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The NewsMagazine of the Used Car Industry

## FOUR EXPERTS DISCUSS THE EVOLUTION OF THE REPO MAN

By Jennifer Reed  
Automotive Group Editor

DAYTONA, Fla. — The majority of professionals in the repossession industry are just that — professionals. To get an idea of the demands on these professionals today and just how the industry has evolved over the years, *Auto Remarketing* interviewed four various experts in this field.

Overall, most of the executives agree that the repossession industry has come a long way over the years, with the people involved becoming more adept and sophisticated about their work and the services they offer.

“Gone are the days of the ‘repo goon,’ or just about,” Patrick Altes, of Falcon International, explained to *Auto Remarketing*. “The major lenders are very concerned with who actually represents them in the field. They don’t want some threatening thug knocking on the customer’s door as a visual representation of their bank or credit union.

“So there is an increased concern for using professionals in the repossession business. The demand for these are up, way up,” he continued.

So where do companies find these professionals?

“The main source for finding repossession professionals like these are through the various trade associations, largely Time Finance Adjusters, National Finance Adjusters or the American Recovery Association. All of these organizations screen applicants, offer continuing education, some degree of certification and a bond,” Altes pointed out.

“These remain the best resources,” he added. “If you went to a convention held by one of these organizations, you would be surprised at who you saw, mostly professional business people who formerly worked in the collection department in a

bank or credit union, or a former private investigator or a former law enforcement officer. There are a lot of repossessioners who used to work for Ford Motor Credit or GMAC, or some other heavy hitter, and just decided to take their skills to the private sector.”

Meanwhile, Steve Norwood, with Consolidated Asset Recovery Systems, said much the same thing, indicating that education is of the utmost importance in his field.

“Today’s repossession agent must be knowledgeable of the state’s laws in which he or she is operating,” he highlighted. “The laws are constantly changing. An agent must be mindful not only of the lender’s asset and protecting it, but also of the debtor’s right, especially pertaining to any personal property in the car during recovery.

“CARS is constantly looking for good agents, especially in light of the rapid growth we are experiencing. It is important for us to stay ahead of the curve; therefore we only work with certified agents,” he reported. “These agents carry the right insurance coverage, have the right equipment, the proper impound facilities, know the law well and conduct themselves professionally. There will always be demand for this type of agent.”

While some lenders try to cut corners and save money on the repo agencies they utilize, Norwood said this isn’t a smart idea. In fact, it may be better to spend more rather than less on this type of company.

“Some lenders try to cut costs by going with the lowest-cost agent, only to find themselves in a nasty liability case because the agent broke the law and was not insured properly. Sometimes the best agents are a little more expensive. In return, however, they have a very high recovery rate, which justifies the additional expense,” Norwood explained.

Meanwhile, John Lewis, of FindJohnDoe.com, recalled the state of the industry back in 1982 when he repossessed his first vehicle.

“The repossession industry has changed significantly since I repossessed my first car as a field rep for Chrysler Credit in 1982. For starters, many of the finance companies used to have their own employees repossess cars, and nowadays 99.9 percent of all repossessions are done by outside repossession vendors who contract with the finance companies,” he commented.

Even the way in which the repossessed unit was transported has changed.

“We used to repossess the majority of our cars without a tow truck, and now the majority of repossessions have to be picked up with a tow truck due to the type of ignitions they have,” Lewis added.

While there are still some “bad apples” in the industry, he indicated that most of the 500 “mom and pop” organizations are good.

“The good ones are sometimes very sophisticated in terms of having computers and cameras in their trucks; they drug test their employees; they write their own software and you can access it through their Web site; and they can meet the strict requirements the finance companies place on their vendors due to insurance needs, government regulations and laws,” Lewis told *Auto Remarketing*.

“Other good ones don’t have e-mail, are not up to speed with the information age and their insurance is current but it barely covers the potential risk of a small claim; however, they do know every square inch of the small territory they cover, and they will get your car and you won’t get in any trouble by using them because in their own way, they are professionals,” he continued.

Why haven’t the bad repossession agencies

been pushed out of the industry? Quite simply because some states still not regulate the business and some lenders still try to find the cheapest repo vendors available, Lewis explained.

“What they (lenders) don’t realize is their overall portfolio recovery expenses will suffer as a result of the cars the unprofessional companies do not get, or worse, from the lawsuits or bad publicity that results from an act they may perform that’s outside the law,” he remarked.

