

Maximizing Ancillary Product Results

MODERATOR

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PANELISTS

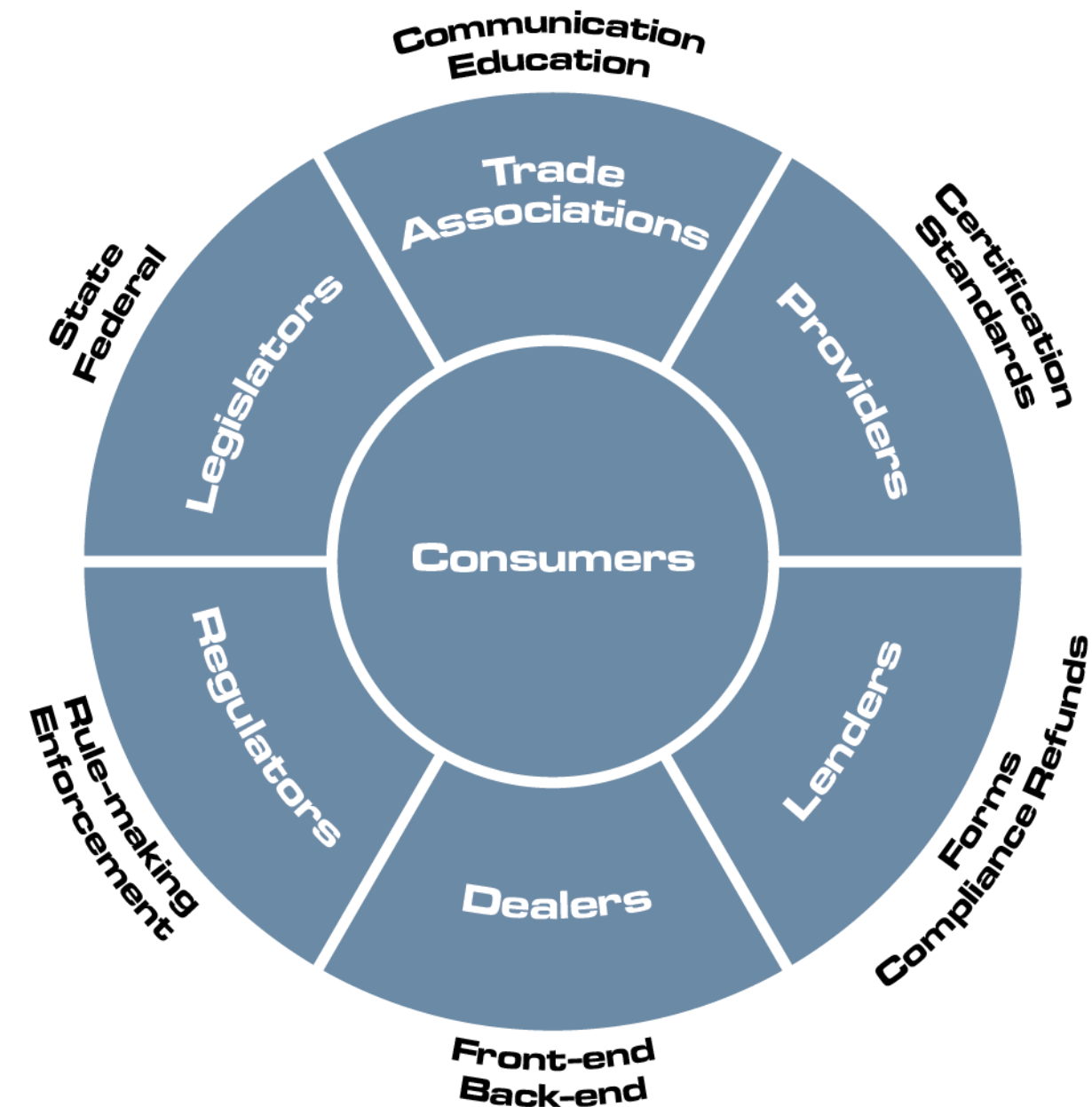
Tom Keepers

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The Current Situation

The F&I product industry has many different stakeholders and represents a critical component of overall dealer profit today.

It is estimated that approximately 25% of dealer profit comes from F&I products.



Stakeholders Have Different Challenges

DEALERS

- Training sales consultants to interact and sell F&I products to consumers in a compliant manner
- Regulatory scrutiny and increased oversight – proposed CARS Rule
- Growing F&I profit
- Working with lenders and F&I providers on processes such as:
 - Evolving requirements of lenders in approving F&I product forms
 - Processing a growing number of F&I product cancellations due to early payoffs on GAP waivers and repossessions as well as customer-requested product cancellations
 - Multiple F&I providers (5-8) and multiple lenders (20-30), all with different processes

Stakeholders Have Different Challenges

F&I PROVIDERS

- Increasing cancellations due to new regulatory requirements on lenders cancelling GAP waivers within 30-60 days of payoff
- Dramatically increasing costs on lenders using third party for F&I product contract review
 - Estimated cost of over \$100 million over the next three years
- Each lender has different requirements to finance products
- Evolving state and federal regulatory changes

Stakeholders Have Different Challenges

LENDERS

- Significant regulatory actions, fines, legal actions, and settlements related to refund and cancellation processes
- Understanding who all the F&I providers are, their business practices, and products they offer to dealers
- Regulatory changes, especially regarding requirements to provide consumers a refund of unearned GAP waiver premiums within 30-60 days of payoff, depending on the state
- Interacting with thousands of dealers they do business with, plus the several hundred F&I providers that the dealers use without any technology to connect them all
- It is estimated that the process cost of F&I product cancellations right now is over \$100 million annually

Summary

- Lenders, dealers, and F&I providers all have process, regulatory, and operating costs challenges related to F&I products
- The lack of any technology that links stakeholders together creates challenges for all that results in massive costs to process F&I products and ensure compliance
- Lenders work with dealers and dealers work with F&I providers, but there is limited interaction between all three
- To deliver the best overall consumer experience, all three parties need to work together, and antitrust oversight is critical