Mike Jackson  
Chairman and Chief Executive Officer  

Automotive Outlook Symposium  
Federal Reserve Bank of Chicago-Detroit Branch  
June 5, 2009
New Single Family Home Sales

Units in Thousands

Not Seasonally Adjusted
Source: U.S. Census Bureau
Subprime & Alt-A Mortgage Loan Origination

% of Total Mortgage Origination

<table>
<thead>
<tr>
<th>Year</th>
<th>Subprime MBS</th>
<th>Alt-A MBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>7.1%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>5.3%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>4.3%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>5.1%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>13.7%</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>16.3%</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>9.0%</td>
<td>.6%</td>
</tr>
</tbody>
</table>

Sources: Inside Mortgage Finance
Auto Retail Sales Full Year

Units in Millions


Source: CNW
### Monthly SAAR

**Source:** Ward’s; May 2009 (Reuters)

**Graph Description:**
- The graph illustrates the SAAR (Seasonally Adjusted Annual Rate) in millions of units for each month from January to May 2009, with a comparison to January 2008.
- The graph highlights the Lehman Brothers Collapse and shows a significant decrease in SAAR post-2008.

**Key Observations:**
- The highest SAAR in 2008 was in January, followed by February.
- February 2009 has the lowest SAAR among the months shown.

**Legend:**
- SAAR in Millions of Units
- Months: Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep 1-15, Sep 16-30, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May

**Source:** Ward’s; May 2009 (Reuters)
Auto Loans

Percent

Prime: 90% (Aug '08) 60% (Nov '08)
Near Prime: 75% (Aug '08) 50% (Nov '08)
Subprime: 50% (Aug '08) 10% (Nov '08)

Source: CNW Data / AutoNation Data
Captive Finance Companies Loan Acceptance

GMAC

1527

Chrysler

823

Ford

1624

Dec. 07

Dec. 08

Source: AutoNation
Post Lehman Brothers, AutoNation identified an increasing gap between our customer traffic and unit sales due to lack of available credit.
Auto Retail Credit Situation Assessment

- The Auto ABS market collapsed in the second half of 2008.
- A healthy securitization market has been critical to providing liquidity to auto retail lenders.

- The inability of lenders to sell these loans into the secondary market has limited their ability to approve new loans.

- TALF has contributed to some recovery. However, more will have to be done to make this market fully functional.
  - Allow credit enhancement on auto ABS to enable it to meet TALF eligibility standards.
  - Eliminate mark to market on non-TALF auto ABS.
Gasoline Prices


- $4.01 7/7/2008
- $3.32 March 1981
- OPEC Oil Embargo
- Iraq-Iran war starts
- Iraq invades Kuwait
- 5/09 $2.40
- 12/08 $1.65
- zFacts.com
Used Prius Value

Source: AutoNation
Gas Prices vs. Fuel Efficiency

March 2009

MPG  | Taxes Added  | Core Gasoline
-----|--------------|------------------
Europe | $4.87 tax | $3.37 a gallon |
Japan  | $2.09 tax | $3.21 a gallon |
U.S.   | $0.40 tax  | $2.06 a gallon |

$8.24 a gallon
$5.30 a gallon
$2.46 a gallon
## Autos in Europe ($6/gallon gas = 36 m.p.g.) vs. United States ($3/gallon gas = 21* m.p.g.)

<table>
<thead>
<tr>
<th>Weight</th>
<th>EU</th>
<th>US</th>
<th>Fuel</th>
<th>EU</th>
<th>US</th>
<th>Transmissions</th>
<th>EU</th>
<th>US</th>
<th>Cylinder Count</th>
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</thead>
<tbody>
<tr>
<td>4,380.5 lbs.</td>
<td>3,195 lbs.</td>
<td>0.2% Diesel</td>
<td>0.2% Diesel 99.8% Gasoline</td>
<td>51% Diesel</td>
<td>49% Gasoline</td>
<td>8% Manual</td>
<td>80% Manual</td>
<td>Avg. 3.5L 23% 8-Cyl.</td>
<td>Avg. 1.7L 84% 4-Cyl.</td>
</tr>
<tr>
<td>8% Manual</td>
<td>5% 3-Cyl.</td>
<td>20% Automatic</td>
<td>47% 6-Cyl.</td>
<td>80% Manual</td>
<td>28% 4-Cyl.</td>
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<td></td>
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</tbody>
</table>

*Adjusted fuel economy

Energy In America

**Consumer Expenditures**
Gas & Oil - % of Personal Income

- 1980: 4.9%
- 2007: 3.5%

**Miles Driven Per Household**

- 1980: 19,000
- 2007: 27,000

**Motor Gasoline Consumption (gals.)**

- 1980: 99 B
- 2007: 142 B

**Average Sq. Ft. - Homes**

- 1980: 1,740
- 2007: 2,500

**Source:** Dept. of Energy

**Source:** Dept. of Energy & Transportation

**Source:** Bureau of Economic Analysis

**Source:** NAHB

1980 – Avg. age of vehicles 6.6 years / 2007 Avg. age of vehicles 9.2 years 39%
## Consumers Perspective

<table>
<thead>
<tr>
<th>Technology</th>
<th>Price</th>
<th>Fuel Economy</th>
<th>Range</th>
<th>Fuel Availability</th>
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</thead>
<tbody>
<tr>
<td>Direct Gas Injected/ Turbo Green</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
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<tr>
<td>Diesel</td>
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<td>⬤</td>
<td>⬤</td>
<td>⬤, ⬤</td>
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<tr>
<td>Hybrid</td>
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<td>⬤</td>
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<td>E-85</td>
<td>⬤</td>
<td>⬤, ⬤</td>
<td>⬤</td>
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<td>CNG</td>
<td>⬤</td>
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<td>⬤, ⬤</td>
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<tr>
<td>Plug in Hybrid</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
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<tr>
<td>Electric w/ Range Extender</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
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<tr>
<td>Hydrogen</td>
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<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
</tr>
</tbody>
</table>
• Assuming normalized credit conditions and a moderate recovery in the core volume forecast, the SAAR would approach 11.3mm units and 14.1mm units in 2009 and 2010 respectively.

• Improved credit would contribute 1.6mm of that growth in 2009 and 3.1mm in 2010.

Source: AutoNation Analysis
Four Things That Need To Happen

- Credit normalization
- Lower mortgage rates to stabilize housing
- Automotive Stimulus
- Energy Policy
Q&A Discussion