“Most of these companies are not someone you would want to go into court with, but they still somehow stay in business. The trick is identifying the good from the bad, and holding each accountable and rewarding the good performers,” he stressed.

Lewis said working in his industry is not a job for everyone.

“In terms of demand for repossessioners, there has always been one as this is not an easy job, or a normal job. We still see very few women repossessioners in the industry, which is a shame as the ones I’ve known have been as effective if not more so than their male counterparts. The element of surprise can play an important part in the repossession of a vehicle,” he highlighted.

In an interesting twist, Les McCook, of the American Recovery Association, indicated that some of the professionals in the field are getting “squeezed out.”

“As the clients try to manage cost, many have decided they are willing to use the cheapest person they can find in some areas,” he explained. “For many of my members that have been in the business for a long time, they do not see the recovery specialist today as an evolved species, more of a devolved.

“For many years we gave a superior level of service to our clients, protecting their interests at all costs,” McCook continued. “We felt as though we were a part of team with them that had only one goal in mind, and that was to make their departments the best they could be. For many lenders that is not the case today, and they are now accepting a reduced level of service, as well as lower recovery rates.”

### **Evolving Technology**

Most of the executives interviewed agree that technology has become an integral part of the repossession industry.

For instance, according to Norwood, “In regards to the job of an agent changing over the last decade, technology has most decidedly changed the life of a repossession agent today. Because an agent now has an arsenal of tools, such as computers and smart phones to help perform recoveries, most lenders are looking for transparency in the recovery process and expecting updates in real time so they can make better business decisions.

“Therefore, agents have had to tailor their behavior and communication with the lender. Tools like I-BEAM portal (a CARS product) simplify communication and allow the agent to provide electronic updates, thereby eliminating faxes, e-mail and phone calls,” he explained.

# **REPO EXPERTS RECALL PERSONAL EXPERIENCES**



### **John Lewis, of FindJohnDoe.com:**

“We recently worked a case on a guy who used his real name to buy over a million dollars in collateral on a weekend. His FICO score was 780 and he said he was a homeowner and a business owner who made \$250K a year. No one questioned him, and he became a first payment default on every loan, all of which charged off as total losses by the time we got the case from a client of ours who had two pieces of collateral financed to him. They thought it might be identity theft.

In reviewing this case we realized that the name was really his, and the credit score was accurate. We also found out the ‘home he owned’ was his parents’ house he was raised in, and the title had been flipped 15 times between his brothers over the past few years. The job was his dad’s company, and it was in foreclosure for non-payment of \$2.5 million in sales tax. The business address had 26 different businesses with 52 different spellings registered to it, all fronts for his scams. He also had convictions for fraud in his past.

The interesting thing was that everyone approved the loan because his FICO score was 780. This made us realize that there needed to be a better way to compile data for decision making purposes from loan decisions to skip tracing. With that in mind we began working on our

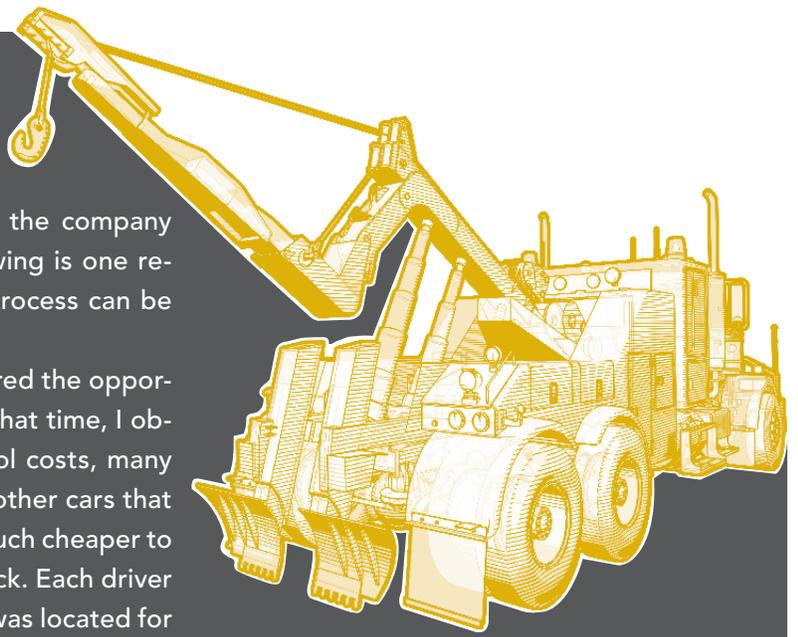
own software to help finance companies not only identify fraud, but to also make smarter credit decisions using public records, and also to provide a way to analyze the quality and quantity of public records that are available on each person they do business with. In September were launching the beta version of this software, which is called ‘FIND ANYONE.’

