studied, and this would involve specifying the equation in different ways, because what's going on right now -- and I can give you an example that would show you exactly what I'm talking about in more detail. And in the interest of keeping Jim happy, I wouldn't do that. But it's going to twist the regression line, and it could not be duplicated, I think. And so I would not rely upon any of those regression coefficients for either of those reasons. They are probably biased because of an outlier problem and all of the variation is assigned to too few variables.

>> Jim Chen: Okay. I want to get to a point that was started being discussed before we got into a discussion of the data points, and that was the compensation for dealers and how the markup reflects some compensation given to dealers for arranging the financing. There are some instances where financing is arranged with no markups, is that right? Can someone answer that? Andy?

>> Andrew D. Koblenz: Yeah, I can answer that. But at some point, come back, because there was one thing from the Cohen study that we should come back to. But to answer that direct question, yes, there are situations where there's no markup because there are subventions, there are special deals, and there are some times that the market is so competitive that the dealer opts on this transition to place the financing without any compensation, just like there are times when the dealer opts to sell a vehicle at the cost of goods sold. There are some of those.

>> Jim Chen: In instances where there is no markup, how is a dealer compensated?

There's all sorts of different compensation schemes between the dealer and the finance company operating. And they are driven by the market imperatives of those different situations.

>> Jim Chen: Chris K.?

>> Chris Kukla: Sorry. I'm going to jump back to a previous thing. We were treated to Dr. Durkin's opinions and feelings about our paper. I don't want to step the next 15 minutes having Delvin wow you with his knowledge of multivariate regression analyses and things like that. But I do wonder if we're going to -- Given the fact that our paper has been criticized in this panel, if we're going to have an opportunity to rebut or discuss whether or not Dr. Durkin's opinions or thoughts on our paper we think are correct or whether --

>> Thomas Durkin: I wouldn't call anything I said a criticism. They are just comments of a normal academic sort to try to attempt to help the authors improve the paper, and in that context, I hope that that's how they are taken. I also did assemble a list of 16 experts in Washington, and, Jim, this was for you, so you don't have to go elsewhere if you want to talk about automobile financing and so forth. Of the 16 experts, 15 of them were better econometricians than I am, and so I would -- and Delvin, you and your coauthor -- I would be more than happy to try to set up a seminar at the Federal Reserve where you could present the paper.

>> Chris Kukla: Given the context, I think it's fair to say that I one just global point that I'll make is we've run into this before in other contexts when we've had research papers on mortgage lending, where we've been treated to long discourses about how our papers wrong and then there's no data on the other side to show anything other than what we've said. So, if we're going have this discussion, I think it's fair to say we've put out the data that we have available and our analysis of that available data. If there's other data available, we'd be glad to see it.

>> Thomas Durkin: No, my point is that --

>> Jim Chen: We've got -- Sorry. One at a time here. Andy, you wanted to make a point?

>> Andrew D. Koblenz: In fairness, one of the crucial charts -- and Tom mentioned it and he questioned it -- he said

concern presented by the model that is the most prevalent model that we've been talking about, namely the dealer spread model.

>> Jim Chen: Tom, did you want to make a comment about the compensation?

>> Thomas Durkin: Yeah, just simply that I think, Chris, you missed my point. I don't have better data, and I'm not saying your data are wrong. I'm just saying that you have to explain what they are, and you can't get that from the paper. That is a request to the author to clarify that in ways that any analyst -- and let me say that I'm the only one, I guess it's safe to say, that, as they say in Washington, doesn't have a dog in this hunt or a horse in this race or something like that. I'm just a skeptical analyst, and so you got to show me where these things come from. I don't ha

the risk that they present but because one person may have walked in with financing from a direct lending source versus someone who walked in blind, and that has nothing to do with risk-based pricing. That has everything to do with that person sizing up that customer and making a decision about what they think they should charge.

>> Jim Chen: Andy.

