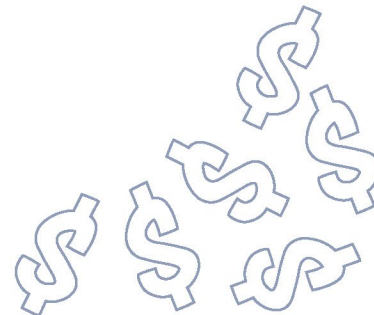
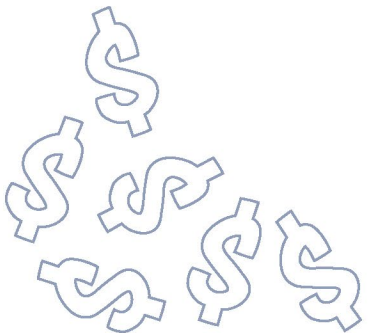




Dealer Finance Training

July 22, 2020

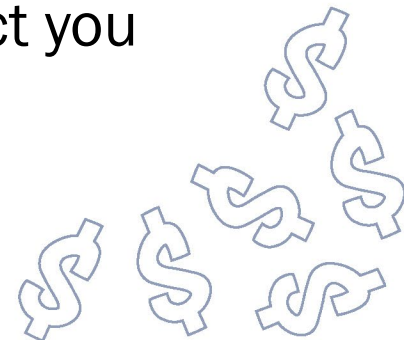
1:00pm EST



- Finance 1.0 Intro to Finance
- Finance 2.0 Sales and Finance
- Finance 3.0 Compliance

Learning Objectives:

- 1.0: Develop an understanding of the most common terms related to Automotive Finance.
- 2.0: Apply that understanding to your sales process to ensure a higher probability of success rate in getting a consumer financed.
- 3.0: Establish a compliance procedure at your dealership to protect you and your consumers.



Presenters

National Mobility
Equipment Dealers
Association



Cassy Churchill

Dealer Development

BraunAbility

18 Years Mobility Dealership Experience

David Yount

Finance Director

Brandt Mobility Finance

12 Years Mobility Finance Experience

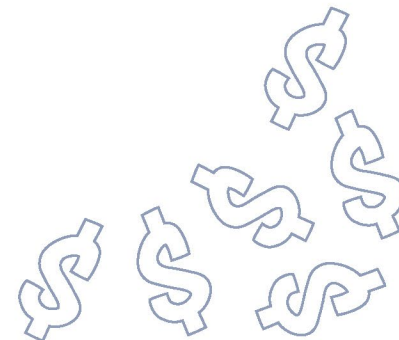


Juan A. Collazo

Director of Organizational Development

MobilityWorks

18 years Automotive & Mobility Sales Experience



Finance 1.0: Agenda

- Credit Application Information
- Participants in Lending Activity
- Financial Challenges
- Income Criteria
- Important Terms



Finance 1.0: Credit Application



Necessary Information

- Full Name and Date of Birth
- Social Security Number (Tax ID)
- Address – Rent, Own, Length of Time
- Employment
- Gross Income
- Other Income
- Co-Applicant
- Signature

Example: Personal Credit Application

APPLICANT

Last Name	First Name	Middle Initial	Suffix (Jr.)	Date of Birth	Social Security
Email Address		Present Address	City	State	Zip Code
Time at Present Address	Residence Type <input type="radio"/> Own/Outright <input type="radio"/> Renting/Leasing <input type="radio"/> Other	Monthly Rent/Mortgage Payment	Home Phone Number	Cell Number	
Years	Months				
Previous Address if at Present Address Less Than 2 Years					

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Present Job Title	Present Employer	Employer Phone Number
Time at Present Job	Gross Income	Other Income Received
Years	Months	<input type="checkbox"/> Monthly <input type="checkbox"/> Yearly

