

Mark Bernoski's F&I Update

Information targeted for your dealership

September 2006

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Harley-Davidson
Financial Services

Menu Selling: A Consistent Advantage

Consumer Repayment Options for Joe Rider			
Hard Core	Biker Trash	F% Package	Wannabe
<p>Experience the following Protileges:</p> <ul style="list-style-type: none"> 90 Day Mechanical Protection for 3 Years Optional HD Tire & Wheel Coverage HD Guaranteed Asset Protection HD Payment Protection Plan (APP) 	<p>Experience the following Protileges:</p> <ul style="list-style-type: none"> 90 Day Mechanical Protection for 3 Years Optional HD Tire & Wheel Coverage 	<p>Experience the following Protileges:</p> <ul style="list-style-type: none"> 90 Day Mechanical Protection for 3 Years Optional HD Tire & Wheel Coverage 	<p>Experience the following Protileges:</p> <ul style="list-style-type: none"> 90 Day Mechanical Protection for 3 Years
\$395.30	\$363.85	\$363.85	\$360.55
per month	per month	per month	per month
Loan Term: 60 months Annual % Rate: 5.25%	Loan Term: 60 months Annual % Rate: 5.25%	Loan Term: 60 months Annual % Rate: 5.25%	Loan Term: 60 months Annual % Rate: 5.25%

*"If building PPV and your paycheck is your goal,
then menu selling is your ticket."*

Josh Pratt, F&I manager, High Country Harley-Davidson, Fredrick, Colorado.

Pratt almost doubled High Country Harley-Davidson's average back-end profit per vehicle (PPV) in the last few months – and credits the increase to menu selling, which he began using right after returning from ACT class. Pratt's first menu customer bought nearly every product on the menu, and things took off from there.

What is "Menu Selling?"

Menu selling means showing customers various groups of product combinations that offer different levels of protection for their Harley-Davidson® motorcycles and riding experiences. Menu selling sounds and is simple, but it's an extremely powerful tool for consistently giving customers a full range of choices – and building F&I sales.

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Menu Selling

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This tool does all the work: an F&I manager enters only the motorcycle's purchase price and financing terms. Then, depending on how the dealership has organized menu selling, the system creates a sheet of "protection menus" for an F&I manager to review with the customer.

High Country Harley-Davidson's program offers three levels of coverage: Ultimate Protection, Plenty of Protection and Bare Essentials. "Menu selling is the 300% rule in action: you present every product to every customer every time," said Pratt. "It's much more effective than my old approach of explaining products one at a time. When we were busy, I sometimes rushed through a product or even skipped it entirely."

Menu selling can also help protect a dealership from customers who have a problem and complain they were never offered a product that would have helped. Many dealerships ask customers to initial the menus next to the products they don't buy and/or sign waivers for declined products (in some cases, the customer's signature is still required on a separate declination form), which easily proves that a customer was offered the product in question and decided not to purchase it.

"Each customer should have an equal opportunity to learn about and buy every product. So it's not surprising that using menu selling consistently can make such a difference."

Getting Started

Menu selling is an important part of ACT I training, so attending ACT I is a good way to learn about menu selling and become comfortable doing it.

Your HDFS Sales Representative is an excellent menu selling resource who can provide the tool you'll need, sample menus, advice on the menu groupings best suited to your dealership and customers, and so on.

Menu Selling Success

How can you use menu selling successfully? First, it's important to know your menu well. Pratt suggests practicing on co-workers until you have a clear path through which you can lead customers without stumbling.

Knowing and believing in your products is also key. "You need to be able to explain the basics of each product and how it differs in each menu," said Pratt.

Last, consistency is critical to successful menu selling. Invest in setting up your menus and getting comfortable using them, and then use menu selling with every single customer. "It took me a couple of weeks to get really comfortable using menu selling," said Pratt. "But it was definitely worth it because about 90% of my customers who finance choose one of the menus, which really builds back-end revenue."

Ultimately, consistency is what makes menu selling so valuable. That consistency means not reinventing the wheel with each customer, while protecting your dealership every time. Each customer should have an equal opportunity to learn about and buy every product. So it's not surprising that using menu selling consistently can make such a difference – and grow F&I sales, PPV and paychecks in the process.