Where this guy made a mistake was when he purchased a fishing boat over the Internet and he drove from California to another state to pick it up. The local sheriff in that state worked with their DA and they filed RICO and fraud charges against the guy, and with that came a stolen report on the boat. That stolen report allowed us to get the local California district attorney to authorize a tracking device to be placed by the CHP auto theft task force on one of pieces of collateral we found behind a locked gate at an address the guy’s brother owned.

Eventually, we recovered all but four of the 30 pieces of collateral he financed. Most of them had less than 100 miles on them, and they were still in brand new condition, a year after being bought. They were just waiting in a warehouse to be shipped to Dubai to be sold on the black market, we were told by our snitch.

When technology improves, which we’re hopeful can start with ‘FIND ANYONE,’ guys like that wont be able to pull scams to that extent any longer.”

## Steve Norwood, CARS:



"The field research we performed prior to launching the company helped us realize the need for our business model. Following is one repossession story that shows just how un-disciplined the process can be without the I-BEAM solution.

I was introduced to a repossession agent and was offered the opportunity to accompany him over a four-week period. During that time, I observed the agent repossession process. In order to control costs, many agents used a repossessed car as a 'chase vehicle' to find other cars that were assigned to them for repossession. Logically, it was much cheaper to fuel and drive the chase car than it was to drive the tow truck. Each driver was assigned a chase car for his or her area, so when a car was located for repossession, a call would be put in to bring the truck out.

As the cars were picked up, they would be staged in public areas that night rather than being brought back one at a time to the impound lot. Parking lots at Wal-Marts, Waffle Houses and apartment complexes became the impounding lots of choice.

On one such experience, we received a frantic call from the home office. Apparently, one of the shifts had forgotten to go back and pick up the staged cars. To make matters worse, the lender had been informed that the cars had been repossessed and that they were in impound. The lender was coming out to inspect the cars and generate condition reports in preparation for the auction. To top matters off, the driver had been let go and the location of all the cars was unknown.

In the end, some of the cars had become impounded by the police, and one was even damaged. Though I was not privy to the actual conversation that took place with the lender, I am certain that the whole truth never came out.

Fortunately within the I-BEAM portal, CARS time stamps everything, tracks mileage, conducts agent inspections and certifications, and requires photographs of all assets at different stages of the recovery process. This solution is helping to eliminate horror stories like the one just mentioned."

Moreover, technology also helps centralize data, which can benefit lenders because they can receive updates on a continuous basis in real time, he added.

"Understanding costs at each step in the process allows lenders to determine when a recovery may no longer make sense and help control losses from recovering an asset, which may not be worth picking up," Norwood said. "Agents also receive better data faster, increasing their ability to plan workloads and create optimized routes for assignments. VIN numbers are validated automatically, verifying assignments before they are issued."

Additionally, he explained that "debtor information is verified to ensure that address, phone numbers and employment information are all current. These tools are useful in controlling agents' operating costs, allowing them to be competitive and helping lenders control recovery costs."

GPS is another excellent way technology has benefited the industry, Norwood stressed.

"Another technology that is helping agents and lenders is the GPS/payment assurance device, such as the one Passtime USA manufactures. These devices can assist with debtor behavior by helping motivate them to keep payments current.

If a recovery is necessary, the device can aid in locating the asset, reducing the cycle time for recovery, which drives down costs," he pointed out.

"Other technologies like license plate recognition are currently under field trial and show promise in the coming years," he added. "In summary, today's agent must be technologically savvy, understand the law and be able to communicate effectively with lenders, all the while finding new efficiencies to control rising costs and remain competitive."

When it comes to technology, Lewis said he wishes the lender community would use technology more.

"How can lenders react sooner to a problem?" he asked. "By utilizing technology better. I can't tell you how many lenders are still working in the 1990s when it comes to technology and their collection department's availability to their own internal resources.