CO-APPLICANT

Last Name	First Name	Middle Initial	Suffix (Jr.)	Date of Birth	Social Security
Email Address		Present Address	City	State	Zip Code
Time at Present Address	Residence Type <input type="radio"/> Own/Outright <input type="radio"/> Renting/Leasing <input type="radio"/> Other	Monthly Rent/Mortgage Payment	Home Phone Number	Cell Number	
Years	Months				
Previous Address if at Present Address Less Than 2 Years					

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

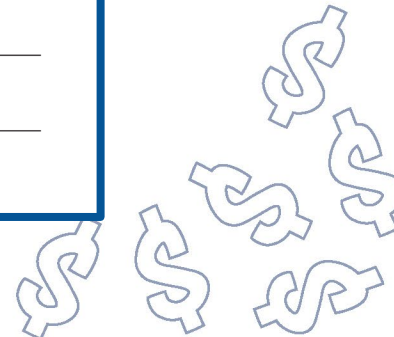
Present Employer	Present Job Title	Employer Phone Number
Time at Present Job	Gross Income	Income Received
Years	Months	Monthly Yearly

By signing below, I certify that I have read and agree to the terms of this application.

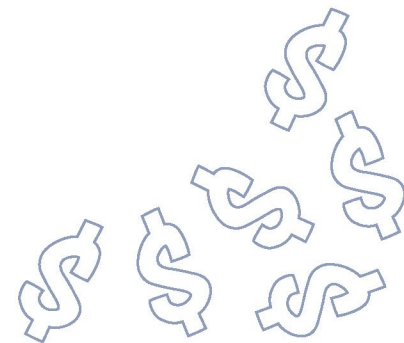
Applicant's Signature _____ Date _____ Co-Applicant's Signature _____ Date _____

Mobility Dealer _____ Sales Consultant _____ Contact Number _____

PERSONAL FINANCE APPLICATION



Case Study:



Loan Participants

Signer/ Primary Borrower

When only one person is applying for financing, they are the **primary borrower**.

Where there is more than one person applying, the **primary borrower** may be determined by whoever has the higher income.

Co-Signer/ Co-Borrower

The **co-borrower** is the person who agrees to go on loan with the primary borrower.

A **cosigner** is often needed if the primary applicant has credit or income challenges.

