

Ricart expands subprime arm to offer financing to dealers  
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By Kathy Showalter

Ricart Automotive Group is expanding its financial services arm so it can offer subprime lending services to other auto dealerships for their credit-poor customers.

Fred and Rhett Ricart bought a 20,000-square-foot office building in Reynoldsburg to house its three-year-old Central Ohio Credit Corp., a company that until now has exclusively financed used car sales to Ricart customers.

In three years, company officials expect to expand the business from 19 to 50 employees and expand services to dealerships beyond the Ricart franchises.

"The future for company growth is in the financial end of it ... especially in the used car market," said co-owner Rhett Ricart.

Central Ohio Credit now works out of office space at 94 Granville St., Gahanna. Brenda Whitson, chief operating officer and chief financial officer for Ricart Financial Services, said the new offices will be open for business at 2040 Brice Road, Reynoldsburg, on March 16.

According to county records, Ricart -- through a limited partnership called F&R LP -- bought the building for \$650,000 in September 1997 from McNeil Pension Investment Fund Ltd. The purchase includes a 20,000-square-foot building, the second floor of which will house the credit arm of Ricart, and 1.3 acres of land. The first floor is being leased.

Whitson, formerly CFO of Ricart Automotive and a Ricart employee since 1986, was promoted to the new position to oversee the financial services arm as well as Ricart real estate and investments.

Hugo Silva, formerly with GE Capital, has been hired to oversee Central Ohio Credit business development.

Whitson said she expects the firm to expand to 50 employees in three years.

"Right now, we're financing only Ricart customers," said Whitson. "But we hope to expand our business to other companies."

Whitson said the business will fill a need locally because some secondary finance companies that have offered subprime lending services have folded, leaving dealers in the lurch.

"In other words, (the dealers) have the customer in the car, a contract signed, but when you send the contract in to a secondary finance company ... the company goes bankrupt. The dealer is stuck with a car on the street."

The subprime market targets used-car buyers who have a higher credit risk. Whitson said Central Ohio Credit requires clients to have steady employment.

"Some of the people have had bad luck, gone through divorces, bankruptcy or had a car repossessed that they couldn't afford," she said. "Everyone has to have transportation to get to work."

Dave Sibits, managing partner at accounting firm Hausser + Taylor's Cleveland office, said the subprime market is the largest expanding market in the financial services industry.

The number of people unable to qualify for conventional financing is increasing rapidly on an annual basis, he said.

"But in conjunction with that growth comes a tremendous amount of risk: The reason people are in the subprime market is that they don't have a very good credit record," he said. "In some instances, it's cases of good people with bad luck, but in most instances, people have irreverence for credit. They need to be on fiscal diets."

Subprime lending allows dealers to sell new and used vehicles, Sibits said. Though he noted it's unusual for an automobile dealer to have a subprime lending arm, he was not surprised that Ricart Automotive did.

"It takes a huge amount of money or the ability to have a source warehousing you with a huge amount of money. In the normal 'buy here, pay here' market, you're looking at an average 40-month loan. But I believe Ricart is large enough to do it. It's a very profitable area."

Dick Ruhl, president of Dick Ruhl Ford, 7250 Sawmill Road, Columbus, said he would not be interested in using Ricart for credit services.

"First, I don't have a lot of subprime type of customers. It's not my demographics area, so it's not a big deal to me," he said. "Ninety percent of my business goes to Ford Motor Credit, so if I do have someone (with bad credit), FMC takes care of me."