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When It's OK to Get Personal

Borrowers' life stories sometimes do matter to lenders

By Steve Finlay

In this age of credit scoring and automated lending decisions, it may seem that car-loan applicants' individual stories are beside the point.

They're not, says Richard Costello, national finance and insurance executive for Zurich North America.

Detailed personal customer information that dealerships provide to financial institutions can sway whether an auto loan is approved or rejected, he says.

"Paint a picture that tells the customer's story," he advises dealership F&I managers struggling to obtain financing for would-be vehicle buyers.

Such humanizing is unnecessary for consumers with sterling credit scores. And it won't help deadbeats with awful credit histories. But it can make a difference for people in between.

"The customer credit interview at the dealership is an excellent time, not only to build rapport, but to clear up credit imperfections," says Costello.

If a customer's credit took a hit because of a disability, divorce, sick kid, lost job or other setbacks of life, the F&I manager should get the details, then get them to the bank, credit union or financing firm.

"It's better to have that story before the application goes to the lender," Costello says. "Don't wait for a turnaround. It's always easier for them to say 'yes' if they say it before they've said 'no.'"

"Show the (lender) you care. It will increase the chances of a positive outcome with the loan application."

Knowing what not to say is important, too. "Saying, 'This customer has bought a lot of cars from us' is not a good argument; a customer's letter of explanation is," Costello says. "But it must be done before a turnaround, not after."

If a lender rejects a loan request despite

such efforts, an F&I manager should find out why. "Don't accept a simple, 'No,'" Costello says. "Have them explain why, and listen. Avoid the 'yeah, buts.' They must have some reason for their decision."

From the start, an F&I manager should get supporting documentation from customers, including pay stubs, proof of residency and tax returns, he says. "The time to get it

certainly is not after the bank calls you." Despite best efforts, some deals just aren't going to get financed. F&I managers should choose their battles. "I've seen business managers fight fights they can't win," Costello says. "It becomes an ego thing. Sometimes you've got to let a deal die."

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On the other hand, don't always jump at the first offer. "The first call back from a bank is not always the best deal," he says. "Don't treat it as the only call."

Realize, too, banks make mistakes. "Computers are not always right and, yes, (lenders) can have bad days."

He urges F&I managers to recognize these "Cs" of credit:

- Character of the customer.
- Capacity. Can a customer reasonably afford the car he or she is interested in? Consider factors such as a debt-to-income ratio. An ever-growing problem in the auto industry: Customers with too much car, too much payment and too little down payment.
- Credit History. Is there evidence of a willingness to pay loans, even though



Richard Costello: "Paint a picture that tells the customer's story."

there may be blemishes on the record?

■ Collateral. What type of equity position will they be in six to nine months down the road if a deal goes bad? And cash down is a measurement of customer commitment.

Costello says F&I managers should know the lenders they work with and leverage those relationships. If a dealership sends low-risk loan applications, it should send riskier ones, too.

"If a bank is getting good deals, they need to take some tough ones," Costello says. "A 750 credit score needs a 625 to go with it."

He says it is OK to ask to speak to a credit supervisor. "Some F&I managers

feel it is an insult. I don't know why; this is business. Some (lenders) appreciate it, if approached correctly."

Telling the truth is vital, says Costello, who has trained more than 1,000 F&I managers.

"If they catch you in a lie, it may be forever before they trust you again," he says. "Good and bad reputations spread quickly. False statements on a credit application carry a potential liability to the dealer, who may have to buy the car back. I've never met a dealer who likes to do that."

It sometimes helps to bring in the dealer to facilitate a loan. But that should be done sparingly, he says. "If the dealer principal is involved in every deal or every call, it loses its potency." ■