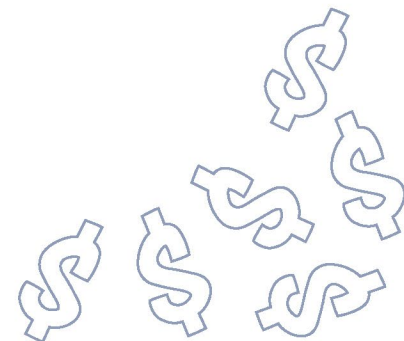


Finance Challenges



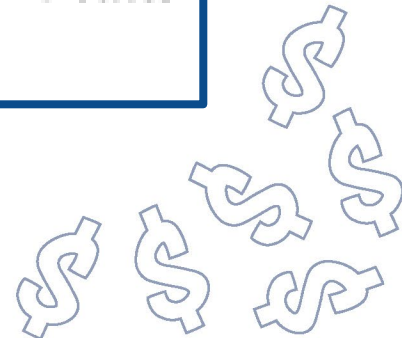
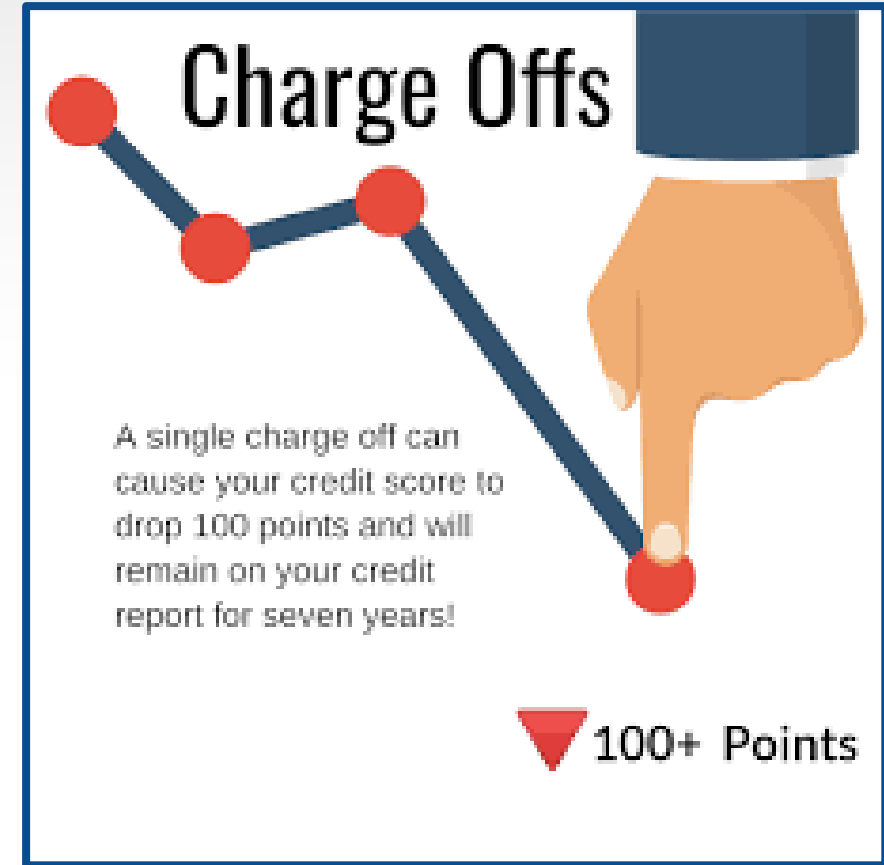
Finance Challenges

- Legal proceeding customers initiate - to help them sort out not being able meet their financial obligations.



Charge-Off

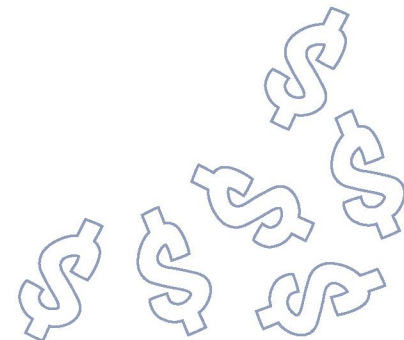
- Defaulted Loan
- Unlikely to Be Collected
- Remains on Credit Many Years



Collections



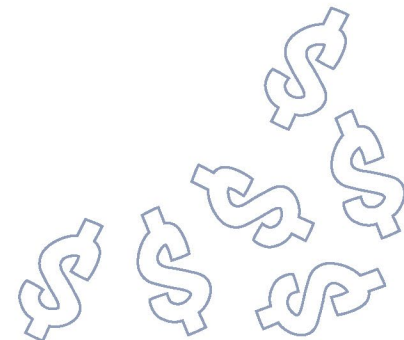
- Similar to Chargeoffs
- Lowers Credit Scores



Medical Collections

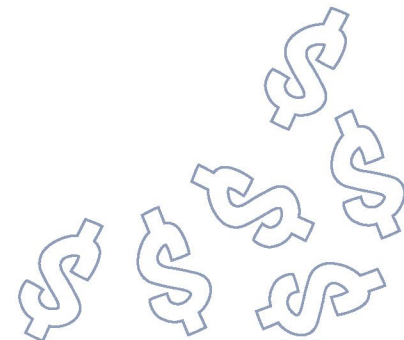


- Collections that are the result of unpaid MEDICAL bills.
- Not viewed as harshly as other, non-medical collections.



