

# RV EXECUTIVE TODAY



## The Keys To Finding Success With Non-prime Financing

by: Lisa Gladstone, Priority One Financial Services

When the phrase “non-prime financing” enters a conversation at your dealership, do you begin to feel anxiety? If you answered, “yes” to this question, it’s likely you’re not alone. The unfortunate reality is that approximately forty percent of the U.S. population is plagued with credit problems. Therefore, learning to use non-prime financing to your advantage is essential in today’s market. If you are unable to qualify your customer with a primary lender, non-prime financing may come to the rescue.

The facts about a non-prime loan may not appeal to anyone. “A non-prime deal translates into higher down payments and higher interest rates (typically 13.95 percent to 19.95 percent) for the customer. On the dealer’s end, they are usually very time-consuming to obtain an approval for and have additional funding requirements,” says Lorraine Mariotti, Vice President of Lending at Priority One Financial Services. So, how can non-prime financing for dealers be practical? “It enables you to finance customers within the 500 to 600 credit score range, which in turn, helps you sell more units. It also generates additional referrals for you in the long run because happy customers always spread the word,” added Mariotti.

As RV dealers continue the trend of using F&I outsource companies to build their profits, utilizing non-prime lenders is an essential component to finding success for credit challenged customers. “Most RV dealers are likely to see their funding ratios generally increase right along with their profitability when they utilize the right F&I outsource company,” acknowledged Chad Louder, Vice President of Marketing at Medallion Bank, a non-prime recreation finance lender who has seen an increase in the number of RV deals they’ve funded over the past five years. “They may also find that deals previously lost now have a much better likelihood of funding because they’ll receive the required amount of professional attention,” he added.

The sequence of funding a deal occurs in stages and in the non-prime arena, each of those stages is critical. To begin with, during the credit interview a customer needs a thorough explanation of why they don’t qualify for standard RV financing. By preparing the customer in this manner, you’re assuring him that you’re working hard to get his deal approved and at the same time, he is more likely to understand his options and realize that with your assistance, his dream of owning an RV has not been lost.

While properly interviewing the customer for non-prime financing, you gain more control of the sale. Keep in mind that it is important to create a positive and comfortable credit interview with your customer. This will help him to commit to the option of non-prime financing and your chances of closing him increases substantially. It is also important to prepare yourself to handle interest rate and down payment objections, which are two of the most common complaints customers have with a non-prime loan. Crucial selling points to help close your customer include: as they pay on their loan they are helping to repair their credit; they will have a simple interest loan that can be prepaid with no penalty; their loan can be refinanced at a lower rate as long as they continue to pay on time; a higher down payment reduces the overall payment on the loan; and to pay off their loan faster, they can always add additional money to their monthly payments.

Although non-prime applications require more time and talent in order to fund, profit potential is still high. In addition to reserve profit, you can usually sell service contracts and credit insurance with a non-prime loan. Dealers should capitalize on the growing non-prime market. If they don’t choose to develop and manage this important market segment on their own, they should hire an F&I outsource company that enjoys its challenges and has the ability to meet them.

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