

THE LENDER RELATIONSHIP

You Need Them and They Need You



BY LISA
GLADSTONE

The dealer-lender relationship is a symbiotic business relationship. Lenders profit when dealers help them book quality loan business, and dealers profit when lenders provide financing for boat buyers. However, in the early stages of this relationship dealers sometimes feel that lenders are too demanding and intrusive. Be patient with your lenders during this period, and soon those relationships will blossom into something special. Lenders are in business to make money—just as you are—and they need to know up front whether their relationships with you can be profitable. They will ask for lots of information such as tax returns, business financials, personal financials, years in business, etc. Dealers don't always appreciate these inquiries, but consider this: You wouldn't think of letting an unknown customer walk through your door and take a boat with no identification, no credit checks, no documentation. Likewise, lenders won't give you control of their money without properly checking your credentials first.

Many dealers ask, "Why do lenders need my financials? They aren't loaning money to me. They're loaning it to my customers." Lenders are trusting you to complete the loan closing process on their behalf. They are happy to pay you for your efforts through participation on the finance reserve, but first they need to feel confident that you are a legitimate businessperson who will professionally manage their transactions. Lenders require financials from you because the loans are going through your business and all proceeds are funded to your dealership. Lenders fund these contracts in good faith and want you to provide lien perfection, forward sales tax to the proper authorities, and assure that no fraud is committed by your dealership or the consumer. Lenders also expect you to hold some accountability for the transactions because the boats are coming from your showroom.

So what do lenders want from a dealer, and what do they look for when they review your financials and credit history? Lenders typically ask for two years of financials. If the dealership hasn't been in business very long, lenders will likely require personal financial information from the owner. Most lenders require a specified sales volume before approving a dealer for an indirect lending relationship. Financial records enable lenders to determine the sales volume for a dealership, to see the dealership's growth from one year to the next, and to project how much business the dealer will be sending. Financials also show whether a dealer is earning greater profit by increasing sales or whether the dealer has experienced a loss in the business. And finally, financials indicate whether the dealer has equity in the business or has experience running the business.

Providing lenders with this critical information may seem time-consuming, but it is time well spent. If you choose to do business with an F&I outsource company, they will take care of this process for you and assure that you are signed up with the right mix of indirect lenders. Lender relationships are invaluable for successful, profitable F&I. The time you spend completing lender kits during the initial phase of these relationships will translate into a future with more deliveries and greater profits.

Lisa Gladstone is president & CEO of Priority One Financial Services in St. Petersburg, Florida. Priority One is an F&I outsourcing company that has been serving the marine industry since 1987.
