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A New and Better Way to Remarket Repo's

By Bryan Ochalla

Compared to their blowhard banking counterparts, it isn't too much of a stretch to call those running credit unions shy.

That's not to say there aren't a few subjects that prompt CU leaders to loosen their tightly closed kissers now and then. An obvious example is customer service. Another is auto lending.

As such, it probably doesn't come as much of a surprise to those in the industry that credit unions have captured 17 percent of the U.S. auto-lending market. Considering that the National Automobile Dealers Association recently predicted consumers will snatch up about 16.4 million new cars this year, that market share is nothing to sneeze at.

Although credit-union leaders love to chatter on about their successful auto-lending strategies, one thing that tends to clamp their mouths shut is the topic of repossessions.

While credit unions, as a whole, have the auto-lending process down pat, many still struggle when a member defaults on a loan. The vehicle then has to be repossessed and remarketed. Sticking a "for sale" sign in the car's window and giving it prominent placement in the parking lot is a common way CUs unload repo'd vehicles. Other prevalent practices include putting the car up for sale somewhere on the Internet or handing it over to an auctioneer.

All of those methods work, of course, but that doesn't mean there aren't better ways of accomplishing the same task.

One-Stop Auto Shop

Blake Richardson thought the same thing when he joined United Heritage Credit Union in 2001. Richardson, SVP/lending/chief lending officer at the \$462 million CU (www.uhcu.org), based in Austin, Texas, came to the position with ample experience in the auto industry. That knowledge combined with the existing staff's familiarity with the subject (the CU has done a lot of auto lending) helped push the CU toward becoming the one-stop auto shop it is today.

The centerpiece of United Heritage CU's remarketing program is a recently launched CUSO, UHCU Remarketing, LLC, and a repurposed used car lot the CU calls its "remarketing center."

The credit union didn't set out to create either, Richardson admits. Originally, executives at the 58,000-member CU just wanted to get more bang for their buck when remarketing repossessed vehicles. "We had been wholesaling all our repossessed units and were only getting about 65 percent of book value," he says. "So we decided to hire a remarketing coordinator to offset some of the losses we were seeing."

Although hiring someone to coordinate the CU's in-house remarketing efforts helped – "It offset a lot of our charge-offs," Richardson says – the situation was far from perfect. For example, at the time, each of United Heritage's branches remarketed its own repossessions. "It wasn't

centralized," he adds. "It was difficult to schedule showings and that type of thing. We thought it would be a lot more convenient to look for one centralized location to remarket the vehicles."

While searching for that perfect place, Richardson and his staff came up with a series of ideas that ended in the creation of the above-mentioned CUSO. "We thought it would be nice to enhance our remarketing strategy by affording our members the opportunity to consign their vehicles as well," he says.

"We have a lot of members who want to buy a new car, or used car, but [who] have a trade-in they don't know what to do with. Before, their only option was to go with the dealerships, where they obviously got less than retail for them," Richardson explains. "So, we designed a consignment program to go along with our remarketing program."

At the same time, Richardson says, "We decided that if we were going to help people sell these cars –and they're obviously cars we don't own – [then] we're going to need a dealer license. That's where the idea for the CUSO came from."

Last year, a space adjacent to the CU that used to be a used car lot became available. United Heritage snatched it up and turned it into what is now known as its "remarketing center." It's a small operation, Richardson says, with just 16 to 20 cars on the grounds at any one time. That said, it's a successful operation for the credit union – and a popular one with the public (who know about the program through high-exposure street signage, statement stuffers, direct mail and mentions on the CU's Web site).

"I think our members understand [that] some people aren't able to pay (their loans) and then we get the cars back," Richardson says. "We've never hid that from our members, so for the last few years, they've really gotten used to that fact."

All in all, "it's been a great program for us," he adds. "It helps us remarket our repossessions and lower our charge-offs. Plus, it's a really good member service."

Not The Only Option

Unfortunately, not all credit unions have the resources to open their own car lot or start a remarketing CUSO. Luckily, there are plenty of vendors out there who are willing to lend a helping hand to those who want to move beyond the old "sell the car from the parking lot" option.

Hauppauge, N.Y.-based GrooveCar (www.groovecar.com) is one such vendor; CUDL (<http://cudl.com>), based in Rancho Cucamonga, Calif., is another.

According to GrooveCar President, David Jacobson, "Repossessing vehicles from members who do not pay their loans does happen from time to time." He adds, "Ultimately, every credit union that hopes to grow its auto-lending portfolio must find a way to effectively dispose of its repossessions."

That's where companies like GrooveCar and CUDL come in. "Why go it alone?" asks Jacobson. "We can assist credit unions in choosing which way makes sense for them to dispose of their repossessions."

The same goes for CUDL, which has formed a strategic alliance with Atlanta-based Manheim (www.manheim.com) to assist credit unions with their remarketing efforts.

"Although some credit unions do a very good job [of] remarketing their repossessions, many could improve their back-end processes. [They could accomplish this aim] by working with professional remarketers to better their efficiencies and gain higher returns," says Evan Etheridge, CUDL's national business development director.

Together, CUDL and Manheim hold an annual conference for those who are seeking more information on the process. (The first, held last year, drew representatives from 35 credit unions,

while the 2007 conference set for March 7–9 is expected to draw even more.) They host several "Credit Union Days at the Auction" each year as well. "We take them step by step through the auction process so they have a better understanding of it," Etheridge says.

CUDL and Manheim also work together to handle all aspects of a CU's remarketing cycle. "Our 'Easy Step Remarketing' program is designed to help credit unions with every aspect of remarketing a vehicle," explains Jon Schrock, national accounts director at Manheim. "We not only provide the resources and channels for remarketing, but we also help advise our clients so their strategies result in the greatest return."

"Our goal," Etheridge says, "is to give credit unions the key insight and direction needed to make their remarketing efforts successful."

Additional Advice

If your credit union just wants to go it alone like United Heritage CU, what are the first steps you should take? According to Richardson, you should "definitely hire the expertise to make sure you know the business. You can't just take one of your loan officers and stick him down there and expect it to work."

That said, he thinks it's a great opportunity for any credit union that sees a lot of good inventory coming in. Your members "are always looking, and it's not a high-pressure sell. You'd be surprised [by] how open members are to taking advantage of it – because you have the credibility with them." **CUB**

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