

CREDIT UNION TIMES

CUNA Survey Shows CUs Dissatisfied with Auto Remarketing Results

11/18/2009

A recent CUNA survey on the liquidation of vehicle repossessions found that credit unions are dedicating a significant number of hours each month to processing repossessed vehicles and are not happy with the results they are seeing.

The "2009 Vehicle Repossession Liquidation Survey" was commissioned by liquidation solutions provider Repo Remarketing. The survey was conducted from August through October, and the findings were compiled from 535 responses from credit unions with assets of \$50 million or more.

On average, the survey found that credit unions were spending 29 hours per month to process repossessed vehicles that are sold through retail channels and are spending 42 hours per month to process repossessed vehicles sold through wholesale channels. The survey also found that credit unions are processing and selling an average of 23 vehicles per month. The average number of vehicles increases as CU asset size increases.

While vehicle sales through wholesale channels accounted for the largest percentage of sales (42%) over the past year, 78% of credit unions rarely, if ever, have a credit union employee attend the vehicle auction. Overall, the survey found that only 7% of respondents were satisfied with the service and money received for the vehicle liquidation across all retail, wholesale and independent auction remarketing company channels.

A big part of the issue, according to Lance Gartner, CEO of Repo Remarketing, is that the number of repossessions has increased so much, and most credit unions are not hiring new staff, so they are internally strapped. Because credit unions in the past have had low repossession rates, Gartner said they are not experienced at handling the growing amount of repossessions. In many cases, Gartner said that once senior managers see that repossessions are growing, they go to the collections manager and say "O.K., you're now the remarketing expert."

Lack of experience and lack of staff also adds to the amount of time it takes the credit union to unload a vehicle. The survey found that it takes credit unions 46 days from the date of repossessions to sell a vehicle through retail channels, and 32 days to sell a vehicle through wholesale channels.

Jeff Martin, vice president of sales at Repo Remarketing, said that he was surprised by the 46-day number and that he thinks that's low in comparison to reality. Optimally, he said, his firm looks to liquidate a vehicle in 22 days, but he's seen credit unions hold on to vehicles for 100 to 120 days and even had one credit union hold on to a car for 173 days.

"That credit union that took 173 days got hit with a ton of repossessions at one time and weren't able to manage the inventory. If a bulge of repossessions come in at once, there are only so many hands that can process them, and it extends the time frame it takes to unload." Scott France, president of Windsor Remarketing, said that he has a 40 to 43 day average sale time from when the vehicle is repossessed. But the time it takes to sell also depends on the credit union's strategy. Credit unions looking to get the maximum value for the vehicle go for the longer sale time strategy and credit unions looking to maximize cash flow look for a quick sell in about 15 days.

The high dissatisfaction rate the survey found among respondents could be due to the fact that credit union employees working on the remarketing tend to get caught up in looking at the balance on the loan and not the value of the vehicle. "A credit union will say, 'We have a \$20,000 balance on the account, so the car needs to sell for more money.' The balance doesn't mean anything, and credit unions can get caught up in that. It's about the actual value of the vehicle," France said. That is one reason, France said, that his company takes credit union employees to auctions with them to walk them through the process.

Only two in 10 survey respondents said that they were very familiar with independent auction remarketing companies, while 24% said that they used these types of companies. With 78% saying that credit union employees never attend a vehicle auction, France said he's found that credit union employees have been to auctions before but haven't attended them on a regular basis. The need for education among credit union employees about remarketing services and practices is one of the key things Gartner said that he hopes credit unions take away from the survey results.

France said he also thinks the lack of knowledge is due to a sensitivity credit unions have about independent auction remarketing companies. There is a misunderstanding, he said, that if credit unions outsource remarketing they will take the job away from an internal employee.

"The credit union network is such a closed network, it's hard to get in and show them what we do. We still need an employee on the credit union side. Our job is to increase the value of the vehicle." One of the affects of the economy, France said, is that he is seeing vehicles with more wear and tear on them and higher mileage as people hold on to their vehicles longer. Looking ahead, France said that with unemployment still high, there is going to be a lag for the next nine to 12 months, so he expects to continue to see high mileage and wear and tear on vehicles.