



The current market environment will definitely separate the survivors from the victims. F&I expert provides a road map for doing more than just weathering today's economic storm.

**W**hen the car business is good, it's great! Right now, however, all we're talking about is survival. Two things happen when business is bad. First, a down market separates the survivors from the victims. Second, it creates tremendous opportunities for the survivors. In times like these, survivors don't give up, make

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excuses, or have pity parties. They get up every morning looking for ways to turn every challenge into an opportunity to become better at their craft.

Survival of the fittest is the ageless law of nature, but the fittest are rarely the strongest. The fittest are those endowed with the qualities to adapt, the ability to accept the inevitable, conform to the unavoidable, capitalize on changing conditions, and turn those challenges to their advantage. When

business is good, anybody can succeed. But in every business downturn, there will be survivors and there will be victims. Which will you be?

Suddenly, we have a lot fewer customers walking through the door, subprime lenders who have disappeared, and more compliance flags than you can possibly wave. We have primary lenders who won't consider anyone with a credit score of less than a 700, finance longer than 60 months, or look at a deal with a loan-to-value ratio of more than 90 percent. We're seeing fewer finance customers and more cash customers. Credit unions have become both primary sources and major competitors. So how can we take advantage of a tough market?

### Be Easy To Do Business With

The first way to take advantage of today's market conditions is to be easy to do business with. Is your F&I process treating customers the same way you would treat your mother? If not, then you need to change your process! Selling is not about outsmarting customers, it's about helping that human being on the other side of the desk. Customers appreciate having someone help them make an informed decision.

Remember, every customer still has to buy you first. You must be enthusiastic about the outstanding value of the products you offer, and share that excitement with your customers. Every salesperson, every manager, and every customer has to know that you are genuinely excited to have an opportunity to help customers.

Have fun with your customers! It ought to be fun to buy a car, and it should be an enjoyable experience in the F&I office as well. When they leave your office, every customer should have a smile on their face, and be glad they had a professional take the time to review their options and help them make the right decision.

Being easy to do business with also requires that you not fall in love with your process. Processes don't sell products, technology doesn't sell

products, and menus don't sell products. People do!

### F&I Must Operate Separately

To turn up F&I profits in a down market, the F&I department must be a separate department, not a secretarial service for the sales department. In many dealerships, salespeople take the credit application, the sales manager submits the deal to a lender, negotiates the down payment, monthly payment and the rate before an F&I manager even talks to a customer. Then the F&I "secretary" is responsible to type up whatever the sales department has negotiated. That's not a department, that's a secretarial service for the sales department.

The commitment to F&I as a separate department starts at the top, with the dealer or general manager. Every dealership needs a checks-and-balances system to ensure the information on the credit application is correct, and what is being submitted to a lender is correct. Someone must check every deal to make sure no one is coaching customers, doctoring credit applications, or power booking vehicles just to get an approval. Inflating a customer's income or adding imaginary options to increase the amount a lender will advance on a vehicle is not fudging the figures, it's a felony.

There are also new rules and risks

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when it comes to quoting payments. Customers are entitled to accurate monthly payment quotes. When they don't get them, it's deceptive and unlawful. So, what's in your deal jacket? Do the payments on the deal sheet or worksheet bear any resemblance to reality? Who's making sure no one is pack-

ing payments or creating legal liability by promising customers they'll get the best rate possible?

No deal should ever be submitted to a lender until a F&I professional confirms all the information on the credit application, and has interviewed the customer regarding his or her credit history. Prior to submitting the credit application, a F&I professional has to learn the circumstances and details surrounding any adverse credit information disclosed by the customer or revealed by the credit bureau report. Every customer has a story, and it's the F&I manager's job to hear it, document it, and then paint a picture for a paper buyer as to why he or she should buy the deal or change a tier level.

### Keep it Between the Buoys

Turning up F&I profits also requires that every dealership establish parameters for the sales desk with regard to quoting payments. These parameters should include the maximum loan-to-value ratios, term, debt-to-income ratios, and payment-to-income ratios.

Any payment quoted before obtaining a credit bureau report should be based on an average rate (a finance rate grid should be used after obtaining a credit bureau report) to ensure consistency and compliance. Do not make exceptions. The customer's actual rate is provided by the F&I manager once the loan is approved.

