



Trends in Finance & Insurance

BY STEPHANIE PATRICK

Customers are typically upbeat when they're at the dealership preparing to buy a new RV. How a dealership handles the sometimes-tricky issues relating to financing and insurance can make or break the deal.

RV PRO recently asked dealers nationwide – both those that handle financing and insurance in-house and those that choose to outsource those duties to others – what they are seeing in the marketplace and what they do to ensure customers' dreams become financially feasible.

**Jeff Weaver, F&I Manager
Crestview RV, Selma, Texas**

"We do everything in-house. I've been here just two years but, as far as I know, it's been handled in-house since the dealership opened in 1993. We offer our customers extended service contracts and anything they need.

"We are in a pretty good area north of San Antonio and I would say about 40 percent of our business is automatic approvals for those with 700 credit scores

or higher. Still, we do have quite a bit of second-chance approvals, too, and we are pretty good with that.

"You do get to a point in this business when you understand what the lenders are looking for and how to meet those expectations. You need to give them everything upfront and you need to make sure the customers bring in their most recent pay stubs and their W-2 forms for the last year. And, if they are self-employed, they need to bring in tax returns for the last two years. The more stuff you can give a lender, the better. Most lenders also want three personal references.

"Most anyone who has a credit score of 700 or above will qualify for an automatic close with most of our lenders. The lowest score to get an automatic close is 690. If you are helping a customer in the 600s, you are going to have to submit paperwork every time. Getting financing for an RV is more difficult than getting financing for a house because it's a luxury item. Banks realize that when times get financially tough, people will let go of their luxury items.

"If I have customers with credit issues, I tell them to be prepared to put at least 10 percent down and I tell them to expect higher interest rates and payments. If they are not willing to accept those upfront, there's no sense in getting them to jump through the hoops for you.

"For sub-prime loans, **Merrick** and **Medallion** are the two I use most, as they are the only sub-prime lenders who pay for participation.

"We see a lot of baby boomers here, but we are probably one of the few dealerships in the country that really does carry a full line of vehicles. We sell everything from pop ups to Class A motorhomes. So, we see everyone from first-time campers to retirees. We also have a very good retention rate and that means there are a lot of people who trade up from a pop up after a few years and go to a trailer and then trade up again to a motorhome. If we can get someone in and they really love camping, they are going to keep trading with us. Helping them with their financing and insurance needs helps build those relationships.

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"I suggest 15-year loans for most people because most lenders require financing of \$25,000 or more to get a 15-year loan, but I do have some people who choose 20-year notes. With most of the lenders, there are no prepayment penalties. If someone wants that lower payment but still plans to pay the loan off in 15 years, they can still accomplish the same goal by doing a 20-year note and get a lower monthly payment in the beginning.

"My favorite is **US Bank** because they usually give my customers the best rates. Most of the customers are purchasing Jayco vehicles and they need \$15,000 to \$25,000 loans. Most are able to get rates in the 7.99-8.25 percent interest-rate range and they are financing the vehicles for 12 years. Last year I did about \$5 million with **US Bank**. Again, we are a large-volume dealer and we move anywhere from 80 to 120 units a month.

"Prearranged financing is probably 40-50 percent of our business now. In our area, because San Antonio is a big military town, there's **USAA** and it's very competitive. There are also two major credit unions, Security Service and Randolph Brooks. Another 10 percent, at most 20 percent, pay cash.

"We will build other things into the sale, such as satellites, but it just depends. You have to watch your advance with the lenders, too. Lenders will only advance so much. We do a lot of the Equalizer hitches, sway bars and brake controls. As long as you stay within the advance guidelines, you are OK.

"There seem to be fewer lenders out there, and even more have recently announced they are leaving the business. I think the loan interest rates and insurance rates will continue to rise.

"You have to take more time with your customers. If someone qualifies for an automatic close, we will try to do all the paperwork and contracting right away, on the spot, so that they can get their vehicles that day and not be bogged down with paperwork that those with lesser credit scores have to deal with."



Dave Simso, Owner

Dave's RV Center, Danbury, Conn.

"We do the financing in-house through **GE** and through several other banks. We also tell our customers to get their insurance through **RVAmerica**. Doing this in-house allows us to get things done faster and it's easier for the customers.

"We are full-service dealer with a large store with a large selection of parts and accessories and we offer full service in our shop. We are two-tenths of a point from No. 1 in the nation for our CSI reports and we've been around for 37 years.

