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Red Flags update

by Gil Van Over

Now that the Red Flags Rule deadline is again approaching (is this the third or fourth extension?), here are a few observations...

Observation Number 1

The panic is not here this time. Most dealers seem to have implemented a Red Flags policy and integrated it into their processes by now.

This is smart for a few reasons.

First, the law is in effect, the only delay is enforcement. Many attorneys tell me that if a dealer had a breach while the enforcement was delayed, the dealer would probably have an issue with the FTC because the law was in place.

Second, we are really talking about asset control here. If a dealer sells a vehicle to an ID thief and can't recover the vehicle, the dealer likely will take the loss.

Finally, it is just good business and can be used as a rapport building tool during the sales process.

Observation Number 2

Although the policy has been integrated into dealers' processes, there are still shortcomings.

First, the copies of government issued identification are sometimes murky, blurry, illegible or missing from files. You need to incorporate a stringent policy to obtain a legible copy of the customer's government issued ID to safeguard yourself. Consider requiring that the copy be blown up to 200 %.

Second, documentation that alerts and discrepancies in the credit bureau reports were addressed and resolved are not always evident in the deal files. You should consider documenting the actions you took right on the credit report and keep a copy in the file.

Finally, remember that the Mexican Matricula card should not be accepted as a valid government issued ID. Most banks in Mexico will not accept it as valid, why should you?

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