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Finding strength

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CPO sales continue to increase

NIADA's Certified 360 provides option for independent dealers

Sales of certified pre-owned vehicles continued rise throughout February.

According to new numbers from Cox Automotive, CPO sales increased nearly 2 percent from January, with an additional 3,900 units sold. A total of 205,946 CPO vehicles were sold in February, an increase of 7.3 percent from February 2022, with an additional 14,000 units moved.

The CPO numbers to start 2023 are exceeding forecasts.

"Our initial forecast was for CPO sales to fall a bit this year, but the numbers are not supporting that drop. CPO sales are up nearly 14 percent, meaning almost 50,000 more CPO units have been sold in the first two months of the year compared to the same time in 2022," said Charlie Chesbrough, senior director of economic and industry insights at Cox Automotive.

"With younger off-lease units in short supply, automakers are expanding their CPO programs to include older vehicles. As a result, the CPO sales pace so far this year is running hotter than expected."

To compete with the franchise dealers' programs, NIADA launched CPO 360 in January. The CPO program helps independent dealerships increase buyer confidence and their profitability.

"The independent world never had a true CPO program. This is a true CPO limited warranty program," said NIADA Vice President Jeremy Beck. "It allows the independent dealer to be on par with manufacturers and have a leg up on other independent dealers."

NIADA developed the program working with the top administrators in the industry AUL, GWC Warranty, ProGuard and Southwest Dealer Services.

"We put together highly respected administrators known for their claims and customer service experience," Beck said. "They provide a level of confidence for the independent car shopper. These administrators are respected by dealers and known by customers."

The program is easy to implement and affordable. The NIADA CPO covers vehicles up to 10 years old with up to 125,000 miles, offering three term and mileage offerings:

- 3 months or 3,000 miles for $199
- 6 months or 6,000 miles for $299
- 12 months or 12,000 miles for $399

For information about the NIADA 360 Program and connect with an administrator, visit niada.com/certified-360. ■

Martin knows his mission leading NIADA

Giving dealers a voice

BY RICHARD GREENE

Spending the past 16 years representing independent car dealers in Texas, Jeff Martin has developed an immense respect and admiration for the men and women in the industry.

He's watched dealers put thousands of dollars on the line at auction and listened to them work tirelessly through a deal to help customers.

"Most of our members work six days a week, and the money they put out there is mind boggling," Martin said. "They're unbelievably resilient. I kind of live vicariously through them. I wish I had the guts to do some of the things that they do.

"They have so many challenges. If they don't find a way to make it work, they're shutting the business down...It's that entrepreneurial spirit. It certainly makes me want to do a better job representing those individuals."

Starting March 20, Martin is using that same respect and admiration to represent ndependent dealers across the nation as the Chief Executive Officer of the National Independent Automobile Dealers Association. Martin was named to the position in February after serving as the TIADA executive director since 2006.

"I've always been intrigued with the national association. I think there's some unique opportunities there," Martin said. "I feel like I'm at a place in my life, and feel like I'm kind of well-equipped to be able to come in and move NIADA in a positive direction, build on the positive things that NIADA is doing."

When naming Martin the CEO, NIADA Board President Scott Allen pointed out Martin's integrity and experience in building associations over his career.

"Jeff is absolutely the right person to carry us forward," Allen said. "In our search for a CEO, we explored our options, and there was one particular person who checked all the boxes. Jeff has a servant's heart, is full of integrity and has empathy for our community and industry."

A native Texan, with a taste for good barbecue and chicken fried steak, Martin grew up in the Brazos Valley in the rural town of Franklin.

After attending college at Tarleton State University in Stephenville, he was drawn to the Texas capitol, Austin.

"My wife and I both grew up in small towns and wanted to see what the big city was like," Martin said. "We looked at a number of big cities in Texas and a couple outside of Texas and fell in love with Austin. We decided that's where we wanted to live."

After his wife landed a job with the state auditor's office, Martin took a position with the Association of Texas Professional Educators as a field representative.

"It was an awesome opportunity for me," Martin said. "They were working to try to expand their membership. Part of the strategy was to get local chapters set up in the school districts. I went to school districts and found volunteer presidents, vice presidents and treasurers within school districts. We put together membership campaigns in each school district."

Martin rose to Director of Member Services with the ATPE and helped the association grow from 65,000 to 107,000 members. The experience solidified a passion with working on behalf of others on complex issues.

"I enjoy taking on others' issues and being their voice," Martin said.

While at the ATPE, Martin began working with TIADA on enhancing its membership. The TIADA director was considering retiring and approached Martin about filling the position. Martin met with the board of directors and was offered the job.

Though his background was not in the automotive industry, he knew how to build strong associations with strong teams to facilitate the conversation on issues.

"There was plenty I didn't know anything about. I never looked at that as a disadvantage for me," Martin said. "I always looked at it as an advantage to say it forces me to ask more questions. It forces me to give you, as a member more of a voice within the association, not less of a voice."

He's helped TIADA grow its annual budget from $630,000 to more than $2 million and increased membership from 850 to nearly 1,300. But aside from the membership, he's worked to help the association grow its influence to help those members.

"There's a number of things that the association accomplished that I'm certainly very proud of," Martin said. "Whether it has to do with legislation, financially where we're at or growing the membership, those things don't happen unless you have a good team. That team is what I'm most proud of."

Moving from a state association to NIADA, Martin hopes to build lines of communications with other state associations and work together to find solutions for dealers. He knows different states will have different needs, which he wants to work to understand.

"I don't come in with any expectation that we're just going to make everything look like Texas, because that's just not the case," Martin explained. "Everybody has different needs. They have different resources and infrastructure to accomplish what they need. How can NIADA fill that role? That's going to be different for every state."

NIADA will continue to focus on compliance and helping dealers follow requirements and regulations, while also advocating on the industry's behalf at the federal and state levels. Martin points out compliance helps with advocacy.

"We have to be the voice in what compliance means. We're going out to talk with legislators and federal agencies to know what the rules are and communicate that to our members," Martin said. "I have found our dealers want to be compliant.

"We should have a stake and voice in what compliance looks like. If we're an educated industry and we're actively taking care of the members within our industry, it makes it easier to sit down at the table with regulators and have conversations about proposed rules affecting our industry."

In starting his new role, Martin plans to get out and meet members and partners. He will be making himself available to hear from them to provide the best representation possible.

"The idea is to build platforms to give those members an opportunity to have a voice," Martin said.

He will never forget he's representing business owners, who along with selling cars are building stronger communities through backpack drives, sponsoring youth sports teams to providing meals for customers.

"They really like being part of the community and helping their customers be successful," Martin said. "They genuinely care about their customers." ■

Why you need to start planning now

Planning will lead to success now, in future

BY MARK BURKHOLDER

We get it. You've put everything into the business and in return, it has rewarded you with pride and wealth enjoyment. You're not ready to leave the business, not just yet.

But you don't have to be selling today to think about what's next for your business. In fact, planning ahead of time is crucial to leaving you with more options. In our experience, building out a strategy that allows for ownership transition over five to eight years can bring the following benefits:

Continuance of lifestyle

For years, the business has been the engine for your ability to save and live the lifestyle you want. However, the amount you need to retire comfortably could be more than the value of your company. That's why you need to use time wisely. Build a strategy now to increase the value of your business, so you can extract the right amount when retirement comes.

Continuance of leadership

Truth is, the person you had in mind to take the business forward, say a family member, may not want to do so. Having open discussions about this today allows you to pivot to an alternative strategy like selling to a key employee.

Continuance of success

Succession strategies allow you to reflect on how the business environment has evolved and what its current and future needs are, so you can identify the best successor. While each new leader brings new skills, interests, and aspirations to the table, you can set them up for success by giving them the time they need to adjust to their new role.

For more on how you can plan for retirement or use insurance products such as life insurance to fund a buy-sell agreement as part of a business succession strategy, talk to your financial professional. ■

Mark Burkholder is the National Director of the Auto Dealer Services Group, LLC and Vice President of Peachtree Planning, LLC.

WHY CUSTOMERS PAY LATE

Reduce friction to boost collections

BY RICHARD GREENE

Late payments from customers impact many facets of a business, restricting cash flow, taking up resources and costing other opportunities.

