



Open Your Door to Non-prime Lenders and Increase Profits

Why and How Non-prime Lenders Help your Dealership

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Many dealers are skeptical about using non-prime lenders to finance their customers' boats and RVs, but if you don't offer non-prime financing, you are leaving money on the table. For those who don't qualify for traditional loans, non-prime loans might be the answer for those customers with lower credit scores, insufficient or comparable credit, bankruptcy and other unique credit situations.

The very definition of a non-prime lender is a financial institution that specializes in making loans to lesser-qualified borrowers at a higher rate due to the higher risk of default. Just as it is with most businesses, the higher the risk, the higher the cost. Critics contend that high rates and greedy lending practices are common in the non-prime market, but there are laws in place to protect consumers from these practices and there are many reputable non-prime lenders committed to taking a risk on the credit challenged to help them rebuild their credit scores.

There are significant advantages to using non-prime lenders that cannot be overlooked. One out of three consumers in the US has had credit problems in the past. The main benefits to funding loans with non-prime lenders are: 1) Increased sales. Many dealers have seen gains of up to 30% in retail sales. 2) Additional F&I profits through reserve participation and backend product sales 3) Improved customer relationships and increased customer loyalty. Customers will appreciate your extra care and effort on their behalf and will likely return to your dealership for future purchases.

Now that you realize how important non-prime financing can be to your dealership, it's time to choose which non-prime lenders to use. When choosing a non-prime lender, follow these tips: 1) Compare programs among at least three prospective non-prime lenders. 2) Understand each lender's prepayment terms. 3) Clarify if the lender offers fixed rates or variable rates. 4) Determine how easy it will be to work with the lender; are they flexible, are they concerned with funding ratios, is their funding process easy and do they seem dealer and customer-oriented?

Once you've established a non-prime relationship, the next step is ensuring your F&I manager is able to sell these types of loans to your customers. All too often, inexperienced F&I managers assume the customer will not accept a non-prime loan and lose the sale. To successfully set up your customer for a non-prime loan, it's essential to follow these simple

steps: 1) A qualified dealership employee or F&I manager should explain the credit criteria lenders require on recreational loans and why your customer did not qualify. Remember, customers typically do not understand banking and credit guidelines needed to finance a new boat or RV, so it is important to make sure you do not use F&I jargon and acronyms. 2) Listen to your customer. At this point, it's important to lend a sympathetic ear and offer your understanding of their specific credit situation. The worst thing you can do is to not listen to their stories or speak in a condescending tone. 3) Now it's time to provide them with hope of a possible alternative. Explain to them your dealership has lenders who specialize in situations like these who may be able to help them. 4) Gain your customer's commitment to non-prime financing by asking your customer if they would like to explore this option. If no, explain that receiving an approval doesn't obligate them to accept the financing terms and work to overcome any specific objections. If yes, explain what the lender will require to secure an approval such as proof of income and give a specific time line as to when additional information will be forthcoming.

The ever growing numbers of credit challenged customers in this country make non-prime lending more important than ever to your dealership's financial growth. Knowing what you gain from funding with non-prime lenders, how to choose the right one and selling this option to your customers may be just what is needed to exceed your goals now and keep your doors open well into the future.