INVENTORY

Stocking inventory that meets with your lenders' parameters will be one of the greatest challenges that a Special Finance department will encounter. There is a myth that non-prime deals involve delivering cheap, older or higher mileage vehicles - this is far from reality. You will find that the majority of your Special Finance units are less than 4 years old with 60,000 km's. Many new vehicle franchises have allowed their used vehicle departments to become "Almost New Vehicle Departments." While many of your Special Finance models will fall into this category, huge opportunities lie with vehicles of older vintage and mileage.

Many new vehicle franchises have adopted "Certified Plus" marketing strategies and have significantly reduced stocking older vehicles with higher mileages because of the greater reconditioning costs. This is generally an internal dealership policy issue that many dealerships have addressed. Many dealerships will continue to support their "Certified Plus" brand but will also stock older vehicles that are certified and reconditioned but do not offer extended warranties, exchange privileges and other value added features. These vehicles are made available to the Special Finance department and a happy compromise is achieved. What we do hear however, is Special Finance managers complaining about their inventory being sold by the sales consultants to regular prime customers. There is obviously a lesson to be learned here.

"One man's garbage is another man's treasure." **This holds true for the used vehicle marketplace as well. Too many quality vehicles are wholesaled from new vehicle dealerships today only to be purchased by independent used vehicle operators or savvy used vehicle managers at new vehicle dealerships that will eventually be sold to customers. Some of them will be sold to Special Finance customers.**

PAYMENT CALLS:

A payment call is an approved solution that a non-prime lender offers to a customer. It is up to the Special Finance Manager to calculate how much vehicle the payment call will advance. Let's look at an example:

Payment Call: $400 per month @ 21% for 60 months

Enter the term and interest rate in your computer and roll the payment back to calculate the total amount that can be financed.

Maximum amount financed =	**$14,750**
Add the down payment	**2,500**
Total	**$17,250**
Deduct taxes	**$ 2,119**
Deduct admin fees	**500**
Deduct an E.S.P.	**1,500**
Net Selling Price	**$13,131**

Now go and find a vehicle in your inventory that can be sold for that amount based on the lender's advance limits.

If the lender has an advance limit of 120% of Black Book's 'CLEAN" value, then the vehicles that you pick out for the customer based on their needs must fall within the maximum advance as calculated by the payment call. Many of your existing vehicles that you have in inventory will fall within the payment call parameters from your non-prime lenders however, savvy Special Finance and Used Vehicle Managers will seek to acquire inventory that satisfies customers' needs and also 'book out' well.

INVENTORY TIPS:

1. Know the guidelines of your lenders' programs:
Knowing your lender programs will assist you in making better purchase decisions and allow you to inform the used vehicle manager what he/she should be on the lookout for. If for example, your primary Special Finance lender will only advance $12,000, then there is no point in stocking vehicles of greater values than that. Some lenders will be able to advance more funds based on a maximum payment, rate and term. With this basic principle, some customers will qualify for more than others just as with conventional finance.

2. Determine average maximum payment calls:
Determine average maximum payment based on your target market. Generally, you will want to have inventory that is at 20% PTI (payment to income ratio) which will allow you to stock an inventory that generates a $400 per month payment. Lower income levels will generate lower payment vehicle offerings. You will discover that many customers will qualify for more… however, given the fact that they probably have some financial challenges, will not want to consider these vehicles.

3. Calculate your financial parameters:
With a maximum payment, calculate the worst rate at the longest term your lender will allow. (i.e. 60 months @ 21% @ $400 per month). The maximum amount financed would be $14,750. Add the down payment and then back out the cost of fees, taxes, any administration fees and an extended service contract and you have your selling price.

4. Know your inventory:
We have discussed the importance of becoming intimate with your inventory. This is a mandatory job function. There are software providers that will allow you to load your inventory into their software that will "book out" your inventory. This will create more opportunities for you and make your job a lot easier.

5. Ask your lenders what vehicles are working best:
They usually have a list by region in the country and by vehicle segment (i.e. pick-ups, compact, mid-size, van, SUV, etc.)

6. Vehicles to consider:

- **Some current year vehicles might advance based on a percentage of the manufacturer's MSRP**
- **Program/auction vehicles**
- **New models with manufacturer rebates**

7. Leverage your Certified Pre-Owned program:
Customers look for value and confidence. Leverage Your CPO program to deliver what they want!