In the auto industry, especially for buy-here, pay-here dealerships, finding options to get more consumers to pay on time is critical.

During a recent webinar held by the National Independent Automobile Dealers Association, Bruce Gaskill, Senior Director of Integration Partnerships at PayNearMe presented research on why customers pay late and some solutions to increasing on-time payments.

"A late payment, even a couple days late, can, for a smaller business, impact payroll and daily operating expenses," Gaskill said.

"Anything you can do to keep your best customers on time has many pluses."

PayNearMe polled 2,600 consumers, asking 30 questions about paying bills. The survey hit across different demographics to provide a representation of the U.S. population. Of the respondents, 51 percent said they were late on at least one recurring payment within a 12-month period. Thirty-one percent said they were late on up to three payments in that span, and 18 percent were late on four to 10 bills.

"It's not specific to non-prime lenders," Gaskill said.

Among individuals 60 and older, 92 percent had three or fewer late payments. In contrast, those 44 and younger were four times more likely to pay late.

"The younger generation scores themselves lower on average when it comes to paying their bills on time," Gaskill said.

According to the research, a lack of funds drives consumers to pay late, but it isn't the primary reason for missing payments. For those 45 to 60, procrastination caused 33 percent to pay late. In those 30 to 44, approximately 30 percent reported overlooking physical mail and emails.

Of respondents under 30, 11 percent were late on every payments and 30 percent late every other month.

The younger generations were also not likely to use traditional banking methods, according to the survey, with 30 percent using digital backs for primary accounts. Business Insider reported more than 50 percent of these age groups using digital wallets and more than 75 percent using digital payment apps.

Looking at 140,000 transactions totaling $42 million at 40 BHPH dealerships, 79 percent of payment transactions were completed with debit cards, 13 percent with cash, 7 percent with digital wallets and 4.3 percent with cash apps.

Gaskill suggests accepting as many forms of payment as possible.

"If you are not accepting digital wallet currency, they do have money they can pay you but that money is trapped in these tender types you are unable to accept," Gaskill said.

The research shows younger people are more apt to set up autopay. Another suggested solution to getting an increase in on-time payments is using smart links in texts. The links take the customer to a portal where a card is saved and allows them to make a payment in less than a minute.

"There's a 90 percent reduction in inbound calls and more on-time payments," Gaskill said.

"You want to remove as much friction as possible...A gentle reminder and frictionless customer experience are the two things that eliminate procrastination." ■

According to the research, a lack of funds drives consumers to pay late, but it isn't the primary reason for missing payments. For those **45 to 60,** procrastination caused **33** percent to pay late. In those **30 to 44**, approximately **30** percent reported overlooking physical mail and emails.

Finding strength

After list of adversity, dealer builds legacy of dealership

BY RICHARD GREENE

Arriving in Dallas in February 2022, Melissa McCown came to her first NIADA 20 Groups meeting seeking answers and help.

In the two years since the death of her husband, Patrick, she and Mi Amigo in Houston had persevered through an embezzlement, break-in and even a tornado that wiped out a planned expanded collections department. But after nearly reaching her breaking point, she knew she needed to keep going. Meeting with peers, she received something more valuable than the list of items to work on for her dealership in that initial Dallas visit.

"Every one of them at a different time walked up to me and just said, 'You've got this. You're smart enough, and you've got enough business sense,'" McCown recalled. "Honestly, it was just what I needed. I learned that I didn't know what the heck I was doing. Was I more confused about the numbers when I left? One hundred percent. But it was literally the vote of confidence I needed to sort of keep going."

McCown also made a personal decision leaving the meeting on how she would lead the dealership going forward.

"I was going to lead this place from the heart and not the head," McCown explained. "And we were always going to do what was right by our customers."

A little more than a year later with a dedicated, hard-working staff, the business is on firm footing with an expanded portfolio and an upward trajectory.

"This is not the same place from a year ago. The portfolio in a year has grown $3.5 million," McCown said.

"[Patrick] wanted to leave his mark for my kids and I, and there was a drive to at least give this the old collegiate effort. I know that he never thought it would be this difficult. There is no way that he would've ever known the things I would've had to go through to get where I am now."

Melissa met Patrick during the Houston Rodeo when they were in their 20s. She was selling advertising and Patrick called her the next day at work and invited her to lunch. The next night they ran into each other coincidently at a Bible study at their church they had attended separately.

"I was like, 'Hello. Are you stalking me?'" McCown recalled. "He said, 'No, I've been here since September.'"

They married and started raising three children in Houston. She had her own marketing company and Patrick started a lending company in 2013 and later moved into the car business, co-locating with another business.

In 2016, the McCowns received news they weren't prepared for with Patrick was diagnosed with advanced form of anal cancer.

"He was diagnosed and they told him, you didn't have much of a shot of beating this. I'm an optimist and said we're not listening to that," McCown said. "He did well on treatments and everything seemed to be going great."

Well enough, the McCowns bought a dealership in Colorado Springs, Colo. Then in June 2019, Patrick moved from co-owning his lot to closing on Mi Amigo in Houston.

"He was doing fairly well from a health standpoint," McCown said. "The dealership he was co-owning did not want to go in the direction he wanted to. So he came home and tells me, I'm gonna start my own dealership...He found this location and opened it."

But only a few months later, the cancer returned and this time treatment was not working. Exhausted, Melissa recalled days Patrick would come to the dealership and be unable to get off the couch. Patrick passed away in April 2020.

Melissa stepped away from her advertising business and started to dig into the dealership to help pay the loans she was responsible for. She admitted there was a large learning curve with the buy here-pay here business.

"The advertising agency I was a partner in, we did 100 percent automotive. I knew the ins and outs," McCown said. "But buy here-pay here and franchise dealerships are completely different worlds. It didn't take me long to figure that out. So I stepped away from the advertising agency knowing that this need the attention, and I needed to learn the business."

During the height of the pandemic, Mi Amigo had more than enough business. But looking back, the extra business masked many issues.

"We were making tons of mistakes, but because the value of cars were growing and people had money to spend, we were able to keep it going," McCown said. "We didn't need to do any marketing. You didn't need to do anything if you had inventory. People were buying cars."

After taking a couple of months to be with family after the loss of her husband, Melissa began to get her bearings with the dealership and the maze of troubles started. She soon discovered that the employee running the dealership day to day had started his own business, forcing her to part ways with him. She also had multiple mechanics out with COVID-19 and a shop full of vehicles. She reached out to a colleague that had helped her husband and they were able to get a couple of mechanics in. She also brought him on to help run the dealership.

Within that time, she ordered a full inventory of vehicles be completed. One night she was awakened with a phone call from the Houston Police. Someone had taken down the gate and stole multiple vehicles. A retired police officer had witnessed the theft and reported it to limit the damage. The recent physical inventory list turned out to be divine intervention, as they were able to figure out what vehicles were missing and use GPS to track them down within a day, with minimal damage.

It turned out to not be the only theft. In the summer of 2021, Melissa began question some of the financials and so did her bank. She brought in a respected BHPH CPA Steve Carstens to help do some digging along with other accounting professionals.

"Something didn't feel right. I wasn't smart enough to figure it out. But my intuition told me some was going on," McCown said. "The questions I was asking, the answers weren't adding up."

Due to bank loan increasing, a full financial audit was required. It quickly confirmed her fears.

"Within 10 minutes, the auditor looked at me and said you're being embezzled," McCown said.

"I can't go into the total details, but it was to the tune of hundreds of thousands of dollars."

The revelation was hurtful not only professionally, but on a personal level. Her trust had been violated by someone that knew the hard work her late husband put into building the company.

Less than a month later, the office she had set up for collections nearby was hit by a tornado, adding to the challenges.

But a determined and reinvigorated McCown refused to shut the doors. After getting advice from a dealer in town to join a 20 Group, she reached out to NIADA and found out there was a group meeting the following month.

With the initial filling out of the financial composite, she wondered if she was qualified for the 20 Group.

"I didn't even know how to find the information for the composite," she said. "I didn't understand what any of that meant.

