

Subprime auto lender hits the market

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By Tanvi Parmar

Following an 18-month development period, Dallas-based Inspire Auto Finance officially entered into the national subprime automobile lending market on July 28, saying it has reworked the subprime lending model.

While the current credit crunch has taken its toll on the financial services space, Inspire Auto Finance CEO and Chairman Thomas Brower told SNL that the subprime auto lending market is "the most robust" that he has seen in 20 years. "I consider the subprime opportunity that's in front of us right now the best ever in the history of what I've experienced," Brower said.

Inspire Auto Finance President Burton Brillhart added that the reason the market has been so robust is that companies considered to be "true competitors" have been "forced to eliminate their unsustainable and irrational lending practices," which, in turn, created a larger market share for "those like Inspire." Several competitors in the subprime arena have also "evaporated," according to Brillhart, allowing Inspire Auto Finance to capitalize on the opportunities that subsequently arose.

According to the executives, several factors exist that have led the company to be well-positioned within the subprime auto lending market. First, the executives said the company will be "very conservative" in its underwriting policies and that it will use "more data than has ever been used before" when evaluating loans.

"We took the approach that one of the inconsistencies in the marketplace was around the human element," Brillhart told SNL, adding that there is "a lot more information" available to the company that is "unconventional." He added that when this unconventional information is added to the company's decision-making model, it successfully eliminates the human element and inconsistencies that previously existed.

Secondly, the company spent nearly 18 months developing three dealer-specific platforms known as iLender, iRewards and iRep. According to Brillhart, iLender is a decision-making instrument that allows dealers "for the first time in the history of our industry to almost prequalify a deal before they're submitted to us."

In addition, iRewards provides incentives to dealers to send the company deals that Inspire Auto Finance could keep around for a long time. "If they meet our credit criteria and structure criteria, they're rewarded much like a credit card program," Brillhart said, adding that the platform helps build loyalty and appreciation within the company's dealer base.

Finally, Brillhart said the iRep platform represents a more simplistic and efficient way to deliver messages and services to the company's dealer base electronically.

In addition to the three new platforms, Inspire Auto Finance also announced the appointment of a new management team, which, in addition to both Brower and Brillhart, includes COO Mark Gallas, CFO Jody Day, Chief Information Officer John Fineout and Chief Credit Officer Craig Allen.

Brillhart described the company's management team as being "incredibly strong," adding that the individuals that comprise it have a great deal of experience and knew that they had an opportunity to "take a much more thoughtful approach" to the launch of Inspire Auto Finance.

Brower added that he has worked with three members of the management team for more than a decade, creating a pool of experience that places Inspire Auto Finance in a "unique" category of companies. "Whenever you hear of a startup, they are people who have come together and are going to try to work something out," Brower said. "We're not a startup; we're a restart."

In terms of the delinquency rate within the subprime auto lending marketplace, Brillhart said the company is "very convinced and very confident" that it is in the "best position, more so than any other financial lender out there in this space," to protect itself from deficiencies and losses through the implementation of several "different strategies" that have not yet been made public. *i*