

## **CFPB and dealer-assisted financing**

One of the key issues facing our industry continues to be the actions of the Consumer Financial Protection Bureau. Sen. Elizabeth Warren (D-MA) is still scrutinizing indirect lending in dealerships and still trying to bring it under the CFPB's authority. If legislation repealing the dealer exemption from CFPB oversight were to pass, dealer-assisted financing would either be regulated out of existence or severely constrained. The result would be less competition in the RV financing marketplace and higher interest rates for all consumers. RVDA has been working with influential dealers and key congressional leaders to help protect dealer interests. We've been educating lawmakers on the realities of dealer-assisted financing, pointing out that Congress specifically exempted auto, boat, and RV dealers from CFPB jurisdiction because they are not banks and don't finance or underwrite loans. RVDA will keep members updated on developments.

(Taken from RV Executive Today article written by John McCluskey )

## Some dealers prep for flat fees

### Despite worries on reserve, few stores lift F&I sales training

Dealer Mike Thompson has spent about \$200,000 over the past two years on additional training for his finance and insurance managers. He wants them to sell more extended service contracts, tire-and-wheel policies and other F&I products so his dealership group can rely less on finance reserves from auto loans to support F&I revenue.

"I've known for the last 20 years, in the depth of my heart, that the days of the big finance reserve would go away. You have to be prepared," said Thompson, CEO of Montrose Auto Group in Akron, Ohio. Montrose owns 10 dealerships selling 17 brands in Ohio and Pennsylvania.

Thompson's fear that he could soon lose the ability to make a healthy profit from finance reserves is well-founded. The Consumer Financial Protection Bureau has been pressuring auto lenders for the past few years to stop allowing dealerships to set their own reserve amounts. Some F&I experts predict those pressures will result in most lenders adopting a flat fee structure to pay dealerships.

Some dealers, like Thompson, are preparing for the possibility of flat fees by giving employees extra training in selling F&I products. But most aren't, F&I insiders say. Only about one in five dealerships nationwide have boosted F&I product sales training in the past two years, they say.

Many, including myself, believe these differences between buy and sell rate will become flat-rate commissions paid by the finance sources to the dealers for setting up the financing for the customer." These fees are likely to be \$200 to \$400, and "maybe a little more," he said.

That's a far cry from what dealerships presently make. The average dealer reserve is \$650 to \$750. That can be even higher for luxury brands, said an F&I product expert who asked not to be named.

### 'Not prepared'

"Dealers are slow to recognize that [a flat fee] could potentially happen," that expert said. "They think even if it goes to a flat, the banks will be competing with each other so much that the flat wouldn't be much of a discount to where they're at now."

"The banks are trying to figure out how to pacify the CFPB without hurting dealership profits," said the source.

Dealer Thompson does not want to leave it to chance.

"A couple of the bank reps have mentioned that there are changes coming, but nothing you can sink your teeth into," Thompson said. "Just innuendos, but you can read between the lines."

About 60 percent of the dealership group's \$1,338 average F&I revenue per vehicle now comes from dealer reserve. By year end, his goal is to flip that. Thompson wants 65 percent of the group's per-vehicle revenue to be derived from F&I product sales. He also wants to raise the group's average F&I revenue per vehicle to \$1,400.

His long-term goal is to derive 70 percent of F&I revenue from product sales and 30 percent from reserve, he said.

"We're training, we're training and then we're training," Thompson said. "That's the only way we're going to get there."

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**Mike Thompson**

CEO, Montrose Auto Group