

# POWERFUL SOLUTIONS

For maximum F&I profitability

## Guaranteed Asset Protection

According to Experian Automotive's third--quarter "State of the Auto Finance Market" report:

- the average new vehicle loan increased by \$1137 over the previous year.
- the average new vehicle payment only increased \$12 over the previous year.
- 27.5% (an increase of 17.1%, year over year) of new vehicle financed purchases and 16.2% (an increase of 12%, year over year) of used vehicle financed purchases, this year, are on loans of between 73 and 84 month -months.
- outstanding automotive loan balances have increased 10.1%, year over year.
- a record 26.93% (an increase of 9%, year over year) of new vehicles consumed this year were leased. -
- the average lease term was 35 months.
- the average lease payment has only increased \$1/month, year over year.

Additionally, according to Manheim (where many of these vehicles will eventually be processed for resale), approximately 1.3 million vehicles came off lease in 2013. That number is expected to grow to nearly 3.5 million in 2017.

When we distill all this information down, it is clear that market pressures are evolving. \*Folks are borrowing more money than ever to finance vehicles and stretching the terms to keep the payments down. \*\*More than ever, people are taking advantage of aggressive lease programs as an alternative to conventional financing. \*\*\*The number of roughly 3-year-old vehicles hitting the market will INCREASE nearly 170% in 2017 from 2013 levels (where off--lease vehicles are concerned).

Having considered all of this information, it's plain to see that the need for GAP coverage is probably greater than ever. Let's keep in mind, as always, to avoid confusing our guests with too much information. In other words, take care when explaining things so as not to turn a buyer into a shopper. If they got to you wanting to take advantage of conventional financing, avoid creating the question in their mind about converting to a lease (unless that is your intent). Keep your explanation simple.

Perhaps, "Folks... people are borrowing more, for longer periods of time and, therefore, owe more. Once we add to this the fact that by 2017, it's forecast that a 170% INCREASE in, on average, 3-year-old off--lease vehicles will hit the market...it is easy to see that vehicle valuations are likely to move downward. As a result, the need for Guaranteed Asset Protection has probably never been greater. You, like me, probably don't want to pay for something you no longer have. And remember, not only does the GAP pay into your deficiency, should it occur, but it will also pay your deductible, up to \$1000, if the accident is your fault. And it's in force for length of your loan."



As always, know your contracts and that limitations apply.

Give it a try.

Good luck and good selling!



Partnership + Performance = Profit