

Top Three Myths About Internet Repo Remarketing

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The goal of this article is to provide accurate information to common misconceptions about what's required to run a successful Internet remarketing program for repossessed and off-lease collateral. For background information on what Internet remarketing is, please read our previous article, [Internet Remarketing Goes Mainstream](#).

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Following are straight answers to three of the most frequently encountered misconceptions about Internet remarketing of repos and off-lease vehicles, including storage of vehicles, potential liability and dealer license requirements.

Myth Number One -- My CU has nowhere to store vehicles while my members bid on them

Storage of even one vehicle can indeed be a challenge, particularly for credit unions located in congested urban areas where parking carries a premium price. However, for most credit unions, storage is not as much of a challenge as it may first appear.

Here's why.

Most credit unions with a successful Internet remarketing program store only a fraction of the total vehicles they repossess. (Many recovered vehicles are in poor mechanical and cosmetic condition and, therefore, are poor candidates for Internet retailing.) So even a fairly large credit union recovering 30 vehicles a month may need to temporarily store only 10 of those vehicles.

In addition, the length of time that vehicles need to be stored is relatively short. TitleAuctions coaches its credit unions to conduct 10-day competitive-bid auctions, and then reassess whether the vehicle should be retailed or wholesaled.

Considering that only a handful of vehicles will need to be stored for a relatively short period of time, most credit unions running retailing programs tend to set aside a few branch parking lot spaces for recovered vehicles, or they strike a deal with their recovery agent for short-term storage, or make a deal with a local storage lot.

Myth Number Two -- My CU will be liable for the vehicles it sells to members

This point is critical: Any private party, auto dealer, or lender that sells a vehicle is accountable to disclose any problems it is aware of with the vehicle. If a person or entity knowingly withholds negative information about a vehicle, that person or entity could indeed be held liable.

However, the idea that a credit union should never remarket its own repossessions for fear of potential legal liability is false.

A simple, low-cost safety inspection by a certified mechanic, along with full written disclosure of what's discovered in the inspection (a copy of the inspection report, for example) is an easy first step toward mitigating potential credit union liability. Couple the inspection report with a robust written *As Is Where Is* disclaimer signed by the buyer, and the potential for credit union liability becomes a negligible concern.

Myth Number Three -- My CU will have to acquire an auto dealer license

In most states lenders are protected from having to be licensed auto dealers when they are attempting to recover a deficiency balance on vehicles in which they have a lien interest. That

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INDUSTRY CHEAT SHEET Latest Available Data as of June 30, 2005

**Total # of Credit
Unions:**
9,062

Total Assets:
\$684.9 B

Total Members:
86.1 M

Asset Growth:
5.44%

Share Growth:
4.19%

Loan Growth:
10.23%

Loan/Share:
75.92%

Member Growth:
1.61%

Net Worth/Assets:
11.05%

Delinq. Ratio:
0.65%

ROA:
0.96%

Yield on Loans:
6.03%

Ave Share Balance:
\$6,796

Ave Loan Balance:
\$10,478

holds true whether the lender is retailing one or one hundred vehicles.

However, there are some notable exceptions. The State of Colorado, for example, allows lenders to retail only 12 vehicles per year before having to be licensed as an auto dealer.

A brief phone call to the licensing division of your state's Motor Vehicles Bureau or DMV will quickly clear up the question.

Conclusion

There's some misinformation floating around the credit union movement about repo remarketing in general. The potential benefits to your credit union of an Internet remarketing program are well worth a little independent research into the facts. Furthermore, there are a number of well-qualified vendors that can assist you, including TitleAuctions, CU AutoNet, and others.

About TitleAuctions Inc.

TitleAuctions Inc. powers CUAuctions™, a suite of retail, wholesale and member vehicle remarketing tools, as well as training and support, exclusively designed for the unique needs of the credit union movement. Currently serving 58 credit unions nationwide, TitleAuctions' credit union clients enjoy average sale prices \$2,100 per vehicle higher than traditional remarketing channels, as well as new loan and insurance revenue, and increased Web site traffic. For more information, go to www.titleauctions.com, or contact Mark Coleman via email at mcoleman@titleauctions.com.

About CU AutoNet

CU AutoNet was established in 1998 as a resource for purchasing vehicles online and is committed to bringing credit unions a simple, cost-effective system for researching vehicle industry and trade information, and purchasing vehicles online. Through its partnerships with the National Automobile Dealer's Association (N.A.D.A.) and Black Book USA, CU AutoNet is also able to provide credit unions with a low-cost alternative for loan value searching. For more information contact Keith Hopkins via email at keith.hopkins@cuaunet.com.

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