>> Andrew D. Koblenz: That's not unfair lending. Let's be very clear. There is nothing that says discretionary pricing in any segment of the marketplace is unfair. The ability to reduce down from L0(a)4(x-Td [illegible]

are competing for the business of the customer but the lenders that are competing for the business of the dealer. If it was the former, competing for the business of the customer, then prices would be driven downwards because the customer will be able to choose directly from a wide source of -- wide range of sources, what the APRs could be, but the dealer is not going out, getting four or five quotes, and then turning around and giving all four or five quotes to that consumer and saying, "Hey, pick which one you like the best." They are picking the one rate quote that is most advantageous to them from the lender. So, the lender, if they want to stay up to a certain market share in the business, they have to compete for the business of the dealer, which would -- It's a reverse-competition kind of model where prices are driven upwards but never downwards.

>> Jim Chen: Okay, Andy. If you could briefly --

>> Andrew D. Koblenz: Yeah, just one question. But, Delvin, if the APRs and the direct lending space were higher or equal to -- let's just say equal to -- then it doesn't matter, right? That's all interesting, but if it costs more to go to the one that doesn't have this heinous component to it, it doesn't matter, right?

>> Delvin Davis: J.D. Power doesn't say that.

>> Andrew D. Koblenz: I'm sorry?

>> Delvin Davis: J.D. Power does not say that.

>> Jim Chen: Okay. If I can move just one last point -- Sorry, Chris. I actually want to rope Chris C. back into this conversation, because we had a little bit of discussion about subvened rate or also heard it call subvented rate. My understanding is that's where a finance source subsidizes a rate given to a customer. Is that right?

>> Andrew D. Koblenz: That's not right.

>> Jim Chen: I'm sorry.

>> Andrew D. Koblenz: I'm sorry. It's not the finance source that's doing the subsidization in the subvened rates. It's generally the manufacturers.

>> Jim Chen: Oh, I'm sorry.

>> Chris Choate: It is the manufacturer that is helping the consumer buy down the rate by providing funding to the finance source.

>> Jim Chen: Okay. Now, do dealers have discretion over who is offered this subvened rate?

>> Chris Choate: Well, typically a subvention program is, "A," going to be available for new vehicles, not used, because it's generally dollars coming from the manufacturer, and they're interested in selling new vehicles, and, by and large, dealers are eager to see subvention programs available because it helps them sell cars. It helps get the consumer into -- I think Delvin used the phrase "a little bit more with the savings." Generally, it's available on this vehicle or that vehicle but perhaps not on this vehicle. Subvention dollars are nothing more than a marketing spin by the manufacturer given vehicles they're looking to try to move. They may have a little more inventory of this this time of year, for example, where there's the model-year changeover. There can be subvention dollars placed on the outgoing models. Dealers are typically eager to see those subvention programs come around because it helps them move those vehicles off the lot.

>> Jim Chen: Okay. I'm going to let Chris K. speak, then Andy, and then I want to take some quick questions, and I really want to kind of get at whether there's any way it's been sure that these subvened rates are being given to all that qualify.

>> Chris Kukla: That's an interesting point. I think it would be very interesting to see the data that's available on that, because that's not something that we can see, and that's one thing I want to point out. I do want to just quickly respond to Andy's point about -- that discretionary pricing is not
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their own biases into the transaction. You run a greater risk of fair lending issues than you do elsewhere. If you have an F&I salesperson who is, for whatever reason, charging women more than men in markups or giving higher markups and more markups to women than men, you've got a fair lending problem. If you've got the same thing with other protected classes, I think that's the point of it, not that, you know, in a vacuum, it's not unfair lending. It lends itself to unfair lending in a way that other compensation practices simply don't.

>> Jim Chen: Andy, Go ahead.

