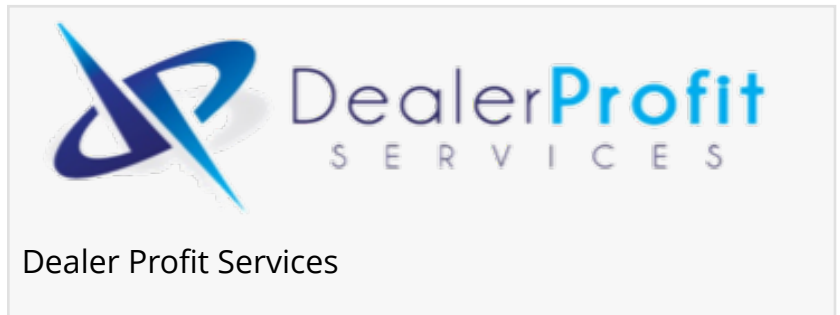


Rising Rates Mean Careful F& I Messaging

With increasing interest rates, behavior and messaging around F&I must change in the store - it does not sacrificing F&I Profit

WATKINSVILLE, GA, USA, June 6, 2022 /EINPresswire.com/ -- Interest rates are rising quickly. While this should not affect [F&I success](#), it should affect F&I behavior.



Dealer Profit Services is announcing specific F&I training regarding dealing with rising interest rates.

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In the face of rapidly increasing interest rates, it is critically important to handle finance conversations with customers properly. We want to help dealers deal with this.”

Myril Shaw

Many stores encourage or allow all salespeople to provide rate guidance to customers, either by providing a range or suggesting what they think the high rate could be. This is a practice that needs to change/stop. With the rapid change in rates, sales have no idea what these rates could be, and suggesting something to customers that simply turns out to be false will sabotage the F&I results and create angry customers. Our training addresses this behavior specifically.

When customers ask sales about interest rates the answer should be, “They are changing pretty quickly right now, so I just don’t know. Our Business Manager will go over the market and these rates with you. Rest assured, we want to do the best we can by you.”

A particularly insidious effect of these rate increases is on ordered boats – and given the inventory situation and history, this is a big piece of the customer market. The challenge here is that when a customer wants to finance and gets qualified on order, they may have to requalify when the boat arrives (most approvals are good for 60 days.) In this financial market, the requalification issue is not that the customers don’t remain qualified, it is that the rate they qualified for initially is no longer available and may have increased by one-half a point or more.

The effect of this rate increase is that Finance has an ugly choice – try and raise the rate initially quoted to the customer and risk the sale, or sacrifice F&I profit. Generally, as long as a good job has been done on Protective Product sales with good profit there, giving up some reserve to protect the overall sale and the Protective Product Profit is the better idea. In our training, we address how to compensate for this with Protective Product sales.

As we teach, this just reinforces the value of aggressive Protective Product sales. It is the profit on these products that can help maintain a baseline 5% F&I profit on unit sales even when reserve has to be sacrificed – and there is no risk to the sale on a rate increase.

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