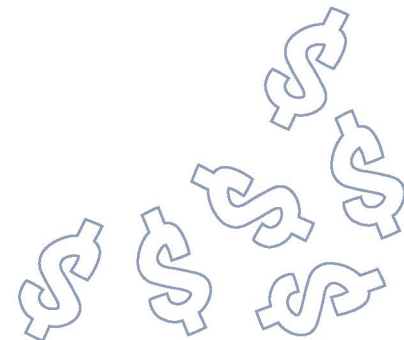
Debt to Income (DTI)

- Monthly outgoing payments in relation to your income.
- Under 50% Is Ideal
- More Income \$\$\$ = Lower DTI

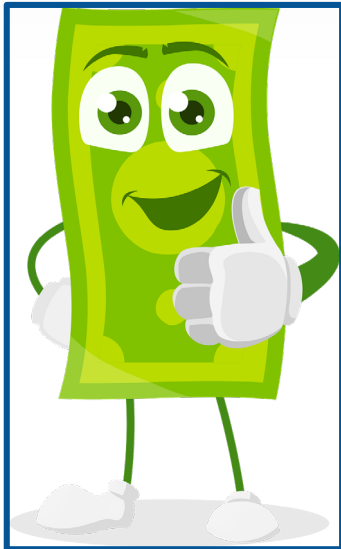


Payment to Income (PTI)

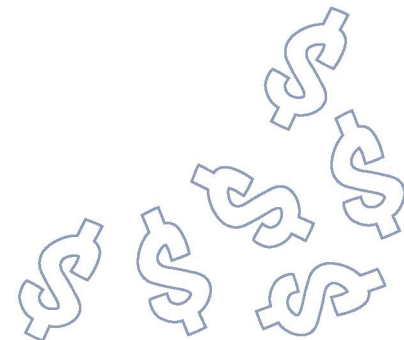
- How much can the customer afford?
- Calculation to Determine Auto Payment
- Current Bills + New Auto Payment vs. Income



Simple Interest Loan

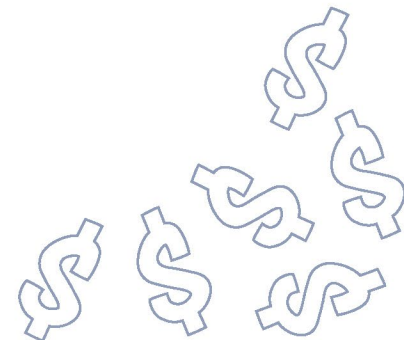


Prepayment Penalty



Finance 2.0: Sales and Finance

- Establish whether a client is paying cash or finance
- Recognize when you have a subprime credit client
- Act accordingly and set the requirements for lender approval
- Down payment
- Backing into a payment
- Work with your GM/Finance Manager on the right inventory and LTV structure
- Perform taking a proper credit application and asking for stips
- Perform a credit investigation
- How to take the client out of the market and close the deal on approved credit monthly payments



UNDERSTANDING CREDIT SCORES

579 or less



Lenders view you as a very risky borrower

580-669



Some lenders will approve loans with this score

670-739



Most lenders consider this a good score

740-799



Lenders view you as a very dependable borrower

800+



Lenders view you as an exceptional borrower

EQUIFAX

TransUnion

Experian

SUB PRIME



WHAT MAKES UP YOUR CREDIT SCORE?

LENGTH OF HISTORY

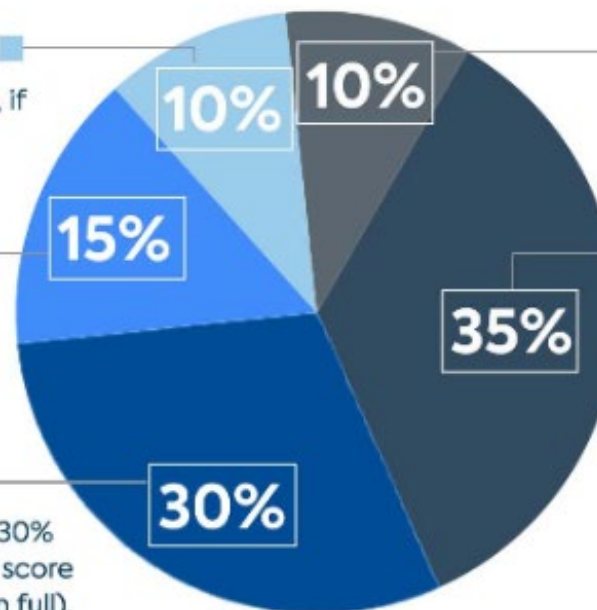
A short history isn't a bad thing, if you show responsible credit management.

