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EFG Predicts Tighter Credit, Continued Focus on Compliance for F&I in 2017

- Reduced OEM Incentives, F&I Pricing Pressures, New Purchasing Models, and Continued Growth in Powersports Make the List -

DALLAS, TX (January 31, 2017) EFG Companies, the innovator behind the award-winning Hyundai Assurance program, announced its 2017 predictions and recommendations for the automotive and powersports F&I market today. These insights, formed through thousands of conversations with the nation's leading dealership principals and lenders, reflect an air of cautiousness for 2017. However, there are many options for retail automotive/powersport dealers, lenders, and F&I agents to successfully navigate an uncertain business climate for a prosperous 2017. For more information, visit http://bit.ly/EFGIntel.

"Even though the election is over, we continue to see a murky forecast for the F&I market moving forward," said John Pappanastos, President and CEO, EFG Companies. "Consumers clearly want a new – and at least partially online – buying process. This trend has significant impact for the F&I industry across retail and lending channels. We also expect to see credit tightening on the consumer side and a foreshadowing of reduced auto manufacturer incentives for dealers, which will impact their margins. Finally, we don't believe federal regulatory oversight will diminish to the level that is being hyped. So, we strongly believe compliance will continue to challenge dealers and lenders. All that being said, we believe that the changes transforming the auto industry will create unique opportunities for dealers and lenders to leverage as they look to expand their business."

Utilizing its 40-year history in the F&I industry, EFG Companies offers the following predictions for 2017:

Flat Volumes, Compliance, and Customer Retention for Retail Automotive

> While the Consumer Financial Protection Bureau (CFPB) authority may be up in the air, dealers will need to stay the course on compliance for 2017. Remember, the Federal Trade Commission (FTC) has jurisdiction over dealers and its operations are not impacted by any potential changes within the CFPB. Analysts are predicting flat unit sales volumes, pushing dealers to maximize their investment by squeezing more profitability out of their F&I operations. Customer retention efforts will increase, prompting dealers to shore up their service drive and fixed operations to deliver the "luxury car" level of service. In addition, an influx of off-lease vehicles will increase used car inventory while putting pressure on pricing. Whether purchasing new or used, the customer will be king in 2017.
> *John Stephens, Executive Vice President, Dealer Services*

Return on Investment and Shorter Transaction Times Key for F&I Agents

With retail automotive dealerships feeling increased pressure, F&I agents will also experience a trickle-down effect to clearly demonstrate a return on investment for the F&I products they place at a dealership. Agents will also feel pressure to help dealers shorten transaction time and pivot their operations to support online transactions. Agents will closely monitor their own businesses to keep production levels high and begin focusing more on acquiring new dealership business. *Adam Ouart, Vice President, Agency Services*

Rising Interest Rates and Portfolio Evaluations Will Challenge Lenders

Regardless of what happens with the CFPB, lenders will also need to stay the course. You don't stop treating customers right on the off chance that the government might not see your good behavior. Increasing interest rates will pressure lenders to tighten lending standards and evaluate other options to protect their loan portfolio outside of APR and loan terms. The same can be said for credit unions and other lenders that offer auto loans directly to consumers. I expect more lenders to evaluate how consumer protection products can benefit them from the standpoint of differentiating their institutions from the competition, protecting their loan portfolio, increasing loan volume, and controlling compliance. In addition, dealers will re-evaluate their lender roster, confirming a broad spectrum of partners that specialize in different credit tiers, and help dealers meet their profitability goals. This will put pressure on lenders to evaluate their service model for dealerships and make adjustments to tackle mutual dealer and lender challenges. *Brien Joyce, Vice President, Specialty Services*

Growth and Lender Challenges Continue for Powersports Dealers

Although unit sales fell in the second half of 2016, we anticipate volume will pick up in February when early income tax refunds arrive. There will be a slight growth in the powersports market overall in 2017, with dealers putting greater emphasis on increasing aftermarket income through the sale of F&I products. Lenders that remain in the powersports market will want to insulate their loans and may look to offering their own complimentary F&I products. As powersports dealers continue to be starved for lenders, up-to-date technology resources, and committed employees, they will pressure their vendors and product administrators to provide outside the box solutions for these obstacles, such as digital F&I services. *Glenice Wilder, Vice President, Powersports*

About EFG Companies

EFG Companies combines almost 40 years of experience serving as an industry innovator of consumer and vehicle protection programs with the company's commitment to raising the industry bar in providing superior client engagement. With 100 percent of their field and administrative teams AFIP- and ASE-certified, EFG's professionals provide world-class product development and administration, go-to-market strategies, training and auditing support across a multitude of channels. www.efgcompanies.com

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