"We went to the 20 Group, and Ben [Goodman] ran the group. I still look back and think, 'I can't believe they let me in.' They were probably like this woman is not going to be in business next year."

But the group gave her a vote of confidence and a focus. She left with a list of items she promised to complete by following meeting in July. To the astonishment of everyone, she did.

Starting with the dedicated employees that stayed with her — Edgar Solis, Jose Bahena and Erasmo Cortez — she built a staff with her values in mind — treating customers right and living up to their promises. She also found a general manger in Gill Florentino to help her run the dealership. McCown said it was a slow courtship with Florentino, who started running collections before joining the dealership.

With Florentino coming on board in August, sales have taken off.

"We made more money from August to December with him here. We probably made double the amount of money then we did the first seven months of the year," McCown said.

Florentino credited McCown's values and the environment she's established for her employees with the success.

By that July meeting, she had replaced 14 of 18 employees, changed websites and CRM companies, completed a sales tax audit and paid down hundreds of thousands of debt.

"At that second 20 Group meeting, they were clapping for me. But I couldn't have done it myself. It was my people and staff," McCown said.

"Joining the 20 Group was the game changer. Finding the confidence and then finding good people."

Goodman was impressed to see the turnaround from McCown at her dealership.

"Watching Melissa's transformation over the past year, as she's leveraged the knowledge and networking of her 20 Groups peers with her determination to succeed, has been an inspiration," Goodman said.

A little more than a year after attending her first 20 Group, Melissa is now working to get her group together more frequently. She will be starting regular Zoom meetings with them over various topics.

Reluntantly joining the car industry, she has grown to love it. But she's also looking forward to taking a step back from it next year..

She admitted it was her husband's legacy that kept her going in the tough times. She knows he would be proud of what they've accomplished.

"He would be very proud. I don't think he would be surprised," she said. "He was my biggest cheerleader our entire marriage. He probably had more faith in me than I had in myself. He would probably say if you don't want to do this, let it go. Don't hold onto this for me. I'm no longer doing that. I'm doing it because I want to, not because I have to." ■

Convention & Expo

NIADA ACCELERATE 2023

JUNE 19-22
THE WYNN, LAS VEGAS

Invest in yourself

Invest in yourself and accelerate your success with the multiple educational opportunities during NIADA Accelerate 2023.

During the wthere will be 63 education sessions to provide helpful information for everyone from rookies to industry veterans.

The brightest minds in the independent auto industry will provide information on everything from reconditioning, inventory, finance to marketing. The many breakout sessions will allow you plenty of chances to pick the brains of these leaders over the four days.

Agenda

June 19

3 p.m.	20 Group Reception
3 p.m.	First Timers Reception
4 p.m.	General Membership Meeting
6 p.m.	Welcome Reception

June 20

9 a.m.	Opening General Session
10:15 a.m.	Breakout Sessions
12:15 p.m.	Dealer Welcome Lunch and Leadership Awards
2:15 p.m.	Finance Fair
2:30 p.m.	Breakout Sessions
4:30 p.m.	Sugar Ray Leonard - Keynote Address
5:30 p.m.	Expo Grand Opening

June 21

8 a.m.	PAC Breakfast
9 a.m.	Breakout Sessions
11 a.m.	Networking Lunch
Noon	Service Bay Demonstrations
2:15 p.m.	Breakout Sessions
4:15 p.m.	General Session
5 p.m.	Expo Hall Reception

June 22

9 a.m.	Breakout Sessions
11 a.m.	Networking Lunch
Noon	Service Bay Demonstrations
2 p.m.	Foundation Vehicle Auction
3 p.m.	National Quality Dealer Awards Presentation
6 p.m.	National Quality Dealer Dinner

Service Bay demonstrations return

The popular service bay demonstrations will return for Accelerate 2023.

The focused 20-minute sessions give independent dealers insight into products and solutions designed to improve profitability.

The Service Bay provides an opportunity for dealers to see new products/services in hands-on demonstrations that improve operational performance.

Demonstrations may range from how to easily repair torn or stained seats, leading-edge diagnostic solutions that easily and reliably identify issues thereby reducing reconditioning time, cloud-based project management/workflow solutions that allow cross-functional departments to work more efficiently together, in-store key management solutions, as well as other instructional demonstrations geared toward improving dealership performance.

Service Bay sessions will be held June 21-22 following lunch.

Sugar Ray Leonard headlines appearances

Gold medalist and the first boxer to win championships in five weight classes, Sugar Ray Leonard is considered one of the top pound per pound fighters to ever lace up the gloves.

Since leaving the ring, the sports icon has become a best-selling author, television personality and met a calling to help humanity through many philanthropic efforts.

Sponsored by CARFAX, Leonard will share his drive for success as the keynote speaker for the National Independent Automobile Dealers Association's Accelerate 2023 Convention and Expo. Leonard will speak at 4:30 p.m. June 20 at the Wynn Las Vegas.

Registration for the largest expo and convention for the independent auto dealer is underway at niada.com/convention. Early bird registration ends May 15.

Leonard began boxing at 14, winning three Golden Gloves, two Amateur Athletic Union and the 1975 Pan-American crown, before capturing the gold medal at the 1976 Olympic games in Montreal.

To help his family defray mounting medical costs due to his father's illness, he turned professional following the Olympics.

At 20, he won his first professional fight to start his stellar career, which included winning welterweight, junior middleweight, super middleweight, and light heavyweight titles. He fought and won legendary bouts against Wilfred Benetiz, Roberto Duran, Thomas Hearns and Marvelous Marvin Hagler in his 20-year career.

After retiring from boxer, he provided expert ring commentary on NBC, ABC, FOX, HBO and ESPN, also featured as the international commentator for the record-breaking Mayweather vs. McGregor fight.

He hosted the Emmy-nominated "The Contender" and competed on "Dancing with the Stars."

In 2011, Leonard published his autobiography "The Big Fight: My Life In and Out of the Ring." In his memoir, he describes his greatest competitor, himself and confronts his personal battles with depression, rage, addiction and greed.

Leonard started the The Sugar Ray Leonard Foundation in 2009 with his Bernadette. Since its inception, the foundation has funded countless research projects and offered life-changing patient care for children living with type 1 and type 2 diabetes. The foundation is also committed to helping children lead healthier lives through diet and exercise, equipping them with the tools to be successful in health later on.

Leonard also raises money for Children's Hospital Los Angeles (CHLA) and other children's charities through his annual "Big Fighters, Big Cause" Charity Boxing Night. ■

New dealer academy teaches new dealers about BHPH market

Moderators establish basics of business

BY RICHARD GREENE

Since opening the Mars Dealership in Dallas in 2021, George Khumarov has become increasingly aware of the buy-here, pay-here market.

"We started thinking about BHPH. A lot of leads are asking if we do in-house financing," Khumarov said. "It's made us understand it's popular in this market, with this price range.

"We knew nothing about it...We decided to get information from the industry leaders."

Khumarov attended the NIADA Buy-Here, Pay-Here New Dealer Academy in March to learn about the profitable segment of the used car market in Irving, Texas, from 20 Group Moderators Ben Goodman and Bill Elizondo. In two days, the industry veterans, with more than 60 years of combined experience, shared information about BHPH trends, reconditioning, collections, deal structure, inventory and underwriting.

"It's been a high level bullet-point class, but hopefully you've taken a lot out of it," Goodman said at the end of the class. "It's a lot of great information. It's a great business. A lot of people are making money, and it's a recession proof model."

At the start of the two-day session, Goodman and Elizondo covered recent economic trends, pointing to growth in the BHPH segment.

According to data from Experian and the U.S. Bureau of Labor Statistics, bankruptcy petitions increased by 7 percent in September 2022. People seeking financial relief through restructuring debt are also increasing, after many of the stimulus programs during the COVID-19 economic recovery have expired.

"Filings are going up because people can't afford payments," Elizondo said.

Even as finances are tightening, the labor market remains strong. Unemployment is still at a 50-year low and people still need transportation to get to work. This is creating additional opportunities for BHPH dealers.

"This is the absolute best time to get into buy-here, pay-here," Goodman said.

From the start, Goodman and Elizondo framed that this model is a finance and collections business, with the vehicle being the commodity.