NEW ACCOUNTS

Too many new credit account inquiries can lower your score (multiple inquiries for the same auto or home loan will not).

AMOUNT OWED

Keep the amount you owe under 30% of your limits, or it could hurt your score (even if you make the payments in full).



TYPES OF CREDIT

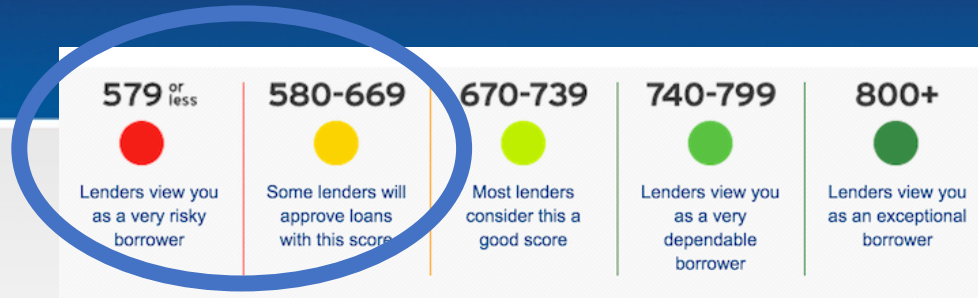
Having a variety of credit types (mortgages, student loans, credit cards) could boost your score.

PAYMENT HISTORY

Late payments lower your score, so make sure to pay your bills on time and never skip a payment.



Subprime



- If a client says anything less than excellent for credit qualification question, we need to pull the credit report ASAP.
- ***“Ok, no problem. The first thing we need to do is start with a credit application. Once we evaluate your credit, together we will find you the perfect solution. One that is good for your needs, your lifestyle and ultimately your budget. So let’s go ahead and get started.”***



Finance 2.0 Sales and Finance

- (1st close) Getting a client to run a credit application, have the application ready with the Need Analysis, and privacy notice stapled together.
- Attention to detail, You take the application.
- Credit Investigation
- It's a closing tool.



WHERE'S THE CASH COMING FROM



That's great that you're able to pay cash. Now is that coming in the form of greenbacks from under the mattress or will you be writing a check out of the savings account?



Are they really paying Cash? Or is it a local credit union or bank?



We must capture financing and offer a comparison when possible. Sell Financing

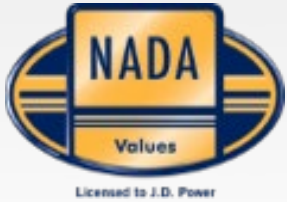


Third party funding?



Finance 2.0 Sales and Finance

National Mobility
Equipment Dealers
Association



Book sheet (Inventory Value)

The value of a used auto in a specific market area. A recognized wholesale appraisal guidebook provides guidance on the auto's value at any given time. Examples of these guidebooks include Black Book, Kelley Blue Book, or NADA Guides & conversion value.



Credit Interview

To put together, close, and fund a subprime car deal you need accurate information. The best way to gather accurate information is to conduct a thorough customer interview during the auto loan application using open ended questions.



Backing into the Payment

Are we using a payment calculator and a tiered rate to work into the payment?



Collect Stipulations (Stips)

Current proof of income, proof of residency, 30 days current, confirm the math, gross vs net, bank statements.



WHAT LENDERS LOOK AT



CREDIT WORTHINESS



Similar Auto Trade,
what's the amount of the
current loan



Minimum 15% - 20 %
down of total amount
financed



BANK GUIDELINES AND HOW THEY PURCHASE



700+ QUOTE 5.50% ON
SHORT TERMS AND 7%
ON LONG TERMS



670 -699 SCORE -
QUOTE 7%-9%



630-650 IS KIND OF GRAY
AREA - QUOTE 12%-17%



Lorem Ipsum has two
main data statistical this
methodologies
important Data analysis
which summarizes.



