

Internet Remarketing of Repos, Lease>Returns Goes Mainstream

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Monday, May 09, 2005

URL: http://www.creditunions.com/cuarticles/template.asp?article_id=1636

Chances are you've read about remarketing repossessed collateral or lease-return vehicles via the Internet. Maybe you even considered it but didn't because the Internet seemed too risky or cutting edge. Following are some facts about Internet remarketing, and three credit union case studies that demonstrate just how mainstream and productive Internet remarketing has become.

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Millions of Vehicles Sold Each Year On the Internet

The president of eBay Motors reported in 2004 that his company facilitated the sale of more than one million vehicles from consumers, auto dealers, banks and credit unions. Automotive manufacturers are also using the Internet to remarket lease-returns. In 2002 General Motors launched GM SmartAuction, and recently celebrated one million vehicles sold. Even the nation's two largest private auction wholesalers, Manheim and Adesa, have launched Internet-based auctions for remarketing vehicles direct to dealers. In fact, Manheim recently announced it was developing an Internet remarketing platform especially for the nation's premier banks to sell repos and lease-returns directly to participating auto dealers anywhere in the nation.

Credit Unions Catching On

Fortunately for the movement, more credit unions are tapping into the Internet's potential. Anecdotal evidence suggests more than 10% of credit unions are using Internet vehicle remarketing of some kind, including using eBay Motors or manually posting vehicles for sale on their website. Evidence also suggests that recaptured revenue can be substantial, including shortened remarketing cycles, higher sale prices and, in some cases, new loan revenue—often at equal or lower costs than traditional remarketing channels. Here are three examples of credit unions using the Internet for vehicle remarketing.

Right Car, Wrong Market

"I would hate to sell a convertible in Oregon [during winter], but someone in Florida might be interested in it," says Jerry Liudahl, VP of Lending at Oregon Community Credit Union (OCCU) in Eugene, Oregon (\$704 million). That's why when OCCU repossesses a vehicle, it first decides whether the vehicle is marketable locally. If not, OCCU uses eBay Motors to sell the vehicle quickly, earning 105-120% of wholesale, rather than the 70-75% it might get at a traditional channel. "We use eBay for unique vehicles that don't have a wide market in our area and won't bring a reasonable price at [a traditional wholesale] auction," says Liudahl. "Plus, you reach a much wider audience," Liudahl says, explaining that selling to distant buyers is appropriate for OCCU, which with over 100% loan-to-share isn't concerned with building its loan portfolio.

Do-it-yourself Remarketing Tools

Ent Federal Credit Union in Colorado Springs, Colorado (\$1.7 Billion) took matters into its own hands in 2001 and developed a proprietary tool for conducting eBay-style auctions on its own website. Ent's internal development team built the auction tool by adapting an off-the-shelf software package to its own needs. The auction page lets members view vehicle photos and descriptions, apply for loans, request test-drive appointments, place bids and even buy MBI coverage. In 2004, the program generated over \$1 million in new auto loans, and earned higher resale prices than the credit union had received through traditional remarketing channels.

Third-party Remarketing Tools

REVERSE MORTGAGES



An Emerging Mortgage Solution

Callahan's Market Update on Reverse Mortgages explores the potential growth and application of reverse mortgages by answering the following questions:

How does a reverse mortgage work, and for whom is it appropriate?

What are the different types of reverse mortgages?

Who are the key market players in the reverse mortgage market?

What are the primary risks and fees associated with reverse mortgages?

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Since 2002, Northwest Community Credit Union in Springfield, Oregon (\$450 million) has used remarketing tools from cuAuctions™ (www.titleauctions.com) to conduct eBay-style auctions for repossessed collateral on its website, and on www.cuAuctions.com. The credit union has not only enjoyed final sale prices 10-15% higher than traditional remarketing channels, it has boosted its loan portfolio, as well. "We're financing about 50% of the vehicles we auction off," says Dennis Powell. In addition, Powell reports member response to the auction is strong, generating 35,000 website hits per month, making the auction page the second most visited on the credit union's website.

Conclusion

- Today, you don't have to be a billion dollar credit union to leverage the power of Internet vehicle remarketing. Off-the-shelf software and third-party providers deliver remarketing solutions that are quick to deploy, easy to use, and can yield significant benefits for your credit union's bottom line.

About cuAuctions™

CUAuctions™, powered by TitleAuctions, delivers retail, wholesale and member vehicle remarketing tools, as well as training and support, exclusively designed for credit unions. Currently serving 57 credit unions nationwide, CUAuctions' credit union clients enjoy average sale prices \$2,100 per vehicle higher than traditional remarketing channels, as well as new loan revenue and increased Web site traffic. For more information, go to www.titleauctions.com, or contact president Mark Coleman at mcoleman@titleauctions.com.

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