



FINANCE AND INSURANCE

BY LISA GLADSTONE

How to choose a loan broker

Dealers with good F&I programs typically run their consumer financing through indirect lenders, so they do not frequently deal with loan brokers. However, there are circumstances when a direct lender is required for the sale. It is in this circumstance a good F&I program may still need to call on the services of a marine loan broker.

Indirect lenders fund the dealer for the loan. Brokers, on the other hand, work with direct lenders, meaning the lenders make loans directly to the customer. If a dealer is selling brokered or consignment boats and does not own the titles to these boats, the dealer cannot finance these deals through an indirect lender.

Indirect loans, according to Bank of the West, are retail installment sales contracts, and they document sales—not direct loans. If a dealer does not own what he or she is selling (brokered or consignment transaction) and attempts to use a retail installment contract, (indirect loan document), the dealer would be breaching his indirect lender agreement. Some states actually consider this breaking the law.

If a dealer's F&I department does not have relationships with the appropriate direct lenders to finance brokered or consignment boats, a loan broker can help. There are other circumstances in which a dealer may need the services of a broker. At times brokers have access to lower interest rates that might better serve a particular customer. Brokers are useful for financing expensive sport boats or yachts because brokers do not typically put a cap on the amount to finance. They also come in handy for financing boats with out-of-country registrations or boats being purchased for commercial use. If a company or corporation is buying the boat, brokers often work with the most appropriate lenders for that transaction, and brokers also do a good job of obtaining loans for older boats.

The only downside of using a loan broker is that most of them put the customer ahead of the dealership. Thus, if the broker obtains a loan for the customer, and the customer decides to buy from a different dealership, the customer still gets the loan.

This may be surprising to dealers who are accustomed to working with F&I outsource companies, which obtain loans for customers that are good only at a particular dealership. In this circumstance, the customer cannot take the loan and buy from another dealer.

New brokers

Fortunately, new loan brokers are entering the marine market that will help dealers protect their sales. These brokers provide as much great service to their dealers as they do to their customers.

Azura Capital represents this new breed of loan broker (www.azuracapital.com). "I would call a dealer immediately if I noticed a customer shopping at another dealership. I would also reassure the customer about purchasing through the particular dealership. Sometimes the buyer just needs

to know that he or she is getting a good deal,” says Dana Triplitt, Private Lending Director for Azura Capital.

Dealers should search for brokers who will provide exceptional service to their customers. No dealer wants to lose a sale because the customer was unhappy with the loan broker. Ask the broker if he or she offers services that go beyond the ordinary. Can the broker help with insurance and U.S. Coast Guard documentation? Will the broker give customers a high level of personal attention during the lending process? Does the broker offer your customers the convenience of submitting their credit applications online? Does the broker work with all of the leading marine lenders? What else does the broker bring to the table for the dealer’s customers?

Before turning a potential buyer over to a loan broker, dealers want to be assured the broker is committed to the dealership. Toward this end, dealers should find out what value-added services the broker offers to dealers. Will the broker protect the dealer’s sales from competitors? Can service contracts and credit insurance be included in the amount financed? Can the dealer share in any profit on the loan?

Dealers don’t need to settle for just any marine loan broker these days, because they now have brokers on their side. It’s just a question of looking for them. And the old adage still applies, “Choose your brokers carefully!”

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