"You're selling a finance program. It's designed to help the customer rebuild their credit," Goodman said.

Many of the BHPH customers are in need of transportation, but have low credit scores and few options. This makes developing a relationship with the customer key, as you work to get them in a car they can afford.

"This is a relationship business. You want to make sure they are able to afford a vehicle and make payments," Elizondo said.

To build this relationship, Goodman suggests working through underwriting and structuring a deal before putting the customer in a vehicle that fits their needs for a test drive.

Dealers must also make sure to get accurate information from the customer, which can be tricky. Due to their circumstances, many of the customers are conditioned to stretch the truth.

"At the end of the day, you want them to be honest with you," Elizondo said. "You tell them, you want to get all the information you can get to them approved today. Remind them, 'I'm the fiance guy.'"

Goodman and Elizondo also do not set up deals for customers living more than 50 miles from the dealership, due to service and repossession logistics.

"It's too far out," Goodman said. "It won't be easy for service."

Collections in BHPH is also a continuous conversation working with customers. Elizondo said at the end you can't let collections become personal.

Goodman and Elizondo advised the class to set up payday payments. When the customer gets paid, they pay for their vehicle.

"At the end of the day, we tried to educate you on the business. There's different ways to run a business, and we

From the start, Goodman and Elizondo framed that this model is a finance and collections business, with the vehicle being the commodity.

don't always agree," Elizondo said.

Khumarov, who is new to the model and a veteran Rosie Johnson, the Vice President of R&D Motors, who has been in the business for 28 years, each took many lessons from the two-day session.

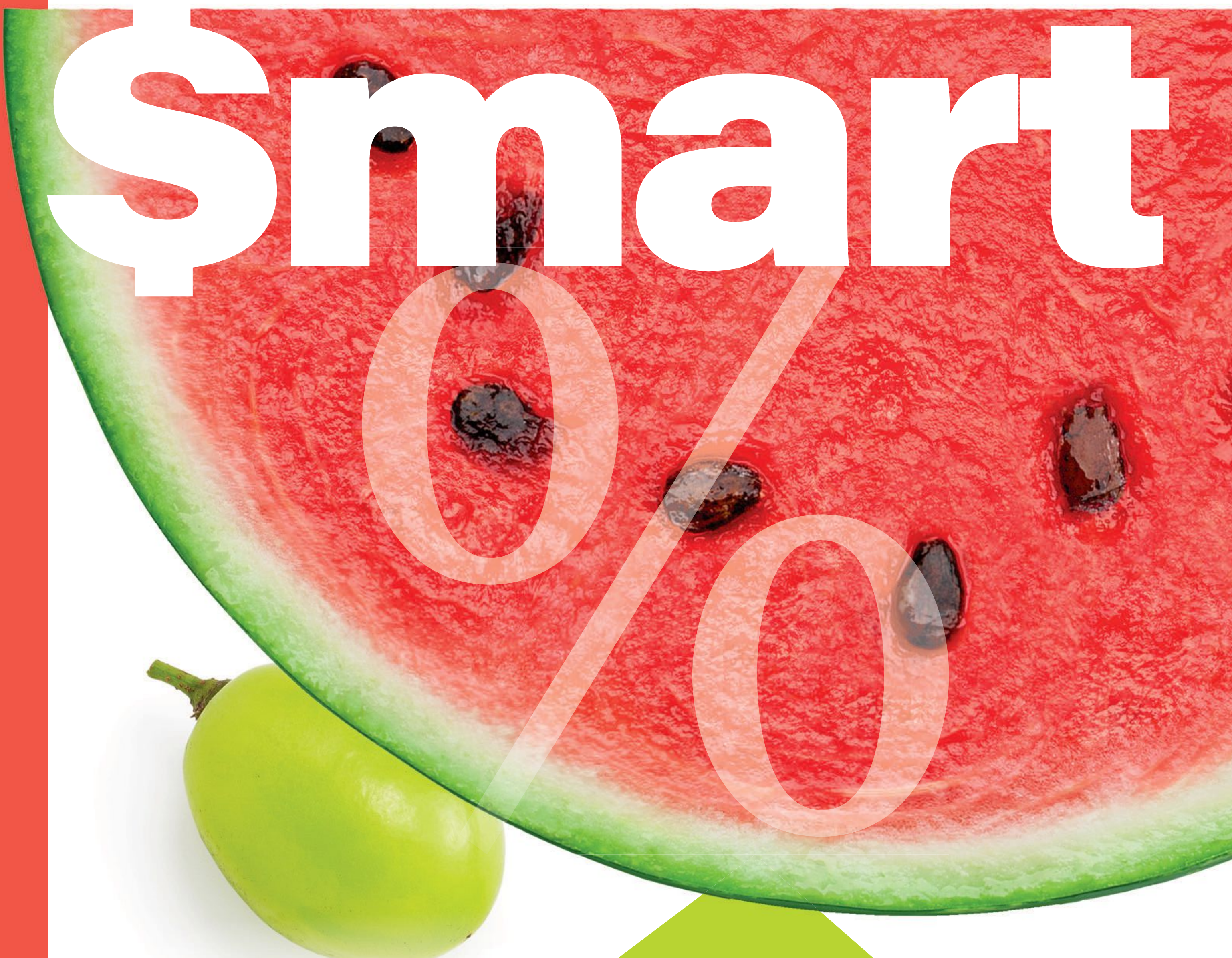
"I got a lot of new ideas to take back. I was able to take away something for every department," Johnson said. "Specifically with collections, we've been collecting monthly and we may switch to pay day."

Khumarov added: "This was good training. It was good to have people with 30 years of experience teaching. It was very personalized. You were able to ask questions."

NIADA has more BHPH training on tap soon. A BHPH collections workshop will be held via Zoom April 4. BHPH service management training in Dallas is April 12. On April 13 is the BHPH underwriting workshop online. The BHPH general management training is April 26.

Find the schedule and registration at niada.com/course-schedule. ■

Grow $mart

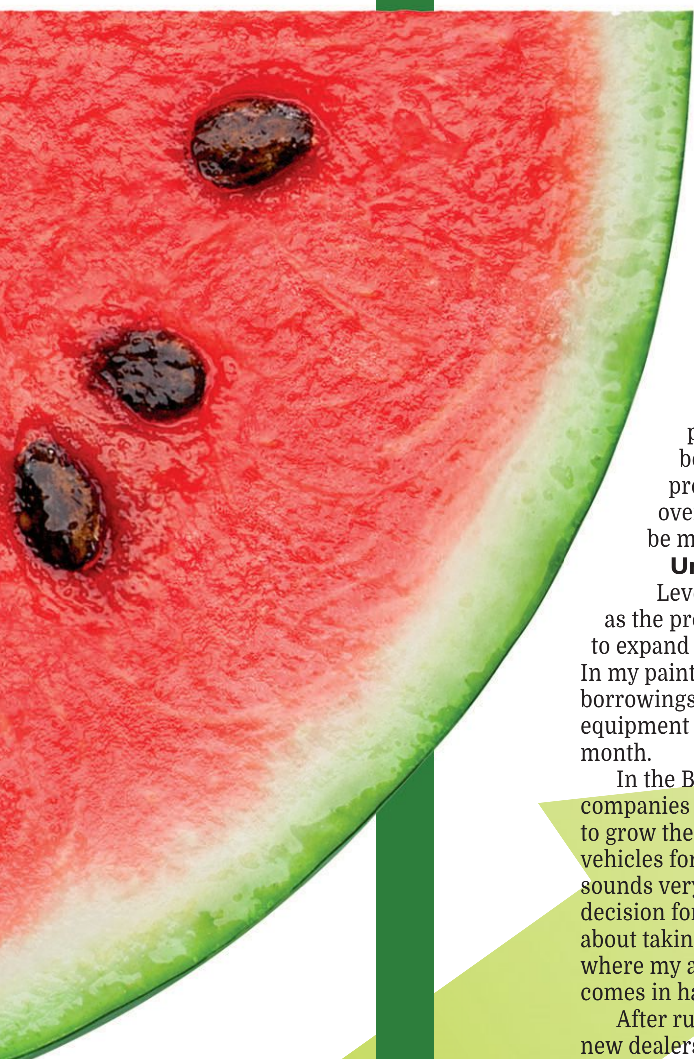


BY GARY PAGE

Mastering How to Use Leverage

During High School, I started painting houses in my neighborhood during the summers. I would hire my unemployed friends and soon I had several crews working. My supportive father greatly assisted in my entrepreneurial venture's growth.

