

# Repo Man Goes High-Tech

**Auto remarketers handle all aspects of the repossession process.**



Auto repossessions are as American as apple pie. Normally, there are about two million repos per year. That number spiked to almost three million during the depths of the Great Recession, but is declining.

But there's a catch: It's taking longer for the number of repossessions to decline during this recession than in others.

Ordinarily, those statistics wouldn't concern credit unions much. "Historically, credit unions have been much more stable financial institutions than banks—they did a better job of underwriting loans and, therefore, suffered fewer defaults," says Don Meadows, president/CEO of Auto IMS.

"But as credit unions' auto loan volume has grown, they're experiencing an unfamiliar volume of repossessions," he continues. "In the past they typically made loans for cars sold from nearby lots and then resold them to the same lots if they had to repossess them. Now, more repossessions occur outside their market area. It's still not as high a volume as banks', but it's becoming a problem."

Meadows says that when a credit union did only three or four repos a month, it often was a case of, "Let Betty handle this."

"But when repo volume goes up," Meadows says, "and Betty has moved to another job, do you know how to handle repos? One option is to rely on an auto remarketing service provider that can serve as an 'institutional memory' even if your onsite expert moves on."

He adds that outside help doesn't replace people on-site. It simply frees up their time to do more important things.

Remarketers also give credit unions sales muscle as they deal with a greater number of vehicles outside their trade areas.

"They need to band together when it comes to repossession efforts and work with somebody who has expertise," says Claudia Plascencia, senior vice president at Repo Remarketing.

Credit unions often lack the clout of larger players, she adds, making it more likely that the cars they repossess are put at the end of the auction sales line where they rarely sell for a premium price.

“We can bring 60 or 65 cars into a premium lane at the start of the day, working beside the likes of Bank of America, Enterprise, General Motors, and other rental or fleet players who command choice auction spots,” Plascencia says. “Working with us, a credit union’s cars show up in a premium lane versus a dealer lane where the quality of the cars is unknown.”

Another advantage remarketers offer is technological savvy. “License plate recognition—our proprietary technology—is superior for generating and capturing business,” says Scott Jackson, CEO of MVTRAC. “But the technology bleeds into remarketing without substantial investment in cloud programming and integration systems.”

This image-capture technology has been installed nationwide in parking lots, garages, toll booths, law enforcement vehicles, and traffic cams, creating a huge database of license plate numbers that allows repo agents to more accurately track cars’ likely locations.

“Basically,” says Jackson, “remarketers like us provide ‘cradle-to-grave’ services—from technology such as license plate recognition to strategic alliances with agencies, to skip tracing, to recovery, to liquidation. We have reps at the auctions to represent our clients at sale. Getting the best money for the vehicle and getting the funds to the client quickly is paramount.”

Repo Remarketing, also a “one-stop shop,” provides niche specialties, too, Plascencia says. These include “knowing how to work on various Indian reservations, which have their own rules, as well as different rules among states and cities.”

Plus, clients can have the company’s Recovery Management System software labeled with their own logo.

Meadows says it’s fair to call the best remarketers technology companies that can handle any aspect of the repossession process. “When a credit union’s repo business gets big enough, especially if it’s dealing with out-of-state repossessions, that’s when it comes looking for third-party help.”

### **Agent relations**

Perhaps the most delicate aspect of remarketers’ services is dealing with repo agents.

“In many cases, credit unions call repo agents sight unseen, which means they have to trust the person they’re calling to handle often distant matters,” says Meadows. “Still, they have a big say in how they want repossessions handled and what their expectations are.”

Being scrupulous about how they handle repossessions can help credit unions avoid litigation, he says. “While credit unions have the legal right to get their assets back, courts have a tendency to view them as Goliaths and the borrowers as Davids.”

That makes thorough recordkeeping essential. One way of doing that is with Auto IMS’ “repo agent report card” which tracks how many days it takes an agent to do a repossession, how many repos he or she has done, what each agent’s guidelines are, and each agent’s bonding, licensing, and insurance data.

Jackson describes MVTRAC as “a risk management system for credit unions because we vet all of our agents. We visit each repo facility in person and check out its security, hiring practices, and reputation.”

Remarketers also know a lot of little things. “We look at vehicles ourselves and recommend whether to repair them,” says Plascencia. “For example, a cracked windshield isn’t the deterrent to a good sales price that you might think, so we don’t advise replacing it.”

She says that while there are some regional variations in which models are repossessed, auctions are determined more by type than make. “For example, at the end of summer you’ll see motorcycles and motor homes come on market as people start shedding vehicles they won’t use for several months.”

Remarketers sometimes advise credit unions to move cars to places where they’re more likely to sell.

“It might make sense to move a convertible from the snowy Northeast in winter to a part of the country that’s sunnier,” says Meadows. “But generally, we advise selling them close to where they were recovered. There are well over 500 auto auctions nationwide, all technologically advanced, and it’s easy for us to help credit unions to track them.”

### **Doing it right**

Plascencia says two common mistakes credit unions make are not benchmarking performance and selling repos at small and captive venues, which affects their bottom-line returns.

“A credit union may see that a Buick retails for \$15,000 and try to sell it for that price at auction,” she explains. “But it’s a wholesale market out there, and it will more likely bring in \$6,000. Also, some repo companies are owned by auctioneers. Obviously they’ll skew their operations to derive the maximum benefit for themselves.”

Plascencia advises credit unions to:

- **Ask** about the company’s out-of-state capabilities;
- **Know** that intent-to-repossess letters are crucial and must follow certain legal forms;
- **Ask** whether a vehicle is worth repossessing;
- **Realize** that vehicle evaluation data should conform to industry standards; and
- **Know** their repo agent: Is this person licensed, bonded, and insured?

After repossessions peaked in 2010, says Plascencia, several factors are helping the subsequent decline:

- **Financial institutions** have tightened their lending guidelines;
- **Lower production volume** by Japanese auto makers and the corresponding decrease in defaults;
- **Dealers** are keeping their trade-ins; and
- **Credit unions** are giving financially strapped members more slack.

“Most credit unions are considered boutique financiers relative to the top five auto loan originators,” says Jackson, “so they must be extremely customer-friendly. Repossessions must be done as tactfully as possible. There’s always the possibility for a new lending situation to develop if the credit union has handled previous difficulties with their members well.”