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CU Xpress Lease Latches Onto a Surge in Consumer Demand

1/19/2011

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By [Joyce Moed](#)

CU Xpress Lease Inc. is on a record-setting pace in auto leasing activity with 2010 up 100% on year-over-year numbers from 2009.

"Last year was a pretty good year for us," said David Jacobson, president/CEO of Groovecar Inc., which formed CU Express Lease Inc. with Fusion Auto Finance LLC in 2007.

"During the model year change-over, when the manufacturers start to come out with new products, they do not come out with programs on new cars. Now the dust is settling, and they're all easing off. We went from 250 last year to 600 this year," he added, referring to 2009 and 2010. "We actually got 1,500 applications. We got another 500 that are not funded yet. There will probably be at least 1,000 leases funded for October."

"We are usually stronger and weaker based on what the manufacturers and banks are offering. We find the areas that are being ignored by the factories or banks," said Jacobson. "We find the car Honda does not have a special on. We find the niche. There may be two Hondas we can compete on out of the 12 models. But that will give five, six or seven cars that we can make a deal on. And that's just in each individual dealership and Honda alone.

"We are always finding the niche," he added. "We've been doing this for years."

Jacobson noted that because the banks came back strong, 2010 was a challenging year at first, but Groovecar has come back on pace.

"It's hard to put your finger on why, except that we are diligently looking for deals to give out credit unions," Jacobson said.

Those 1,000 leases funded last October, totaling about \$30 million, are a jump from the 350 leases funded in October 2009.

"I think leasing is building steam," Jacobson said. "People weren't looking for leasing [in 2009]. The manufacturers were putting big rebates on cars. Leasing was dead. When you saw ads on TV, you didn't see any ads for leasing. It was all about buying."

In 2010, leasing came back, he added. "The general public is back into leasing. Leasing is surging right now because the marketing is there. There is a buzz around leasing. We are actually riding some of that wave. The manufacturers cannot support every car; that's where we are. We do not have to give the rate away. We can

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compete in the area where there is less competition. It's a critical piece to credit union lending right now."

Jacobson expects this trend to continue for about four to five years.

"As the cycle goes, you will see this for about four to five years," he said. "Other than the captives, there are very few leasing companies for smaller banks doing leasing. That provides a tremendous opportunity for credit unions doing leasing. Leasing is at the beginning stages. There is such little competition outside the captives. There is business that can be had."

"When there is no competition, there is no need for inflated residual values," he said. "If there's no one there to compete with you, you don't have to raise the residuals, and you will have that for a while."

CU Express Senior Vice President Frank Rinaudo said that leasing is up in general.

"In addition, we are witnessing an upsurge in leasing activity as volume increases from credit unions already in our program, as well as new entrants."

Jacobson agreed. "It's really a combination," he said. "Our credit unions are doing very well. We also expanded. We are working with signing up some credit unions in California. The business we are talking about right now is really existing credit unions. And right now, we have an internal marketing campaign reaching out to credit unions. We are also hearing from credit unions that are hearing a buzz. Credit unions want to become full-service lending institutions."

Groovecar's average FICA score is 760 for leasing, and it is experiencing two repossessions out of 1,000 deals.

"The delinquencies are incredibly low," Jacobson said. "Credit unions that want to lend money—this is a way to become a full-service lender. This is extra business. They need to lend money. It's a great lending product. We partnered with Fusion, and they are remarketing experts. We have an exceptional remarketing program. This program is totally different. The credit union only takes the credit risk. They're made whole at the end of the lease. Fusion collects and deals with the remarketing. We've removed the credit union from having to do any of that."

"The beautiful thing is that we can go into any market and have growth within 30 days. We can also manage the growth by limiting the cars we have leasing on. We can limit the amount of cars we can do specials on."

At present, Xpress Lease is working with six credit unions, and most of the leasing is done by two or three of them, Jacobson said.

"One credit union on the West Coast can give us 400 leases a month," Jacobson said. "There is a lot of volume out there for credit unions looking for this kind of business."

With the growth of credit unions in indirect auto financing, and the big drop in leasing by captives, 2009 was CU Xpress Lease's best year for connecting auto dealers with credit unions. Targeting credit union members, CU Xpress Lease has encouraged participating credit unions to increase their market share, and it said it is very price-competitive on a wider range of autos—including Acura, Chevrolet, Dodge, Ford, Honda, Hyundai, Infiniti, Jeep, Lexus, Mazda, Mini Cooper, Mitsubishi, Nissan, Toyota and Land Rover—than ever before.

This has been helped by the opening of a joint retail center last

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June in Hauppauge, N.Y. The 50,000-square-foot return and retail center accommodates up to 300 vehicles and gives credit union members local proximity to turn in their cars coming off lease and a place to buy used vehicles.

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