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Strengthening a Winner: Updating the Harley-Davidson® GAP Plan

No wonder the Harley-Davidson® Guaranteed Asset Protection (GAP) plan is one of HDFS' most popular products. It offers great protection to riders by paying the difference between the fair market value of their motorcycle and the outstanding balance with their lender in the event their motorcycle is totaled or stolen¹. It also offers substantial revenue to dealers.

To keep the program strong, HDFS has made several updates that became effective September 11, 2006².

“Our goal is to keep the price of the program stable, give dealers maximum flexibility in selling it, and make the product available to as many customers as possible,” said Ed Thomas, HDFS director of insurance programs.

What's Changing?

Please refer to the communications sent to your dealership for changes specific to your state. The main updates affecting all states are:

- The maximum loan limit will now be \$50,000 instead of \$100,000.
- The maximum claim payout will be \$25,000 instead of \$50,000.
- The delinquent payment benefit will no longer be available.
- The remittance process will remain the same; however there are new waiver forms.
- To continue selling the H-D™ GAP Plan past September 10, 2006, an authorized representative from your dealership must sign the GAP Addendum to Retail Plan Account Financing Agreement and return it to HDFS Dealer Services, P.O. Box 21949, Carson City, Nevada 89721.

¹ Programs may vary by dealer/lender/state. Please refer to the GAP Addendum for details of and conditions of this coverage.

² Changes effective September 1, 2006 in Texas.

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NEW HOURS!

The Web Application hours of operation have been expanded – it's now available from 6:00 a.m. to 8:00 p.m. PST.

The Web Application hours of operation have been expanded – it's now available from 6:00 a.m. to 8:00 p.m. PST, Monday through Sunday, for retail applications.

The Underwriting Department will continue to process applications from 6:00 a.m. to 7:00 p.m. PST, Monday through Saturday. On Sundays, applications will be processed from 6:00 a.m. to 5:00 p.m., PST. Applications submitted after these hours that require review by the Underwriting Department will be processed the following morning.

Web Application hours for Cycle Insurance have also been expanded! The new hours of operation will be from 6:00 a.m. to 7:00 p.m. PST, Monday through Saturday, and from 8:00 a.m. to 5:00 p.m. PST on Sundays.

Please Note: On the last day of each month the Web Application will be unavailable after 7:00 p.m. PST and also periodically unavailable due to system maintenance. The extended hours do not apply to Cycle Insurance – cycle quotes on the Web Application will continue to be processed from 6:00 a.m. to 6:00 p.m. PST, Monday through Saturday, and 8:00 a.m. to 5:00 p.m. PST on Sundays.



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Strengthening a Winner...

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No Customer Impact

These changes shouldn't affect customers. For example, Thomas noted that in the five-year history of the H-D™ GAP Plan, only one claim (representing the same motorcycle) exceeded the new maximum loan limits and claim payments. Further, no planholder has ever exercised the delinquent payment benefit.

"The reality is that these new coverages are more in line with riders' actual needs," said Thomas. "Changing the program to more accurately reflect those needs helps us hold down costs to our dealers, while still protecting customers' investment in their motorcycles."

New Materials

With the receipt of your signed GAP Addendum to Retail Plan Account Financing Agreement, new point-of-sale brochures and new waiver forms will be provided to your dealership, along with directions for using these new waiver forms.

"The H-D™ GAP Plan has been a big success for our dealers, with more selling of the product all the time," said Thomas. "These modifications will help keep the product a valuable source of revenue for dealers, and a reasonably-priced source of financial protection for our riders."

If you have any questions about the changes to the H-D™ GAP program or the new waiver forms, please contact your HDFS Sales Representative or Ed Thomas, Director of Insurance Programs, at (888) 690-5600.

Make A Splash with the Sportster® Step Payment Loan Program

— New Materials Available —

The Sportster® Step Payment Loan Program can be an effective way to rev up Sportster® motorcycle sales and bring new owners into the Harley-Davidson® family. Right now, putting the Sportster® Step Payment Loan Program to work just got even easier, thanks to a host of new 2007 model year promotional materials.

