Get Your Inventory in the Recovery Express Lane

Aaron Pugh ,Writer/Researcher, Callahan & Associates, Inc
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As we head into summer, effective remarketing will continue to remain the determinate between those who lead the pack, turning their repo inventory into a keystone of net return, and those who sit on the sidelines.
The credit union industry held $306.6 million in repossessed auto assets outstanding as of year-end 2009. The assets rose 3.75% from September 2009 to December 2009. A survey sponsored by Repo Remarketing, a California auto remarketing company, highlights the spectrum of strategies credit unions have been using to match their increased inventory with buyers growing demand for affordable used cars.

The survey found 56% of credit unions utilized a “shotgun” approach of wholesale, auto remarketing companies and retail channels. These varied approaches in some cases extend beyond traditional methods, including approaches like raffling cars at branches or even “selling off the roofs of parking garages” says Dorothy Drake, vice president of business development at Repo Remarketing.

Auctions remain a strong option monetarily and in terms of amount of time spent, says Drake, but the survey indicates that all channels received the same level of credit union satisfaction for vendor services and prices received.
It also reveals that the returns from auctions are about 12-18% better than other channels. However, only 18% of credit unions use them as their primary method, mainly because for credit unions with only a small number of vehicles, there is no guarantee of bidders waiting to buy.

As unemployment remains high in many areas, low levels of vehicle inventory are not problems many credit unions find themselves facing. Fortunately in some cases, high inventory can actually present a factor in remarketing success.
As demonstrated in a webinar with Susan Verbeck, vice president of Lending at Community First Credit Union ($1.1B, Jacksonville, Florida), credit unions can use what Drake calls “the power of aggregation,” to bring in high returns even outside of the auction environment.

Community First, which at the time had seen a 10.9 % growth in repossessed auto assets, found remarketing success by partnering with 5 credit unions from the area for a mass disposition sale, including over 75 vehicles along with boats and RV’s. “At the end of the day, we took 22 cars over and we had sold 18 of them,” said Verbeck “most for $500 to $600 above book, but some got as much as $2,000.”

The survey itself found that most credit unions sell an average of 23 vehicles a month, with the amounts closer to around 10 a month for credit unions between $50 - 250 million in assets and 60 plus vehicles a month for credit unions over $500 million.

The average time frame to sell these vehicles was 46 days through retail channels and 32 through wholesale channels, giving wholesale the advantage of quicker liquidation. Drake advised that 30 days is considered the end of the optimum value window and “with average depreciation of $8-10 per day,” she says, time is a major factor.

Wholesale channels made up 42% of total sales but sometimes “the person getting the best deal is the wholesaler” says Drake, as some credit unions may not always know the full value of the vehicle they are selling.

70% of credit unions relied on NADA for determining vehicle pricing, making it the top source, followed by Blue Book, Black Book and auction sales respectively. Actually viewing the vehicle in person presents a difficulty because many credit unions handle vehicles only through the phone.

While most employees in charge of remarketing are already asked to take on a heavy load, increased “hands on time” and understanding of the vehicles being sold can represent the potential for increased earnings down the line.

While the survey indicates that credit unions still have room to grow in their understanding of the best remarketing paths for their specific situations, the time has never been better, or more profitable, for credit unions to reach out for a bigger piece of the remarketing pie.