As I added employees, I also needed to spend money on ladders, scaffolding, paint sprayers and insurance. I saved money to reinvest in the business but I really needed outside capital to fuel my growth and this is where my father stepped in. I soon realized the importance of having access to capital and managing leverage.



This business continued to grow as I spent my summers during college and graduate school running the painting business. I learned quickly that being capital constrained really slowed my growth plans. I realized that I might make a little less on each project due to the expense of borrowed money, but with more projects and employees, the overall company would expand and be more profitable.

Understanding leverage

Leverage in this context, is defined as the process of using borrowed capital to expand the asset base to further profits. In my painting business, I was using the borrowings from my dad to purchase more equipment to complete more projects each month.

In the Buy Here-Pay Here industry, companies provide dealers capital in order to grow their business and purchase more vehicles for their lot. Although this concept sounds very simple, it is often a tough decision for dealers as they are worried about taking on additional debt. This is where my analogy of the painting business comes in handy.

After running some numbers for new dealers, I show the profits of each individual account and the profits of the entire dealership. I create two models — one showing the profits with leverage and one without. As you might expect, the leveraged dealership is significantly more profitable and here is why.

Without leverage, dealers wait till each account can make enough payments to generate cash to purchase another vehicle. Industry averages suggest a dealer will need to wait 78 weeks before they break even on their current account and have enough cash to purchase the next vehicle. In simple terms, if you start a new dealership with five vehicles and sell them all the first month, you won't have anything else to sell for 78 weeks. The dealership will have to survive off the down payment and payment cash flow during this period.

This approach does maximize the profits on each vehicle as there is no added interest expense from outside capital. However, the dealership profits are constrained as there is no available funds for purchasing new vehicles for 78 weeks. And this cash constraint is a given as overhead items such as rent, payroll, and utilities are a constant.

For simplicity, imagine a dealer with just one vehicle and access to outside capital. Within a few days after selling the vehicle, the dealer can use the account as collateral to secure additional funding to purchase more vehicles. Our experience is that it takes about four weeks to purchase and prepare a vehicle for sale, sell it, and secure outside funding using the existing installment agreement and title as collateral.

Sample BHPH Leverage Multiplier:

Average Number of weeks to Breakeven (78)

Average Number of weeks to Purchase, Prepare, Sell Vehicle (4) = Opportunity (19.5)

In summary, you can sell about 19.5 vehicles in the time it takes to break even on one. The math simply takes the 78 weeks to break even divided by the weeks to cycle through and sell another vehicle. Your numbers may differ, but the process to calculate it is the same.

This leveraged approach does impact the profitability on each account as there is now cost of capital that has to figure into each vehicle. Although the profits per vehicle may be lower, the profits for the dealership are significantly higher.

Let's assume the average profit per vehicle drops from $8,000 to $6,000 when outside capital is leveraged. Using the above multiplier, the options are to make $8,000 on one vehicle or let the dealership earn $117,000 (19.5 vehicles times $6,000 in the same time period). Now imagine if you have 10 to 15 accounts you are collecting on that you could use as collateral. The numbers get much bigger.

Simply put – the BHPH business is a leverage model. As I often tell dealers, would you rather own half a watermelon or a whole grape.

Remember to GROW SMART! ■

Gary Page is the CEO of SDA, a capital provider for the Buy Here-Pay Here industry, which has helped thousands of dealers grow their receivables and build wealth.

Build Your Dealership Like

This approach will make you more profitable

BY JIM BASS

There are a couple of philosophies that exist with entrepreneurs, including BHPH auto dealers.

The dealer principal may have relevant experience in the auto industry, or just be a businessperson with an idea for greatness. Regardless of a dealer's background or motivation, they need to have the mindset of building a business they could sell and use that groundwork to help build a foundation for important decision-making. Planning that includes the possibility of a future sale is prudent, as selling the dealership may be the home run you're seeking.

Each dealer approaches their dealership differently, which may include an original idea, a refined approach – innovation, etc., that sets them apart.

I think dealers are definitely entrepreneurs as they put their vision in motion by developing a business plan (if only in their mind), take on serious risks and believe that their idea will generate profit and income.

Many businesses are established because the owner believes they can build a successful, profitable business which, with any luck, will provide rewarding income that will carry them into the distant future. On the other hand, other owners are not as interested in the long-term operation of the business. It's more of a quick fix approach to planting the seed, growing the "tree," and harvesting the reward by selling the apples, so to speak. We've all seen it before where businesses begin with the sole intent of selling it in a reasonable amount of time for a substantial monetary reward.

How do these two models of long-term vs. quick fix differ? They don't. In either case, the same requirements and considerations exist for success.

Although the following list are just examples, they are extremely important to keep in mind:

A high-quality business plan is necessary in order to determine your initial and longer-term capital needs.

That is, the investment in your business. If you are fortunate to already have enough funding in hand, either from your own resources or with the aid of an additional investor or two, that will save you time and effort. However, outside investors are expensive as they typically expect a percentage of the business with a return that may be higher than the amount of money they are willing to invest. Once you have decided on what your dealership concept should be and the why to your business brand — older, cheaper vehicles or newer, lower mileage vehicles with a higher upfront cost — you will need to determine markups, to arrive at top-line revenue. Let's see, then there's overhead which always seems to be higher than you would like. Also lot and building purchase/rent, staffing and compensation (don't forget benefits), utilities, furnishings, signage, lighting, fencing, advertising, tools, possibly a lift if you will be doing your own reconditioning, etc.

There are many considerations, but once you've formulized these basics, you should locate a CPA or other financial person who can help put together a sales and expense forecast for your business.

It is better to think about cash flow budgets up front, and what it takes to run a profitable business, rather than get caught flatfooted later. A professionally prepared business plan with a forecast can be very helpful to support your day-to-day operations as well as showing potential investors and bankers that you are starting on a professional note. The business plan provides a good reference point for your budget enabling you to frequently compare it to actual results. This consistent check-in on your business helps you evaluate any adjustments that might need to be made. Having a solid plan also helps prevent entrepreneurs being lured in by the newest gimmick. Knee-jerk decisions can be avoided if they were not originally considered in the forecast, unless there was an oversight that needs to be included.

Where to obtain vehicles to build your inventory for resale is an important consideration in your business plan.

You need to answer questions such as how to finance the inventory. Should you utilize an inventory floor plan? There are several floor plan sources, some better than others. This is an additional opportunity to use the services of an experienced dealership financial expert to assist you in choosing a floor plan provider. You will benefit from having that expert assist you in reading the floor plan agreement and deciphering the true cost of the floor plan credit line. There is more involved than just an interest rate, including curtailment charges, advance reductions with aging of the inventory, inventory audit requirements and more. All of which can cost you more than you may realize.

Staffing is an important consideration.

An incompetent or dishonest employee can cost you much more than selecting a person with good experience, good references, professional appearance, and verifiable job knowledge, even though their compensation may be higher. Compare an employee with the right qualifications and higher compensation to the cost of an employee who is disruptive to your business and/or causes dissatisfied and angry customers. Not only could you and the dealership gain a bad reputation or worse from business mishaps, you could also be sued. There's little chance that an unhappy customer will be a long-term lead source or a return customer for you. Selling cars is a relationship business and people matter.

Knowing compliance with regulations from your state regulator and the Consumer Financial Protection Bureau (CFPB) is critical to running a successful dealership business. Many times, a new dealer is unaware of all the requirements, or will assume that they will not be bothered by regulators because the dealership is comparably small. Small is not a safe harbor. All it takes is one customer to complain about unfair, deceptive, and/or abusive practices or treatment to raise a flag and trigger a compliance audit to be scheduled. The result could lead to significant fines, negatively impact the dealership's reputation, or worse case shut your dealership down. Compliance training is easily available from numerous reputable sources, including your state association, specialized attorneys and other private vendors. The small cost to gaining an understanding of compliance and regulations will be well worth it as you put the key concepts into your day-to-day operations. These standards, which are generally good business practices, should also minimize customer complaints.