NEGATIVE EQUITY



I'M UNDER WATER, OWES MORE
ON THE VEHICLE THAN ITS
ACTUAL CASH VALUE

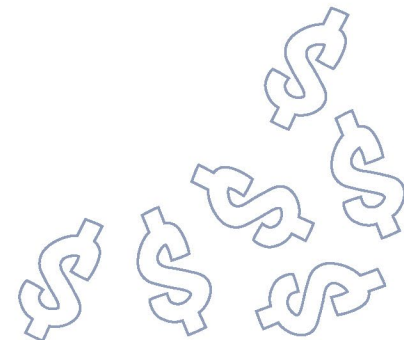


CORRECT INVENTORY, BOOK
VALUE, LTV, MONEY DOWN!



Finance 2.0 Sales and Finance

- Structuring a deal for lender approval
- Model year and miles
- Debt to Income
- Payment to Income
- What vehicle will work?
- Know your lender programs
- Backing into a payment, give multiple options on approved credit O.A.C.



FINANCE PROTECTIONS TOTAL 40%

PLANTING THE SEED



Planting Seeds early on



During a test drive, ask they client if they know about the warranty the vehicle comes with



Ask them to remind you later how they can have complete piece of mind while they own the vehicle.



Remind client that the proposal will include options for protecting their investment.

TAKE AWAYS



Check in with Management

A



Properly Structure a deal based on vehicles that will get lender approved

B



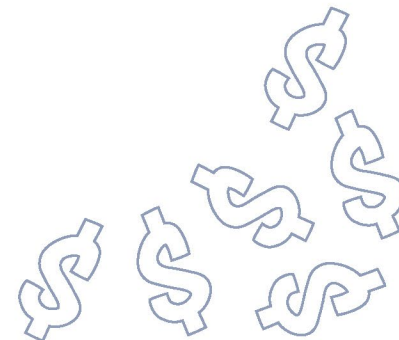
Back into a payments that work for clients budget

C



Present a proposal on approved credit (OAC) payment and close the deal! Set expectation for communication with Finance for final approval.

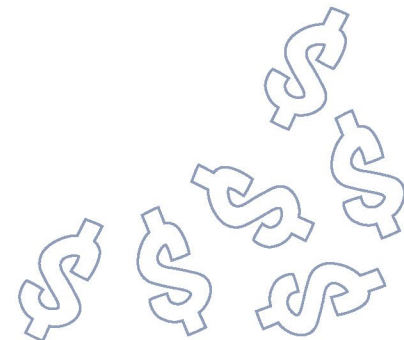
D





THE **END** **QUESTIONS?**

Check in with Management

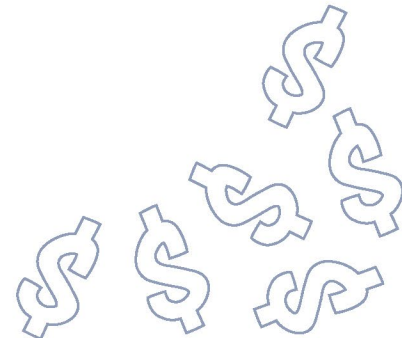


What is F & I Compliance?

A comprehensive Audit of Finance Department and Finance Manager practices including deal jacket examination. Detailed action plan to comply with Federal and State Regulations.



*NMEDA or presenters do not claim to be compliance officers, nor is this an all-encompassing list or presentation. This presentation is for informational purposes only and does not provide legal advice.

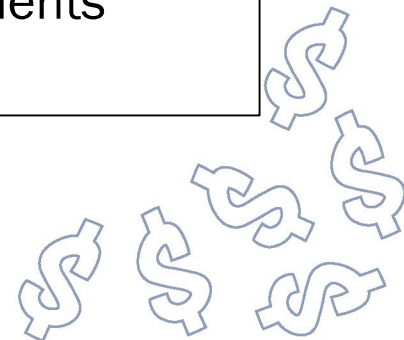


Compliance: What should you do?

