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Shun the Shotgun Approach

Dealers who shotgun credit applications looking for the best deal may actually damage their reputations and their customers' credit scores

In financing, there simply are no shortcuts. An RV dealer may assume sending a customer's credit application to many lenders, otherwise referred to as "shotgunning," will enable him to secure a quick approval.

"Shotgunning" a credit application often happens for several reasons. For example, a dealer may not be aware of its consequences; he may lack of a thorough understanding of the F&I process; or he may simply not have the time that is necessary to "work the deal" successfully. A dealer who "shotguns" applications will eventually damage his finance business and harm his customers' credit. It may even cost his dealership deliveries.



As an overview, the practice of "shotgunning" credit applications is not new. In the past, lenders recognized it as an expected course of action for dealers simply because funding ratios were not scrutinized to the great extent they are today. Times have changed, but unfortunately, the practice of "shotgunning" credit applications still occurs. For that reason, dealers should realize how this practice can negatively impact their business and their customers.

Targeting booking ratios

In today's lending environment, a high loan funding or booking ratio for a dealer is a crucial component to the success of his customers' credit approvals. "In reference to "shotgunning," all of the top recreational finance lenders monitor key dealer performance ratios, such as booking ratios (number of applications booked versus received)," explained Ray Yakle, senior vice president, credit and operations manager for Bank of America Corp. "Dealers with higher booking ratios have demonstrated their desire for a relationship with a lender.

This improves efficiencies for the lender and gains credibility for dealers when they are negotiating to put a more "challenged" loan together. On the other hand, low booking ratios tend to indicate "adverse selection" of loan applicants on the dealers' part, and are considered to be a risk to a lender. Dealers with low booking ratios may have less credibility with the lenders, and may risk termination of the relationship," Yakle added.

In addition to sabotaging his relationships with lenders, when a dealer chooses to "shot gun" credit applications, his customers' credit scores are lowered each time a lender views their credit report. Few consumers today are in the dark about their credit rating. In fact, many of them are extremely savvy about what is on their personal credit report and may even be notified by credit monitoring services that their credit report was pulled.

Shooting credit scores

A dealer who "shot guns" a credit application may turn a potential customer into an angry individual once they discover their credit score was lowered by numerous inquiries. This occurrence is also likely to damage a dealership's reputation — one unhappy customer will usually share his story.

When a dealer chooses to utilize an F&I professional or an F&I managed services provider instead of relying on the "shot gun" approach to credit approval, he gains the assurance in knowing every loan application processed has the best chance to be approved for funding.

A skilled F&I professional evaluates all aspects of a customer's application in great detail, including any "special circumstances" that may affect its approval. Once all aspects of the application have been reviewed, it is then sent to only one lender — the one that is determined to be the most suitable to fund the loan. The highly-detailed process that a skilled F&I manager or F&I managed services provider uses to evaluate a credit application guarantees the lender will consider that application in the best possible light. In infrequent circumstances when a deal has already been worked through and a credit application is denied, a dealer can also depend upon an experienced F&I professional to overcome the denial and secure a loan approval.

"We work with a F&I managed services provider, so we submit all of our deals to them and that way we don't need to worry about sending deals to various lenders hoping for an approval along the way," said Chuck Henkel, owner of Henkel's RV Sales in Port Richey, Fla. "They've been able to obtain more approvals for us than we were able to get on our own," he adds. "When we first opened our dealership, I was fortunate to receive advice from a lender that "shotgunning" credit applications would lower a customer's credit score, so I knew I should avoid doing that."

Relationships help "work the deal"

When a dealer submits his customers' credits applications to an experienced F&I professional, he will inevitably benefit from well-established relationships with lenders. In addition, a skilled F&I manager or F&I managed services provider can thoroughly understand the specific requirements of each lender that are necessary to "work the deal." Because F&I professionals work with lenders on a daily basis, they are very familiar with their specific guidelines and programs, which helps support the approval process.

In today's competitive retail RV environment, financing is a quality game, not a quantity one. One of the most effective ways to avoid "shot gunning" credit applications is to utilize the services of an experienced F&I professional who has the ability to gain approvals, deliver more units and boost customer satisfaction for your dealership.

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