>> Andrew D. Koblenz: Excuse me. I'll answer Jim's question. We're running out of time to answer that one. Maybe we'll have other forums to do it. But with respect to the subvened rates, let's start with the fact that the purpose of these subvened rates is to encourage the sale. They are advertised massively by the manufacturers that offer them, and they are out there, so, in a sense, they are offered to everybody. Do they have qualifications associated with them? Absolutely. Are those qualifications based on credit worthiness? Some of them are. But there are other qualification requirements. As Chris mentioned, there's the vehicle that it might be on. They may be be regional. Manufacturers have inventory issues at the wholesale level that they're trying to push through. I'm also, among my many other talents that I don't have, because I'm not a marketing expert, as to when you're going to do it, but there are marketing experts at the manufacturer's who are trying to drive traffic in particular areas, to move particular vehicles, to move them at different times, to clear it out because there's another shipment coming on the ship from Japan or Germany or coming off the factory in Detroit. And there are all sorts of special qualifications, but there's no secret to these rates. They're out there, and the market is driving people. They want to get them because it allows them to more readily sell the car, which is the primary business that the dealers are in.

>> Jim Chen: Any questions from the audience?

>> Female Speaker: Hi. This is a question for Chris. I was wondering what percentage of loans do you put back to dealers and under what circumstances.

>> Chris Choate: Well, I'm not going to give an exact percentage. I've alluded to the fact that we can be -- As a subprime lender, we're going to be very, very careful in verifying proof of income. It's going to be a very big one. Proof of employment, so not only do you have a job -- Not only do you have an income, you showed up with a paystub, a recent paystub or a tax return, but also that you still, in fact, have the job. Proof of residency. Again, at certain tiers in subprime, you really need to be able to know where the consumer and the collateral is going to be. Some of those things differ for prime. They may not be quite as important. But, certainly, we'll have 10% or so of our business when it initially comes in the door that just is not fundable within some reasonable period of time. There'll be a back and take on most of that with the dealer, and we will ultimately find another decent percentage of that 10% or so that we're not able to fund up front.

>> Male Speaker: Mr. Davis, you said That J.D. Power had data showing indirect lending and 100 basis points, I think you said, over direct lending. And I thought I heard Dr. Durkin start to say that the Fed data is different. Dr. Durkin, what does the Fed data show on that basis?

>> Thomas Durkin: The Fed data is not well defined. You'd have to go there and ask them exactly what's in there, so I wouldn't want to make too much of it, but what it says is that lending at banks is less expensive than -- Excuse me, the other way around -- that lending at finance companies is less expensive than automobile lending by banks, and this has been -- it's not always been true, but it's been true for at least 15 years.

>> Male Speaker: Does this data also include credit unions?

>> Thomas Durkin: No, the Federal Reserve is not a regulator of credit unions, and so it doesn't have that information, but it has simply the bank and the fin[illegible]

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disagreement as to what the reality is. I'm not sure how J.D. Power is getting direct-lending data, but, obviously, that's something to look into.

>> Jim Chen: Last question over here.

>> Male Speaker: Yeah, yesterday we focused on the military consumer, and bringing that idea to the work that um-14( )-1(umue)4(s)-4(a)]1.644.11 0 Td   ( )Tj   0.002 Tc -0.002 Te t usll ilit clitaseit oc otailitc t

>> Andrew D. Koblenz: Some of his past credit experiences. There might be some issues, factual issues, relative. Did he have two bankruptcies, one bankruptcy, zero bankruptcies? There are other variables in the credit application that may have to be --

>> Male Speaker: All that information is on the consumer reporting data, though. Other than the consumer reporting data, for the military consumer, what needs to be chased down later? Why can't you deliver a funding decision at that time to the military consumer?

>> Chris Choate: Well, again, the funding decision at that moment in time is for the dealer to deliver. The funding source is going to have these other attributes that they are going look at, such as prior credit history, deal structure. There are a number of other things that really aren't that dramatically different than any other consumer. Again, in the military, we know this guy is stationed -- man or female is stationed -- at a particular base. We know they have pretty good stability where they're going to be, at least with that vehicle initially, but I don't know that there's anything dramatically that much different from underwriting the loan.

>> Jim Chen: Okay. Thank you very much to our panel.   Jim Chen: Okay .