

GrooveCar Hits its Stride in 2005: New CU Clients, New Dealers, High Volume

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HAUPPAUGE, N.Y. — By all assessments, 2005 was a very good year for GrooveCar.

Consider the following: in a market where sales have declined as much as 50%, the privately-owned, indirect lending company processed nearly 40,000 applications valued at approximately \$800 million. That compares to 15,000 applications in 2004 worth \$300 million, and 5,600 applications totaling \$112 million in 2003.



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What's more, GrooveCar added 66 auto dealers to its dealer list for a total of 207. Additionally, there are 50 motorcycle dealers in the GrooveCar network and one RV dealer. The company plans to add boat dealers to its network in 2006.

In addition, capping the year off, GrooveCar moved into more spacious quarters — 5,000 square feet which it now owns — from its much smaller leased 2,000-square feet of space. The new headquarters is located in Hauppauge Industrial Park which is also home to two of GrooveCar's clients — Island FCU and People's Alliance FCU.

GrooveCar currently serves 20 credit unions in the metro New York area with 16 alone on Long Island. Together the CUs' membership totals almost one million members.

Founded in 2000, GrooveCar has always exclusively served credit unions. The company was formed by its president/CEO David Jacobson, a former car dealer who started the company originally to provide auto buying support products. Jacobson continued on that track for about a year and a half before branching out into indirect lending in mid-2001.

"I started out the business with seven or eight credit unions on Long Island and offered co-branded Web sites members could go on to build and research cars. We had purchase coordinators to take calls from members who would call in with various types of questions like how much should a car cost or what dealer should they go to.

"I built on that member service foundation when I branched out into indirect lending in 2001, but from the very beginning I had discussions with the credit unions doing business with GrooveCar about the possibility of getting into that service," he added.

Jacobson said the GrooveCar product "was fantastic except our technology was antiquated." That fact, he said, even cost the company some credit union clients.

To address that weakness, in 2005 GrooveCar focused its attention on improving its technology. The result was a product called AppTrack, a credit union/dealer interface that allows dealers to send applications to credit unions for a decision within seconds. Introduced in mid-2005, Jacobson said the product was built very customized in the perspective of credit unions and dealers doing business.

According to Jacobson, AppTrack isn't just an automated lending product. Instead of just declining deals, credit unions have "considerations," so even if the loan is something the credit union doesn't want in its offered condition, the consideration tells the dealer what it can do with the deal for the credit union to consider the offer again. Instead of the credit union flat out rejecting the loan application, it communicates to the dealer how to make the loan offer acceptable to the credit union.

"What's so unique about the Long Island market is you can find big pockets of people who are credit



GrooveCar's new 5,000-square foot headquarters in the Hauppauge Industrial Park gives the indirect lending 3,000-square feet more space which it will own instead of lease.

challenged and then drive a short distance away and find million dollar homes," says Jacobson.

Those types of demographics, he says, skews the average size of auto loans the company makes — the average size of a loan is about \$19,000.

In early 2005, GrooveCar expanded its GAP insurance offering to include all loans funded through the company's credit union partners. GrooveCar had been offering GAP insurance since 2003 but only on its BuyRite Plus Balloon loans, where it is mandatory.

The company offers CUNA Mutual's Members Choice GAP protection. Jacobson said the insurance "provides excellent low-cost protection to the member in case of a total insured loss."

Looking ahead to 2006, Jacobson already has several goals in his sight. For starters, he's been investigating offering a leasing product the first quarter of the year that would focus on certain makes and models of cars, "the ones manufacturers aren't doing super promotions on," he said.

He's also looking into the possibility of discounting hybrid vehicles.

Also on Jacobson's 'goals for 2006' list is expanding partnerships with credit unions in eastern and upstate New York, as well as northern New Jersey and Connecticut.

"I want the credit union to be the place the member thinks of when they're considering buying a car. We're going to focus on what's hot and promote certain makes and models of vehicles. If we can put this information in the credit union lobby then we can convince the member that the credit union is the source for information about vehicles, not the dealership."

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