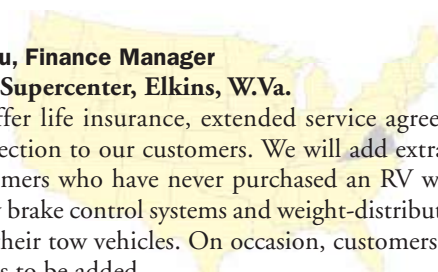
"We have always offered our financing and insurance in-house and it works well for us. I see no reason for us to change. Doing so allows us to add in extras if the customers want them. Commonly, that includes satellites and tow hitches.

"These days, it's probably running 60-40 where a lot of customers are paying in cash or are financing on their own versus our in-house financing. If they are disapproved when they try our in-house financing, they often go out and find their own financing. We aren't losing the deal, which is incredible, actually.

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It's something we've been seeing more and more in the last year or so. I certainly don't have a problem with that.

"We don't put customers on 20-year loans unless they absolutely insist. The typical loan is a 15-year loan and customers usually don't ask for longer unless they have been told about them by another dealer."



Misty Pfau, Finance Manager
Roy's RV Supercenter, Elkins, W.Va.


"We offer life insurance, extended service agreements, and GAP protection to our customers. We will add extras to a deal; new customers who have never purchased an RV will need the customary brake control systems and weight-distribution systems added to their tow vehicles. On occasion, customers will ask for little extras to be added.

"It depends on what the loan rates are at the time, but I would say that we are probably financing about 75 percent of our deals. Most of our customers are those with families, who are often middle-aged and with children still at home. Customers in this age group and who have never had an RV before are excited to hear the rates and terms of the RV loans. They are pleasantly surprised to hear the payments and insurance rates are so affordable. The heaviest competitor to that demographic would probably be the retirees and who choose to travel in RVs a lot.

"We are seeing more people come in who want to pay in cash. That's really become apparent this year. And, of the rest that we don't finance, probably about 15 percent of them will go with their own banks or credit unions.

"We are set up with numerous financial institutions for financing. We have several national lenders, as well as local. For our customers who need financing, **Bank of America** provides a quick and easy process. We are set up to pull credit bureaus here at the dealership. Several national lenders offer programs in which, if the deal meets the required criteria set up by the institution, I can approve the application on the spot and not send it over for approval. This works well for the customer and the dealership, as the customer knows when they are in house that the loan is approved and at what rate and term. Also, one benefit to the customer in this situation is that there are not a lot of inquiries to their credit history, thereby not affecting their credit bureau score in a negative way. They leave happy, and that is the ultimate goal.

"I don't think the credit-approval process has gotten easier in this area. This is still a luxury item. If a customer has a credit score below 700, it's difficult to get a bank to approve the deal. If a customer isn't approved, it's a rarity if he or she comes back with his or her own financing."



Jim Mashburn, Owner
Mashburn's RV Center, Jonesboro, Ark.

"We outsource our financing and insurance needs and we do so with **Priority One**. The company is out of St. Petersburg,

Fla., and we are very satisfied with the job they do for us. We weren't writing enough credit lines and service contracts to justify doing it ourselves and we couldn't do it as well as **Priority One Financial Services**. We've been outsourcing it for about two years and tried three different companies. Our customers like working with **Priority One**; the company writes a lot of service contracts for us and the rates are reasonable.

"I have seen about a 10 percent increase in sales. I haven't seen any drawbacks to outsourcing.

"We offer financing to everyone, but those with high incomes often opt to pay cash. Those with incomes between \$40,000 and \$80,000 are those choosing to finance. A customer has to have a credit rating of about 750 to get a good loan. However, **Priority One** does offer higher interest rate loans to those customers that don't have high enough credit ratings. We find a lot of those.

"About 15 percent of our customers pay cash, which has stayed about the same in the last few years. (In total,) about 40 percent come in with their own financing or pay cash.

"Most of our customers are baby boomers who know what they want. Typically, we sell about 250 RVs a year."

**Nick Altieri, Business Manager
Bullyan RV Center, Duluth, Minn.**

"Bullyan RV has offered in-house financing for 20 years. We also have offered credit life and disability insurance as an added convenience. We accept a wide range of credit situations and generally have something to suit most people. Our process is to help the customer find a unit that fits their needs, and then to find them a loan that best fits them. We have many different lenders including **US Bank, Bank of America, GE, THOR**, and many others.

"Our typical motorhome buyers are 50-plus retirees. However, we do get many families looking at travel trailers.

"We are seeing a lot of people that have their own financing in place, but I wouldn't say it's any more than in the past. We also have not seen in an increase in cash buyers.

"Typical adds are extended service contracts, paint and fabric protection and tire protection."

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