"If I were running the collection department of a large financial institution I would replace two collector salaries with an IT salary, allowing me a resource to constantly identify ways to improve processes. In addition, there is now more information than ever available about the people who

default. We're working on developing a software called 'FIND ANYONE' to predict the likelihood of being able to locate a customer who skips, allowing us to concentrate more on the more difficult accounts," he commented.

"Lenders have their own internal scoring models, but they are like FICO scores, they are only good when the customer's behavior continues the same as it has historically. Information providers from the credit bureaus to Lexis Nexis compile and sort data, but the data they sell the collection departments is limited in scope," he continued.

Lewis went on to say, "Don't get me wrong, it's helpful, and as an old time skip tracer I feel like a kid in a candy store when I see what data is now available on a person; however, it can be overwhelming and not always cost effective."

Asked if technology makes his job easier, Lewis responded with both a yes and a no.

According to Lewis, "Yes, it helps in regard to the availability of leads we utilize in finding people we are looking for, and in the ability to have so much information at your fingertips through the Internet. We also utilize VOIP technology for our phones, which gives us more options than a standard phone system. It also is helpful in communi-

cating with our clients.

"In 1998, we pioneered electronic communication between the client and the repossession agency when we received 50,000 assignments through secure e-mail transmissions, and we also used email to update those files. Back then, the increase in profit and productivity from that was huge. We used to pay \$5,000 per high speed fax machine, and we went through five a year. I had a full-time fax station person. E-mail has almost eliminated the need for faxing," he explained.

However, sometimes too much variety in technology can present a challenge, Lewis pointed out.

"The main problem we now see with technology centers around the clients choosing to use so many different software programs and Web portals, which makes it confusing for their vendors who have to get up to speed on multiple programs, some of which are not user friendly or do not offer proper support," Lewis indicated.

"Unfortunately, some clients force their vendor to use this software or they won't get their business. Then we end up hiring a person to manage the software as it doesn't integrate with our own software and the software vendor won't cooperate with us in getting information exported from their software into a simple Excel file, which would allow us to work more efficiently together with the client. Software should be seamless and not a hindrance. So in a way, we're back to the same problem we had when we had a fax person," he noted.

While Lewis said there are some problems with the multitude of software available, McCook, on the other hand, only sees the benefits.

"The only major technology change has been in the area of software that has enabled both the lender and agent to be more efficient," he told *Auto Remarketing*.

As for Altes, he finds the Internet as one of the most valuable tools of his trade.

"Most of the customers are not where the creditor thinks they are. People are always on the move. I would say that more than half of the repossessions we handle are at an address the creditor did not initially provide. Most of the addresses we start out with are either dated or incorrect. The Internet, and specifically databases accessed through the Internet, are the most valuable tool. Our tracers are on the Internet virtually all day long.

Also, GPS mapping has reduced the time it takes to actually locate an address," he reported.

### Looking to the Future

Each executive has his own prediction for what next year may bring.

McCook said, "Over 30 years it has stayed consistent (some minor ups and downs), but the numbers as a percentage have not varied much during that period. I think there will be some leveling off, but as the economy reignites, so will the recovery business."

Turning to Lewis' opinion, he predicted, "If I had to make a guess, I'd say the market will pick up next year."

Meanwhile, Altes had a completely different perspective on what the future may bring.

"I think it is going to start dropping off for agencies servicing accounts for larger A-paper creditors. These creditors are starting to throttle back on making loans and are demanding higher and higher credit scores," Altes forecasted.

"Subprime lending, however, will probably thrive since people need cars, and when they are getting turned down by a blue-chip lender, they are going to turn somewhere. These repossession accounts, however, have historically been harder to work due to the demographic of the buyer. A Realtor leaves a far wider 'paper trail' than a migrant worker," he explained.

As for CARS, Norwood said it will continue to expand as the demand for the company's services escalate.

"We expect to see the same rate of growth for the next few years. Even if market conditions improve, the demand to outsource non-core services such as repossessions and remarketing will be significant as lenders look for ways to cut internal costs and control the consolidated spend from the supply chain. It will be hard to duplicate internally the efficiencies lenders are achieving by using the CARS solution," he concluded.

*For more information on the products and services offered by the companies featured in this article, visit [FindJohnDoe.com](http://FindJohnDoe.com), [www.repo.org](http://www.repo.org) (American Recovery Association), [www.falcon-repo.com](http://www.falcon-repo.com) (Falcon International) and [www.ez-recovery.com](http://www.ez-recovery.com) (CARS).*