Make sure that your staff understands that customers should always be treated with dignity, whether in the sales, collection or even repossession scenarios. You do not want to cause complaints to be filed with regulators or attorneys. Not being respectful of or humiliating a customer will only cause animosity, costing time and money. Taking the professional high road is always best.

Computers and software/apps are becoming essential to run a successful dealership.

Automating processes with business technology has been designed with the auto industry's needs in mind. Fortunately, there are several quality providers whose Dealer Management Systems (DMS) platforms are stable and relatively easy to learn and use. The DMS usually includes a link to a general ledger system, enabling a good bit of automatic posting of entries as well as producing financial statements on a routine basis. Technology with installation and maintenance can be somewhat expensive. Prior to buying, talk with other dealers and gather information about each of the DMSs that you are considering. Making a poor decision and having to replace a DMS because it didn't meet your needs can be disruptive to your business.

Whether you decide to hold your finance contracts or sell them off, underwriting your customers is a very important fundamental.

You are Going to Sell It

When underwriting, there are several considerations such as determining if the customer can afford the proposed vehicle. Does the customer pay their debts on a vehicle? To answer the preceding questions, most dealerships pull credit reports on their potential customers and then structure the finance deals appropriately. What other customer information do you need? After having obtained the information, does your staff know how to interpret it? Developing underwriting guidelines and procedures is as critical as training your staff to consistently adhere to the guidelines. Loans written ignoring guidelines, that is making exceptions, result in a disproportionate number of defaults and complaints often follow. No one wins with a repossession — the customer or the dealership.

As your portfolio develops, FinTech companies can ably assist you in evaluating your underwriting performance by providing meaningful analysis of your portfolio and show you what underwriting improvements could be made to improve your portfolio.

The largest asset in the dealership will be your portfolio value. It is also the asset which will be most important to a potential purchaser and to your financial success, whether you are selling or operating the dealership.

Collections from non-prime buyers is a normal practice for most dealerships.

It is valuable to have well-trained, courteous collectors, that follow dealership procedures. Even if a customers' credit and ability to pay are correctly judged by the underwriting staff, collections can still be a chore with monitoring, reminding, and educating customers on the importance of making their payments on time. Remember that deliberate, but friendly and courteous relations with your customers does pay off. In the event that you decide to sell or leverage your loans for future growth at some point, and the better your underwriting and collection protocols have been, the higher price your portfolio will bring resulting in a higher value of your dealership.

Back to the opening premise, does it make a difference whether you plan to operate long-term or sell your dealership? No, it doesn't as a well operated dealership with good portfolio performance, low incidence of significant customer complaints and/or regulatory attention, good inventory, building/lot appearance, and great customer service provide direct benefits to you. Whether you operate long-term or choose to sell your dealership, you will reap greater rewards — make more money with a good business plan that has been followed.

The difficulty for an investor interested in acquiring a dealership(s) is identifying one that is impressive and meets all the requirements outlined above. There was a commercial with a saying whose message was, "Look Sharp, Be Sharp!" If you operate the dealership to high standards, you will generate more successful customers. If your dealership has a great appearance, and a record of profitability with a good reputation, you will attract the attention of potential purchasers. Build your dealership the right way from the start and results will be more successful whether you decide on long-term growth or to sell your dealership. ■

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What an as-is sale isn't

Implied warranty will still apply

BY STEVE LEVINE

I've noticed a dangerous misconception with many dealers (independent, BHPH, franchise, it doesn't matter) regarding "as-is" sales that has the potential to be quite costly.

The scenario goes something like this: The Dealer sells a vehicle as-is. Soon thereafter, a mechanical problem arises with the vehicle, and the dealer rejects all of the buyer's attempts to have the problem repaired by the dealership. It claims since the vehicle had been sold as-is, the customer purchased the vehicle subject to all defects and the dealer has no responsibility.

I've handled several cases like this in my legal career, and believe me, the chances of a victory are not so cut and dry. Many states have consumer protections called an "implied warranty of merchantability" and "fitness for a particular purpose." Under these laws, the product has to do what it was sold to do and be able to be used as intended. A vehicle that stops working shortly after the sale can certainly give rise to those claims. Every state also has deceptive acts and practices laws that provide consumers with a whole host of claims, such as making it a violation to sell a product that doesn't perform its intended purpose or failing to disclose information about a product at the time of sale.

These laws are also nebulously worded and can be used quite creatively, making these cases difficult and expensive for a dealer to overcome. There are also "lemon laws" to worry about, though those tend to apply to new car sales.

I hate to be the bearer of bad news, but the fact a vehicle was sold as-is isn't an automatic "Get out of Jail Free" card. It doesn't offer the dealer absolution in the face of egregious or even simply inconvenient facts. Leaving aside the implied warranty of merchantability claim, there are many more ways for a consumer lawyer to defeat this defense. Did the dealer advertise anything that can be used against it? Did the dealership promise anything to the customer? Did the dealer's paperwork or statements from personnel contain any representations that arguably contradict the as-is nature of the sale?

There's a legal saying "bad facts make bad law," which basically means that if the facts are damaging enough, the law can often be molded and shaped to be flexible enough to allow for the victim to prevail.

Lawsuits like this are time consuming and expensive, and there's no certainty of the outcome. The dealer can make a motion for summary judgment on the basis of the as-is sale, but even that's expensive and can be defeated with some artfully written factual allegations.

Let's face it, consumers that bring these cases usually want a jury trial, and it's difficult if not impossible to find a jury that's not going to be sympathetic to a consumer. You may be thinking "But I use an arbitration agreement, I'm not going to court." While I advocate the use of arbitration agreements to avoid the danger of an emotional jury or class action risk, remember that arbitrators are usually going to be retired judges or experienced lawyers, so they are certainly likely to understand the implied warranty of merchantability argument.

My best advice is to seek to resolve the customer's issue, if at all possible, rather than hope that the as-is statement will hold up under judicial scrutiny. In the long run, it's cheaper and better for business. Now, a dealer may run into a plaintiff's attorney that makes this all but impossible, and in that case there is no choice left but to fight. But as a starting point, I think it's smart to look at the applicable laws in the given state as well as the specific facts of the situation and be brutally honest so that the dealer and its counsel can prepare a defense strategy. ■

Steve Levine is an auto finance lawyer with 30 years of experience helping and protecting car dealers and finance companies. He is Chief Legal and Compliance Officer of Ignite Consulting Partners, which offers compliance, operational and best practices guidance. Please contact info@IgniteCP.com or follow Steve on Twitter @LawyerLevine for compliance and industry related content.

LEGAL MATTERS

It's true that auto consumers are as varied as the makes and models they shop for

Prejudging Creditworthiness Can Cost You Sales

New lending products help with credit decisions

BY MATT BARBER

Anyone who's spent time in a dealership showroom selling cars has had this same experience: a potential buyer comes in to look at the latest premium model, they spend time with the salesperson deciding the exact configuration and options they want, and during the conversation the salesperson must decide whether to invest time and resources on finding a viable credit solution or cut bait.

Though alternative lenders may have programs that can help in such situations, there's often an onerous underwriting process that's fraught with complex verification work that may or may not ultimately lead to a firm loan commitment. This time-consuming verification process keeps the salesperson from working other potential sales, so they move on instead.

It's true that auto consumers are as varied as the makes and models they shop for, but prejudging consumer loan potential based on "the old way of doing things" is a pitfall that can prevent your customers from buying the car they want (and cost salespeople sales).

The legacy auto lending industry required a FICO score and a social security number just to get started. Without them, the opportunity for a non-cash sale was all but dead, regardless of creditworthiness. But that's no longer the case. Today, there are better loan products for consumers who make good incomes and spend their money responsibly, but whose creditworthiness isn't reflected in traditional credit scoring metrics.