By mid-August, your dealership should have received a kit of new in-store display materials, including a full-color free-standing banner and fender graphics for Sportster® 883 and 1200 models. For additional kits, contact Becky Scannell in Harley-Davidson Motor Company's Sales Promotion Department at (414) 343-4632; quantities are limited and are available on a first-come, first-served basis.

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Make a Splash with the Sportster® Step Payment Loan Program

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In addition, the monthly audio/visual program will soon include a segment on the Sportster® Step Payment Loan Program.

Equally important, the Online Dealer Ad Planner on www.h-dnet.com also offers a full range of new materials to help you promote the Sportster® Step Payment Loan Program in your local market. Check the Dealer Ad Planner for updated print ads, postcards, Web banners, TV and radio taglines, and a sales flyer.

Plus, the Sportster® Step Payment Loan Program will be featured prominently on the H-D.com home page, the Sportster® sections of the website and the Harley-Davidson Financial Services home page.

Looking for more ideas on how to make the Sportster® Step Payment Loan Program work for you? Contact your HDFS Sales Representative.

The Sportster® Step Payment Loan Program has been updated for model year 2007

Important New Program Details

- Starting August 1, the Program applies to new, previously untitled 2006 and 2007 Sportster® XL 883 and XL 1200 models, and new, previously untitled 2007 Sportster® XL 50 models. 2005 models are no longer eligible.
- The 50th Anniversary Sportster® model is available for \$125 per month for the first 36 months for Tiers 1, 2 and 3, and for \$150 per month for the first 36 months for Tiers 4 and 5.
- Please use the following promotion codes on applications submitted on or after August 1, 2006:
 - XL 883 models: UHDXL00706
 - XL 1200 and XL 50 models: UHDXL00806
- The wholesale loan rate for each tier is based on the effective Eaglemark Savings Bank (ESB) Performance Pricing Sheet at the time the credit application is submitted and approved. The wholesale loan rate for this program is not locked. As ESB Performance Pricing Sheets change, so will the wholesale loan rate for the Sportster® Step Payment Loan Program.

Any questions? Contact your HDFS Sales Representative.

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Fighting Dealership Fraud: HDFS responds to your needs

Fraud, particularly the kind perpetrated through identity theft is unmistakably on the rise; cases abound and make constant headlines. HDFS and Compliance Coach³ are working together to help you identify and prevent fraud in your dealership.

Recent Data

Let's take a look at identity theft and fraud data for the U.S. as reported to the Federal Trade Commission:

- Identity theft is now the # 1 consumer crime: nearly 687,000 cases reported in 2006 with as many as 33.4 million estimated cases since 1990. Nine million in 2005 alone.
- Every 2.5 seconds someone's identity is stolen.
- Average cost per victim is \$2,412.

Dealer Impact

Most of the recent fraud cases against Harley-Davidson® dealerships have been perpetrated by individuals operating alone or as part of a fraud "ring". Using falsified or stolen identity, these individuals enter into a financing agreement, with the intent of riding away from your dealership on a beautiful new motorcycle, placing you, your financing partner and often an identity theft victim in the line of fire!

Case in point: a recent large fraud ring case perpetrated against Harley-Davidson® dealerships in Southern California involved the illegal financing of 28 units using counterfit licenses. In most cases the licenses should not have passed even an initial visual inspection, but they did! Losses hovered around the half million dollar mark.

HDFS responds to your needs!

"We realize the potential and too often real financial and reputation impact fraud has on Harley-Davidson® dealerships and have taken very real steps to help our dealers fight fraud" said HDFS Vice President of Enterprise Risk, Mike Sulentic.

HDFS is bringing real tools to Harley-Davidson® dealers to fight fraud, including:

- A comprehensive Fraud Seminar offered by Mark Rodgers of Peak Performance at the 2006 Summer Dealer Meeting – the seminar is also available for viewing on Compliance Coach's Regulatory University.
- A new Fraud Training program, offered on Compliance Coach's Regulatory University.
- A Fraud Checklist and an Identity Verification Checklist, presented by Compliance Coach on Regulatory University.
- Endorsed-provider services available – merchant processing through Fifth Third Bank and check guarantee services through Certegy.

The message is simple: ACT NOW and take advantage of the new tools provided by HDFS. Don't become the next victim! For more information on the new fraud tools, contact your HDFS Sales Representative. To sign up for Regulatory University, visit www.h-dnet.com, click on the Regulatory University icon and follow the prompts. Enter your dealer number as the user name and "hdfs" as the password.