What should you do?



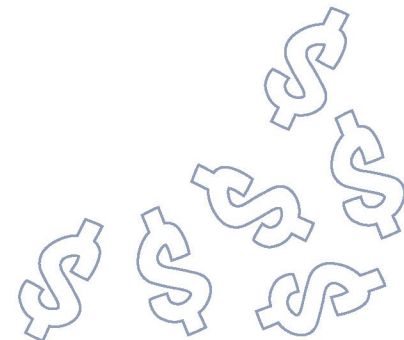
- Develop a program to assess your complete Dealership Compliance
- Appoint someone to evaluate routinely, including regulatory knowledge
- Educate the staff on compliance procedures
- Reach out to third party for compliance review
- Prepare and file required documents



Federal Rules and Regulations:

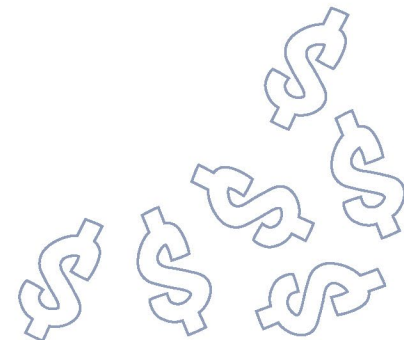
Gramm-Leach-Bliley Act (GLB Act): Car dealers must protect consumers' privacy and sensitive data that they collect such as names, Social Security numbers, and credit card or bank account information.

CAN-SPAM Act: Prohibits misleading or false statements in emails sent by dealership. Must provide valid physical postal address and a way to opt out of emails.



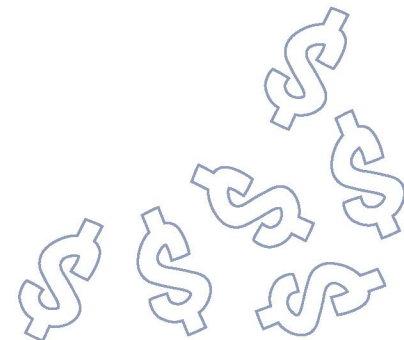
Truth in Lending Act (TILA) Reg Z: Governs how auto loans and leases are advertised. You must be upfront and disclose all terms of loans to potential borrowers including, but not limited to: Interest Rates, Applicable fees.

Equal Credit Opportunity Act (ECOA): Prohibits discrimination in credit transactions on the basis of applicant's race, sex, color, marital status, religion, national origin, age, and public-assistance status.



Risk-Based Pricing Rule: Gives most consumers information about their credit scores when they apply for financing. Compliance by providing Credit Score Disclosure Notice.

Fair Credit Reporting Act (FCRA): Obligates car dealers to protect customers' credit information and holds them accountable for the accuracy of that information.



Federal Trade Commission

Washington, DC 20580

877-FTC-HELP (382-4357)

www.ftc.gov

Federal Reserve System

Washington, DC 20551

888-851-1920

www.federalreserve.gov

Consumer Financial Protection Bureau

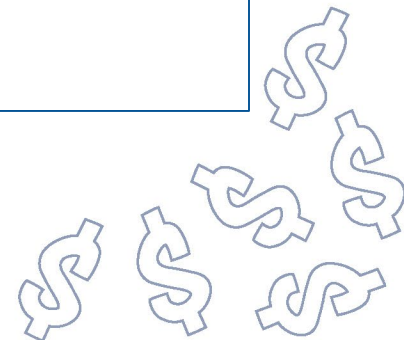
Washington, DC 20220

855-411-2372

www.consumerfinance.gov

State Laws

Your state's laws may provide you with additional rights. For more information, contact your local consumer protection agency (www.consumeraction.gov) or Attorney General's office (www.naag.org).



Questions???