<b>2008 XXXXXXXXXXXX XXXXXXXXXX MSRP \$20,000 (3,000 /Mo. Income) (\$900 / Mo. Other Debt) F.I.C.O. Score 713</b>	<b>Maximum Payment to Income Rate 20%</b>	<b>Maximum Debt to Income Ratio 45%</b>	<b>Maximum Loan to Value Ratio 110%</b>
	<b>\$600</b>	<b>\$450</b>	<b>\$441</b>
<b>Trade Difference (12,500) payment</b>	<b>\$251</b>	<b>\$251</b>	<b>\$251</b>
<b>+ Tax &amp; License (1,500) Payment</b>	<b>+ \$30</b>	<b>+ \$30</b>	<b>+ \$30</b>
<b>+ Trade-In Payoff (10,000) Payment</b>	<b>+ \$200</b>	<b>+ \$200</b>	<b>+ \$200</b>
<b>Total Monthly Payment \$24,000 for 6 mo @ 7.51% APR</b>	<b>\$481</b>	<b>\$481</b>	<b>\$481</b>
<b>- Down Payment Needed</b>	<b>-\$0</b>	<b>-\$1,550</b>	<b>-\$2,000</b>
<b>After Down Payment</b>	<b>\$481</b>	<b>\$450</b>	<b>\$441</b>

Those parameters must also stipulate that there can be no packed payments by anyone, anywhere, anytime. There should be no “low-ball” rates, either. A 419 FICO score does not equal a 4.19 percent rate.

The parameters should include a maximum payment range on any payment quote of \$5, taking into consideration the number of days to first payment. There can be no fudging the figures. Any payment quote should also include disclosure of the down payment, amount financed, term, and annual percentage rate. The F&I department should be solely responsible for converting outside finance and cash customers to dealership financing. The sales department is responsible for selling the car, not the financing.

Finally, the F&I department submits every deal, not the desk. A F&I professional is responsible for ensuring proper deal structure prior to submitting the application to a lender, monitoring the dealership’s portfolio mix and look-to-book ratio, knowing each lender’s scoring

system, and utilizing lender leverage to obtain an approval.

### **Sell Customers What They Can Afford**

When we sell customer’s what they can’t buy, they don’t buy. Turning up F&I profits requires we go back to the fundamental concept ... sell customers what they can afford. Salespeople should attempt to switch every customer up front, not after they can’t buy what they already sold them. Here’s an easy way for a salesperson to switch a customer:

*“We find a lot of customers who come in looking for a new car decide to buy a certified pre-owned instead, because they can save \$3,000 to \$4,000, and have a payment that’s \$75 to \$100 less per month. Before we drive your new car, is that something you would like to consider as well?”*

Mentally switching customers up-front allows them to save face when they select more car than they can afford. It also provides price and payment protection for the salesperson when the customer objects to the first

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**If you want to turn up F&I profits, be easy to do business with. Treat people the way you'd want to be treated. F&I must also be a separate department, not a secretarial service for the sales department.** Your dealership must also establish parameters for the desk with regard to quoting payments before and after obtaining a credit bureau report.

pencil. If they accept the switch, they should demo the switch vehicle first. Salespeople have to determine what customers can afford before they commit to buying what they can't.

It's also time to forget the four-square and give customer's a three-column (see illustration above).

We've taken the smoke and mirror approach about as far as it will go. Today, we have to educate customers as to what they can afford, and help them see the benefits of equity. They also need to see a breakdown of the monthly payment trade difference, payoff on their trade-in, and tax and license fees. In other words, educate and inform customers, do not obfuscate and confuse them.

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### **Implement an F&I Wellness Program**

Finally, to turn up F&I profits you must implement an F&I wellness program. Greet the customer in the salesperson's office, get involved early in every deal, and manage by wandering around the dealership.

Add value to the customer's purchase experience by educating and informing them with regard to their options. Become valuable by educating and informing them with regard to financing. Help them obtain acceptable financing by reviewing their credit application and their credit bureau report prior to submission to a lender. This will allow you to paint a clear picture of their financial situation for your lenders. Help them understand your lenders' guidelines, their FICO score, and how they can dispute errors in their credit bureau report.

Use technology to improve communication and trust. Let your customers see you enter their information into the computer, submit their deal, and customize a menu based on

their needs. Exceed their expectations by giving customers more than they ask for. Concentrate on what is best for the customer. Sell products based on their agenda, not your agenda. Utilize needs-based selling, not greed-based selling.

Require a F&I manager to talk to every customer with a FICO score below 740 prior to submission to a lender. The F&I manager must also review the credit application prior to submission. The F&I manager is solely responsible for selling F&I products, and financing is a product. And finally, utilize an ongoing training program that tracks individual training activity.

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### **Survivor or Victim?**

If you want to turn up F&I profits, be easy to do business with. Treat people the way you'd want to be treated. F&I must also be a separate department, not a secretarial service for the sales department. Your dealership must also establish parameters for the desk with regard to quoting payments before and after obtaining a credit bureau report.

Additionally, salespeople have to sell customers what they can afford. We must also use a three-column to educate and inform customers about their monthly payment and the criteria lenders use to evaluate a deal. Finally, you need to implement an F&I wellness program to ensure you become valuable to customers, salespeople, the desk, your lenders, and the dealership.

In a down market, you will either be a victim or a survivor. You choose. ■

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