In many cases, consumers who fall into this category include immigrants who are just getting a footing in the United States. Because they may not have social security numbers or any existing credit, they won't show up when you perform a traditional credit check. But they often hold high-demand jobs that pay good salaries. They have the means to take on a loan and make payments — just not a credit scoring model that accounts for it.

New lending products use proprietary algorithms to redefine true creditworthiness, regardless of whether the customer has a meaningful credit history, or any history at all. In fact, making use of these new products can often lead to firm approvals that offer better advances, more forgiving down payments, and significantly better interest rates than even many customers with long credit histories can achieve.

And what's more, new lending products take much of the onus off the salesperson and the F&I department and more meaningfully involve the customer in the approval process. Using their smartphones, customers can complete a simple income and credit verification process to finalize their applications. As a result, fast decisions and concrete approvals are the norm.

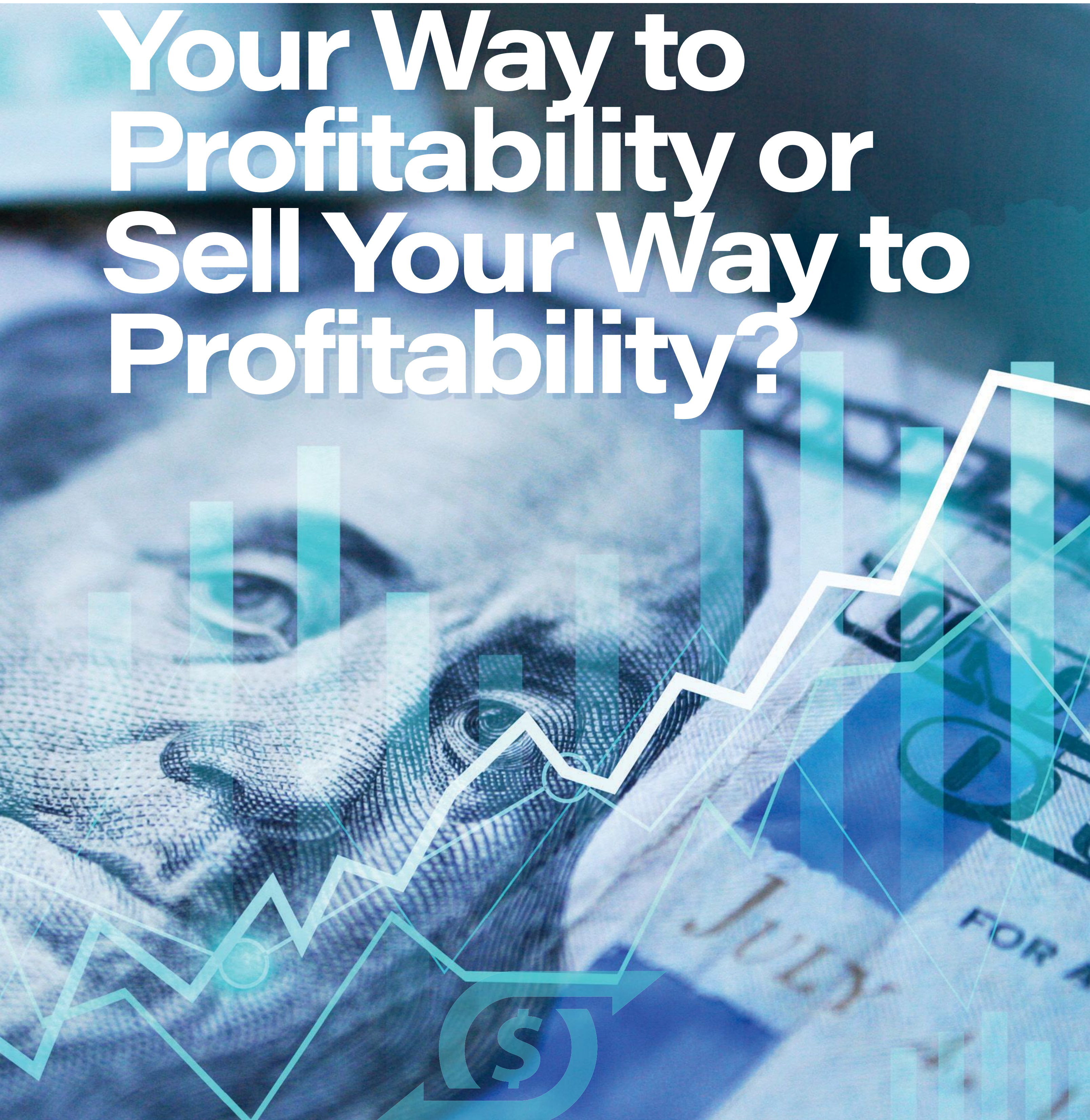
The added benefit is on the dealer side. Not only are more sales made possible, but F&I managers no longer need to suffer through the burden of a cumbersome verification process with uncertain funding delays and rejections.

The first step to capitalize on such a vast amount of opportunity for dealerships, salespeople and customers alike is to avoid the trap of ruling out a prospective buyer based on their perceived creditworthiness or an initial soft credit pull, and to consider every customer a viable buyer with a real ability to secure financing. The second step is to embrace the newest lending models and make use of them when the situation calls for it.

In the end, you'll build stronger customer relationships, improve the dealership's overall numbers, and reap the financial rewards that come with being a great salesperson who knows how to close the deal. ■

Matt Barber is the Vice President of Product for LendBuzz.

Can You Cut Your Way to Profitability or Sell Your Way to Profitability?



Weigh costs before slashing in some areas

BY ERIC S. HURST

"Be fearful when others are greedy, and greedy when others are fearful," Warren Buffett

Auto dealers are facing turbulent times. Interest rate hikes combined with inflation and higher delinquencies are cutting the bottom line. The natural instinct is to hunker down, cut expenses and weather the storm.

The first thing to go is often the advertising budget. Next, personnel cuts, reduced investment in inventory and less borrowing follow. These actions, while instinctive, may permanently impact the long-term outlook of the dealership.

However, despite these challenges, resilient BHPH dealers continue to thrive, bringing in customers and selling more cars. Lenders are waking up to the savings potential in another area: force placed insurance ceding fees. These fees, which are not reported on financial statements, can significantly affect a dealership's revenue.

Don't stop advertising

As lenders review their P&Ls to determine where to make cuts, they need to ask themselves: Can you cut your way to profitability or sell your way through to profitability?

The ax often falls hard on the advertising or marketing budgets. Naturally, during a recession, other expenses are prioritized — payroll and running operations. Many stare down at the P&L and seize advertising.

Advertising is always at the top of everybody's list. It's a big number on the P&L. But cutting the advertising budget is dangerous. While half of all companies will do it, it rests upon a fundamental misunderstanding of the business cycle.

A great deal of evidence shows that companies that maintain or increase their advertising and marketing budgets through a recession have higher market share and sales during the recession and the three years that follow it. In other words, businesses that continue to invest in their marketing enjoy longer-term profitability, leapfrogging competitors to emerge stronger on the other side.

As the cost of capital rises

Those under 40 came of age in a hearty economic environment. The cost of capital has been inexpensive for the past 15 years. In terms of the business cycle, they've enjoyed an artificially low cost of capital.

Today, some companies may have an expense problem. It happens naturally during good years. When companies are making money, it is easy to become complacent with expense management. In hard times, every item on the P&L gets scrutinized.

Banks have started to pull out and scale back from the secondary/sub-prime auto loan business. Some may even decide to sit this one out and avoid the delinquencies that go with it. The demise of banker support creates more customers for Buy Here Pay Here businesses. Unfortunately, the BHPH dealer faces downward pressure from the rising cost of capital and negative delinquency trends that can create covenant issues. BHPH businesses don't want to raise prices, so they're caught in a dilemma and turn to their P&L to cut costs.

The hidden opportunity in ceding fees

For those fortunate enough to have a force-placed insurance program (about 20 percent of lenders), you already know what doesn't appear on your P&L — the ceding fee you pay in your portfolio for all your insurance products.

Your CPI/reinsurance ceding fees do not appear on your P&L. It's an invisible expense that no one thinks about. Since CPI and other reinsurance ceding fees don't live anywhere on a financial statement, they don't trap anyone's attention. Few, if any, ever think about cutting that expense or how to do it.

