

HOW TO AVOID LOSING LENDERS

The Importance of Funding Ratios



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Your ability to provide financing to customers can often mean the difference between a sale and a missed opportunity. If you send your customer off to find his or her own financing, you're probably sending that customer off to find another boat dealership. Access to competitive lenders is critical, so no dealer wants to lose a lender. But you have to remember that lenders are in business to make a profit and generate additional business, just like you. If a lender determines that your business is no longer profitable, the lender may choose to stop doing business with your dealership.

Lenders gauge the profitability of individual dealers by tracking their funding ratios. If you are submitting too many deals that never fund, a lender could decide to terminate your relationship. Most national marine lenders expect a dealership to maintain a funding ratio of 35% or above. That's why it is so important for an F&I professional to handle your customer financing. F&I professionals know the proper way to package a deal so that it has the best chance of being approved from the beginning. According to John Fulmer, Bank of America Senior Vice President, "The more complete a picture that a dealer and applicant can provide, the faster and simpler it is to underwrite, approve and fund a loan. Obviously, it doesn't serve anybody—dealer, customer or bank—to delay a deal on the basis of incomplete information."

Getting an approval on a customer's credit application is always more difficult if the lender initially declines the application. A trained F&I professional knows how to correctly read credit bureaus, give the lender a complete and accurate picture of the customer's borrowing potential, determine if the application needs a co-buyer for an approval, etc. As Mr. Fulmer at Bank of America reminds us, "Incomplete documentation can result in a deal being initially conditioned or declined. Because each deal is different, there is no one rule of thumb on how long it might take to re-examine a deal. Since time is of the essence, the more complete the package the more accurately the request can be underwritten and the quicker it can be properly decided."

Proper submission of a credit application is not typically a responsibility that an administrative or sales person can effectively handle when he or she is busy answering phones and waiting on new customers. Utilizing an F&I professional assures that your funding ratios remain acceptable to your lenders.

F&I outsource companies can help tremendously with issues over funding ratios. Many of the leading marine lenders prefer to monitor the F&I outsource company's overall funding ratios as opposed to monitoring an individual dealer's performance. When you utilize an F&I outsource company, your numbers are thrown into the mix. If your dealership's funding ratios fall below 35%, but your outsource company is meeting the funding requirements due to performance of its entire dealer base, you may escape termination.

Keeping an eye on funding ratios is essential. If you don't have an in-house F&I professional

tracking your numbers, an F&I outsource company may be your solution. In either case, your ability to provide competitive customer financing depends on these critical figures.

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