



Spartanburg Company Increases Growth in Auto Loans

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Spartanburg, SOUTH CAROLINA –Published Saturday, May 25, 2013 GoUpstate.com -Over the past six years, one company has quietly grown into one of Spartanburg's largest employers.

American Credit Acceptance, an indirect lender of subprime automotive loans, has 800 associates at four buildings, including the Bell Hill business park, the TD Bank campus off East Main Street and Extended Stay Hotels Inc.'s former headquarters downtown, which now is called One Morgan Square.

In addition, ACA has 118 employees at its subsidiary Auto Finance's facility near Atlanta. And the company is just starting to hit its stride.

ACA's story began in 2007, when George Dean Johnson Jr. set out to get into the automotive finance business. His goal was to build a company that would allow consumers with poor credit the opportunity to receive a loan to get the means of transportation they need. He also wanted the company to be in his hometown, creating employment for the community.

Johnson acquired Sonic Automotive's small in-house finance company, which was based in Charlotte, N.C. The company had 60 employees and about \$35 million in assets. He put an experienced executive team together and relocated the business to Spartanburg.

"It feels good," said Johnson, who is involved in the daily operations of the company. "You've got to be profitable for a long time, and it all comes down to your people. ...You learn a lot as you build a business. We have a lot of intellectual capital. ... I would like for the company to be and remain solidly profitable."

During the next two years, Johnson and his team focused on reinventing the company to create a sustainable model that would be profitable, deliver good returns for shareholders and provide employment opportunities in Spartanburg for years to come. In 2009, the company experienced its first profitable year. Along with its job growth, the company's assets have increased to almost \$1 billion. It serves about 2,000 auto dealers in 47 states.

"We analyzed the industry and business and then figured out how to optimize it through innovation, recalibration and then growth," said Curt Sidden, ACA's CEO. "Once we figured that out, we were in good shape."

The company has several divisions that include the parent company and its subsidiaries: Auto Finance, ACA and Spartan Financial Partners.

Its executive officers include Sidden, formerly with Wells Fargo; Mark VanGeison, president of Spartan Financial Partners; Tom Holgate, chief operating officer; Jason Lynch, chief financial officer; and Cheryl Athey, vice president of human resources.

Sidden said ACA's average loan customer has a FICO score in the low 500s.

"We're in a challenged credit business," he said. "Our goal is getting as many customers to succeed as possible."

According to Sidden, the company's "strategic strengths" give it an advantage in an industry that is "large and fragmented." While its competitors boast about 7 percent or 8 percent of the share of the market, and ACA has about 1 percent, the company offers different products that work better for customers, Sidden said.

"We didn't invent anything," he said. "We spent a lot of time researching. ... We take a unique approach, seeking out different channels for the consumer and offering products that serve them better. Most of our competitors serve only one segment of the market."

Jack Tracey, executive director of the National Automotive Finance Association, which represents about 110 lenders, said the subprime auto finance industry has grown since the recession. Investors are opening up their wallets, and with the increase in funding sources, independent lenders such as ACA are popping up all over the country.

"The industry is growing right now," Tracey said. "Funding is available and, quite frankly, it's because of how well the nonprime auto business survived and prevailed during the recession. After the nonprime mortgage debacle, nobody wanted to touch (subprime auto loans). But everyone came back — funding sources wanted to come back aggressively ... It didn't have any of the problems that the subprime mortgage industry had. ... Our association has been growing because the industry is growing more prosperous, and ACA is an example of that."

Sidden said the acquisition of Auto Finance in 2010 was a pivotal moment in the company's history, not just in terms of new assets, but also because it retained the services and expertise of Sandra Gresham.

Gresham founded Auto Finance in 1991 and eventually grew it into a \$70 million annual business. She is still very involved at the executive level, Sidden said.

"Sandra has been such a source of knowledge for us," he said. "She got me to think about lending in a different way. She approached from the point of view that she was entering into a 48-month partnership with whoever she was lending to. And, with a partner, you work through the difficult times together."

VanGeison moved to Spartanburg in 2005 and was involved in the acquisition of the company in 2007. He started Spartan Financial Partners from scratch in a small space at Johnson Development Associates Inc.'s former office at 340 E. Main St.

Holgate spent 23 years in the subprime consumer finance business before joining ACA in 2009 as part of the company's acquisition of the Freedom Financial Group Inc. of Springfield, Mo.

"I'm very proud of the fact that we've been able to build (the company) profitably," Holgate said. "Some companies focus on volume before anything else. We focused on building a solid servicing platform and implementing good underwriting models. We then hired an excellent sales staff and put good control components in place. Anyone can make a loan. It's getting your money back that is the key."

Lynch joined the company in November 2011 after serving as in-house counsel for Johnson Development. His biggest job with the company is bundling and securitizing its loans.

"It's exciting," Lynch said. "Every day it feels like we're improving what we do, becoming more profitable, adding more employees, improving our scalability and looking at new areas where we can grow profits."

Athey started with the company in July after working for RSI Home Products.

She said the company is working with all of the local colleges to train and hire qualified employees across a wide range of positions, from entry level to management. The company is hoping to start reaching out to local high schools as well.

The benefit for Spartanburg, Athey said, is that the company offers its employees room to grow. And even if a worker decides to leave ACA, they gain valuable experience that can help them go somewhere else and be an asset or start their own venture.

ACA encourages its employees to give back to the community by allowing them to have four hours per quarter to work with an organization of their choice. The company has partnered with the Hope Center for Children, Mobile Meals, Habitat for Humanity and the United Way.

"As a company, we try to build a sense of community within the organization," Athey said. "We're very proud of what our associates do in the community."

Sidden and Johnson said no plans are on the table to consolidate all of the company's operations into a single facility downtown, adding that there is still room for growth at its current offices.

For more information, visit www.americancreditacceptance.com.