Reducing ceding fees can build your bottom line. Now that delinquencies are rising and write-offs have escalated, lenders risk breaching bank covenants because their losses are too high. They've got to look at ceding fees and realize there's a compelling story there.

Lenders have an opportunity to expense manage in this area and sell through to profitability. When you expense manage, you profit manage. And when you start managing profits, you're on the road to increasing profitability.

Opportunity lies in adversity

Warren Buffett understands the money-making opportunity in hard times. Dealers are confronted with 2020 car prices on their books, and they're buried in those cars. But if you wanted to be a car dealer in 2020, you had to buy cars, you had to pay the market rate. If you want to buy cars in 2023, you're going to pay the market rate. All cycles come and go.

Every crisis has the potential for opportunity. Markets bounce back. Recessions create millionaires. It's easy to want to pull back when things get difficult, but those who press forward emerge on top. ■

Eric S. Hurst is the Executive Vice President and Chief Operations Officer for National Lenders General Agency, LLC.

SALES

Now is the Time to Double-Down on a CPO Program

More customers stretched thin, need protection

BY JAMES VIRGOE

Traditional banks and lenders are tightening credit for the subprime market. That means BHPH dealers can be the heroes for many who need a vehicle but can't get a loan.

One of the best options to attract customers, maintain margins, and protect your dealership's reputation is doubling-down on a certified pre-owned (CPO) program.

CPO programs created specifically for independent dealers make the process of certifying vehicles cheaper, faster and easier than you may have heard. NIADA's program offers multiple administrators, requires an investment of just a few hundred dollars (compared to upward of $2,000 per vehicle for franchised dealers), provides a simple inspection process through Carketa, and has a network of authorized service centers.

A CPO program can help you:

Protect customers money. Inflation is eroding wage gains and stretching family budgets. As of late last year, as many as 63 percent of Americans were living paycheck to paycheck and depending heavily on credit cards to make ends meet. An emergency car repair would be an extreme hardship, if not out of reach completely for many. The ability to provide a vehicle with a top-of-the-line component coverage and benefits backed by superior claims service gives customers peace of mind that their investment is protected and demonstrates why the vehicle is worth the price. In addition, customers who buy CPO vehicles are more likely to upsell into longer terms and coverage levels than non-CPO buyers.

Protect your margins. As used vehicle prices decline, the market will support a higher margin as long as you can communicate the value of a certified vehicle. This includes a more comprehensive inspection process, strong reconditioning practices, and a defined guarantee or upgrade to the vehicle mechanical coverage. Customers will pay more when they feel confident they are getting a safe and reliable vehicle and more value for their money. Recent APCO data shows people pay an average of $750 more for CPO vehicles than non-certified.

Protect against repairs. No dealer wants to repossess a vehicle but we all know it happens. In recent months, there's been an uptick in the number of people falling behind on car payments. According to data from ratings agency Fitch, the rate of loan defaults is now exceeding where it was in 2019 for the lowest-income consumers. If you repossess a car that needs repairs, that expense falls on your shoulders, unless you have a CPO program that protects you against this expense if the part or repair is covered by the program.

One final thought. Dealers that have success with CPO programs get the word out every way they can. This includes on your website, in your store and across all advertising channels.

In addition, it's smart for your dealership to get involved in your local community. People buy from people they know. When a local needs a car, they'll be more likely to buy from the BHPH dealer that supports the neighborhood Little League team, for example, than from the dealer who isn't known in the community.

As a BHPH dealer, you want to take care of customers who need vehicles but can't get traditional loans. A CPO program is a proven way to protect those who can least afford it from the extreme hardship of large repair bills while maintaining the margins and positive reputation you need to stay in business. ■

James Virgoe is Senior VP of GWC Warranty Sales at APCO Holdings, home of the GWC Warranty and EasyCare brands. Virgoe brings more than 20 years of experience in the automotive industry, with a strong track record of managing top-performing territories, developing new channels of business, and building revenue-producing relationships. In his current role James leads GWC's high-performance sales organization.


Better
Together
NIADA
20
DEALER 20 GROUPS
DPG
Dealer Performance Groups


CHALLENGED BY CAR PRICES?
WE CAN HELP!
START YOUR LEASING PROGRAM WITH A PARTNER THAT CAN SUPPORT YOU IN TODAY'S MARKET
LHPH
CAPITAL
Lease Here Pay Here
Dealer Line of Credit Program Highlights
DEALER COST OF VEHICLE + UP TO $1,000 RECONDITIONING
NO UNUSED LINE FEES
FINANCING STARTING AT PRIME + 750 BASIS POINTS
TERMS UP TO 48 MONTHS
WWW.LHPH.COM
COME VISIT US A BOOTH #447 AT THE NIADA CONFERENCE IN JUNE

5 Things to Consider When Looking for a Lender

Make sure you share aligned goals

BY EYO TOE

It can be challenging to know what to look for when shopping for a new lender. Even when looking at similar programs side-by-side, here are five differentiators that can help you determine who would be the right partner/lender for your business.

Aligned goals

Having aligned goals with your lender puts everyone on the same page in understanding the goals you want to achieve together. This mutual understanding helps avoid miscommunication down the line and ensures everyone's time and resources are being used efficiently. Both parties having aligned goals increases the likelihood of achieving a successful outcome whether that is long term growth or strategic planning based on today's market. Not only does this provide a better working relationship, but setting an expectation of what your goals are with your lender can also have a positive effect on your financial performance. Aligned goals reinforce that your successes are also your lender's successes and can likely provide more support and funding as needed.

Dedication to the Space

Another factor to consider is whether your lender is dedicated to the space, especially in uncertain times like today. Lenders dedicated to the auto industry oftentimes can provide industry specific knowledge to the unique challenges and opportunities you may face. In addition, these lenders can provide you with personalized support and open up their network to help you find solutions to many of the issues you encounter. Some other examples of enhanced support may include specialized financing products or guidance on industry specific regulations and compliance requirements. Most importantly, you want to find a lender who has strong roots in the auto industry who is ready to support and grow with you long-term.

Portfolio Ownership

When shopping for lenders, you are likely to find a variety of different funding programs. Some programs are designed for the dealer to sell their notes in bulk for instant cash flow and to maintain a lean team rather than growing their collections team and portfolio. Other programs allow dealers to maintain ownerships and performance of their portfolio helping them build equity in their dealership and nurture relationships with their customers for future growth. As with everything, there are pros and cons to both, however portfolio ownership is an important subject to inquire about depending on your goals.

Cultural Fit

The importance of a cultural fit in a lending relationship should not be overlooked. When you and your lender share common values, goals, and operating styles, you are more likely to have a productive relationship building trust over time and working together to help you achieve your goals. Your lender's perspective plays a heavy role in what to look for in a cultural fit. For example, do you and your future lender see things in black-and-white, or do you need more flexibility and adaptability in your lending partner? Some lenders, such as banks and credit unions, have a much more black-and-white approach when it comes to decision making while specialty finance companies have less regulatory constraints and can often be a more flexible lender in certain situations.

Business Partner vs. Financial Lender

Lastly, are you looking for a lender to help you open a line of credit or are you looking for a business partner? You may be thinking, well, what's the difference? A partner is someone who will not just provide you the funds for your program, but also be a resource for questions or concerns that come up. A partner is invested in your success in a personalized way and will always make the time to brainstorm innovative solutions with you. If you are just looking for funding and that's about it, then a financial lender is all you need.

In conclusion, it is essential to have aligned goals and a cultural fit with your lender to ensure a successful lending relationship and to build long-term success. In addition to dedication to the industry, portfolio ownership, and potential partnership, there is one area that we have not yet discussed: cost of funds. Traditionally, banks and credit unions are able to provide a lower cost of funds for their capital as they are depositories, and their deposits provide them low-cost funds to lend. Finance companies typically have a higher cost of funds since they must borrow their money before lending it out, however, they also bring their industry specific knowledge, dedication to the industry, flexibility, and partnership to the table. Each of these types of lenders provide benefits that can make for a great financial partner depending on your individual situation, and these five considerations can help you decide which one is best for you. ■