³Compliance Coach and Regulatory University are not a substitute for actual legal advice. Please consult your own attorney for legal advice.

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Great Escapes

Sweepstakes



Don't let your customers miss a chance to win a free trip to Las Vegas plus fun activities while they are there! The Great Escapes Sweepstakes, effective August 15, 2006 through December 31, 2006, is sure to give your customers an escape from the bland.

Get your customers to apply for the Harley-Davidson® Visa® card. If they get approved for this no annual fee card and make a \$25 purchase before December 31, 2006, they can earn entries in the Harley-Davidson™ Great Escapes Sweepstakes for a chance to win the following prize package valued at \$10,000:

- Round trip airfare for two to Las Vegas with limousine service from the airport to the hotel
- 4 nights at the Wynn Las Vegas, including dinner for two at the winner's choice of a Wynn Las Vegas famous restaurant
- A Richard Petty Driving Experience at the Las Vegas Motor Speedway
- Motorcycle rental of the winner's choice from Harley-Davidson® Authorized Rentals and Tours

NO PURCHASE NECESSARY. A PURCHASE WILL NOT INCREASE YOUR CHANCE OF WINNING. Sweepstakes begins August 15, 2006 and concludes December 31, 2006. Sponsored by Harley-Davidson Financial Services, Inc. Open to legal U.S. residents age 18 and older. Void where prohibited. You can also enter by mail. See Official Rules at www.h-dvisa.com/escape for complete prize details, restrictions, and non-purchase method of entry. The creditor and issuer of the Harley-Davidson® Visa® card is U.S. Bank National Association ND, P.O. Box 6339, Fargo, ND 58125-6339.

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Finance and Insurance Sales Classes



Overview

Attendees of the Sales Performance Workshop will practice and master selling skills and product knowledge using the C.U.S.T.O.M. Sales process.

Topics

- Applying the C.U.S.T.O.M. Sales process to the products and services of the F&I business
- Improving product knowledge
- Presenting products with confidence
- Implementing strategies to develop long-term customer relationships

Who Should Register

F&I Sales Staff interested in improving sales skills

Prerequisites: None

QUALIFIES FOR BAR AND SHIELD AWARDS POINTS UNDER CRITERIA B.1

Class Schedule

Code	Dates	City	State
PROSELL-I 101.06-11622	Oct 16 – 17	Phoenix	AZ
PROSELL-I 101.06-11650	Dec 4 – 5	Ontario	CA
PROSELL-I 101.06-11613	Jan 8 – 9	Charlotte	NC
PROSELL-I 101.06-11634	Jan 16 – 17	Norcross (Atlanta)	GA
PROSELL-I 101.06-11668	Feb 5 – 6	Independence (Cleveland)	OH
PROSELL-I 101.06-11687	Mar 19 – 20	Kansas City	MO
PROSELL-I 101.06-11473	Apr 10 – 11	Milwaukee	WI

Please visit Harley-Davidson University to register for a class.

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Current HDFS Promotions

DEALER PROMOTION/PROGRAMS

EFFECTIVE DATES

First-Time Buyer Program

February 1, 2006 – no end date

Sportster® Step Payment Loan Program

August 1, 2006 – no end date

(Please see July dealer communications for 2007 program details)

Harley-Davidson® Extended Service Plan Bonus Program

Ended August 31, 2006

Performance Network

- 2nd Quarter
- 3rd Quarter
- 4th Quarter

August 1, 2006 – October 31, 2006
 November 1, 2006 – January 31, 2007
 February 1, 2007 – April 30, 2007

No Down Payment Promotion

March 1, 2006 – September 30, 2006

Dealer Paid Promotions

Anytime

HARLEY-DAVIDSON® VISA® PROMOTIONS FOR RIDERS

EFFECTIVE DATES

Free Ride Sweepstakes

Monthly

Great Escapes Sweepstakes

August 15, 2006 – December 31, 2006

HDFS PRE-APPROVAL PROGRAM FOR RIDERS

EFFECTIVE DATES

Pre-Approval Offer to Select Customers

60 days from date on pre-approval letter

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