

## “Shot gunning” credit applications can be a dangerous detour

BY LORRAINE MARIOTTI

In financing, there are simply no short-cuts. A marine dealer may assume that sending a customer's credit application to numerous lenders, otherwise referred to as shot gunning, will enable the dealer to secure a quick approval. But this isn't necessarily the case.

“Shot gunning” (which is sometimes also referred to as “shopping”) a credit application often happens for several reasons. For example, a dealer may not be aware of its consequences. The dealer may lack a thorough understanding of the F&I process or he/she 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. Doing so will also cost his dealership deliveries!

### The practice

The practice of “shot gunning” credit applications is not new. In fact, 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 “shot gunning” credit applications still occurs. For that reason, dealers should understand how this practice can negatively impact both their businesses and their customers.

In today's lending environment, a high loan funding or booking ratio for dealers is a crucial component to the success of their customers' credit approvals. “In reference to ‘shot gunning,’ all of the top recreational finance lenders monitor key dealer performance ratios, such as booking ratios [i.e., the number of applications booked versus received],” said Ray Yakle, senior vice president, Credit & 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 adds.

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In addition, when dealers choose to “shot gun” credit applications, they are sabotaging their relationships with lenders because their customers' credit scores will be lowered each time a lender views their credit bureau. 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 the credit monitoring services that their credit has been pulled. A dealer who “shot guns” a credit application may turn a potential customer into an angry individual once that person discovers that his/her credit score was lowered by numerous inquiries. This occurrence is also likely to damage a dealership's reputation—one unhappy customer will usually share their story with other boaters!

When a dealer chooses to use an F&I professional or an F&I managed services provider instead of relying on the “shot gun” approach to credit approval, that dealer gains the assurance that comes with knowing that every loan application that is processed has the best chance possible to become approved for funding.

A skilled F&I professional evaluates all aspects of the 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 that the lender will consider that application in the best possible light. In those situations when a customer's credit application is declined, a dealer should also depend on an experienced F&I professional to understand the actual reason for the denial and go back to the customer for additional information and clarification. If the new information received is a possible reason for overturning the decline, the F&I professional can rework the application with the initial lender to secure an approval.

### A success story

When David Bair, co-owner of Quality Boats of Clearwater in Clearwater, Fla., turned over his dealership's financing to an F&I managed services provider, he found that it made a considerable positive difference. “In the past, our in-house finance manager ‘shopped’ deals and sent them to multiple lenders, ruining the chances of getting them approved. So, we often heard back from customers who complained about getting turnaround letters in the mail, along with numerous inquiries on their credit bureaus. These occurrences caused them to second guess if they could afford the boat, contemplated downsizing the unit, and sometimes, turned to their own bank for financing,” said Bair. “We found that since we partnered with Priority One, which believes in the importance of not

‘shopping deals,’ our approval ratios have improved and we’ve made more money.”

When a dealer submits his/her customers’ credit applications to an experienced F&I professional, the dealer will inevitably benefit from well-established relationships with lenders. In addition, a skilled F&I manager or F&I managed services provider has the ability to thoroughly understand the specific requirements of each lender that are necessary to “work the deal.” Furthermore, because F&I professionals work

with lenders on a daily basis, they are very familiar with their specific guidelines and programs. This familiarity also helps to support the loan approval process.

In today’s competitive retail marine environment, dealers may want to remember that financing is a quality, not a quantity game. One of the most effective ways to avoid the dangerous practice of “shot gunning” credit applications is to use the services of an experienced F&I professional who has the ability to gain approvals, deliver

more boats, and boost customer satisfaction for the dealership. ⚓

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