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The F&I Handoff: Keep It, Drop It – or Do Both?

SPEAKER:

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Automotive News

Q&A

JM&A: Pursue compliance, consistency for the sake of consumers – and the CFPB

Jim Henry

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Some F&I administrators have said they're concerned that the Consumer Financial Protection Bureau could go after F&I products this year the way it has campaigned against dealership's discretion in setting customer interest rates on auto loans.

But Forrest Heathcott, president of F&I administrator JM&A Group of Deerfield Beach, Fla., says that so far, he hasn't seen any indication the CFPB is targeting F&I products.

JM&A had record F&I product sales of 3 million units in 2013, most of which were extended service contracts, he says. Unit sales in 2012 were around 2.5 million, Heathcott says. JM&A sells its products via more than 3,300 U.S. dealerships; nearly all are new-car stores.

Heathcott spoke with *Automotive News* Special Correspondent Jim Henry in New Orleans recently.

Everybody in F&I seems to be pushing compliance and consistency, with the Consumer Financial Protection Bureau in mind. Is the CFPB on your mind?

We definitely have that in mind for everything we do for consumers. The CFPB has brought this to the forefront.

Has the CFPB's campaign against dealer reserve driven dealers to sell more F&I products? That would be good for you, right?

I look at it like squeezing a balloon. You squeeze one side, and it bulges out on the other side. The dealer finds a way to get value and communicate that value to customers.

What the CFPB is doing, if it's going to make it harder to make a reasonable profit, then [dealers] are going to have to do it elsewhere.

Have you seen any indication that the CFPB is going after F&I products beyond the consent order last year with Dealers' Financial Services and U.S. Bank? Those companies agreed to refund \$6.5 million to military members for marketing that the CFPB said understated the costs and overstated the benefits of extended service contracts and GAP.

Nothing beyond what we've already seen. [The CFPB's] sole role in life is protecting consumers with regard to financial products. ... We sell products that are not typically considered financial products.

People have told me that in addition to policing the sales and marketing of F&I products, the CFPB could go after their inherent value to the consumer -- maybe even analyze how much the products cost vs. how much they pay out.

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Our products are core products. There have always been products on the fringe. We try to focus on what we're good at. Right now, we don't see anything changing.

How about the uptick in leasing?

We support prepaid maintenance around leasing. That's really all that's changed in the last year. Plus excess wear-and-tear; we do offer that.

How's the tire-and-wheel business? When those policies first came out, the claims were higher than expected and everybody raised prices. Is that still going?

For us, the claims experience early on, especially on the high-line vehicles, was pretty harsh. But for the industry, pricing has been stable for probably two or three years now. We made some pricing moves, especially for the high-line products.

How were sales in 2013?

It was the best year in our history. We had a stretch goal -- and it really was a stretch goal -- of 3 million contracts, and we blew right through that. It was 3,050,354, to be exact.

Where did the growth come from?

The primary driver was a good retail SAAR [seasonally adjusted annualized rate of new light-vehicle sales] and a good used SAAR for franchised dealers. We were going to do well anyway, but the used-car market was icing on the cake.

What's the company's plan for 2014?

As we come into 2014, we are putting a priority heavily on technology and process. We just had a big meeting of our sales force in February to officially launch a 10-year strategic plan. It starts with how we hire, train and promote our employees, how they interact with our dealer customers and how they approach a prospective customer: Would the dealer in Seattle have the same experience, the same processes we provide the dealer in New York?



Heathcott: A big priority on technology and process in 2014.

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