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## Suspicious activity reports

by Gil Van Over

I was in a Chevrolet dealership recently when a customer came in and wanted the dealer to deactivate his vehicle's Onstar feature. His reason? Since the Feds owned part of General Motors, he didn't like the idea of the Feds being able to track his comings and goings through Onstar.

Similarly, I constantly hear stories of customers who become nervous customers when they discover that you will file the required 8300 report with the Feds.

There seems to be a not so peaceful, uneasy feeling when dealing with reports of our activities to the Feds. Perhaps, unknown to you, there may be reports being sent to the Feds naming your dealership as participating in bank fraud on a regular basis, and you don't even realize the reports are being submitted.

### Suspicious Activity Reports

A federally insured institution is required to submit a report ominously named "Suspicious Activity Report" whenever a transaction smacks of bank fraud.

Further, unlike the 8300 report that requires you to notify the person submitting the cash, the institution is prohibited from notifying you that an SAR was filed.

It is important to remember that the Feds are serious about ferreting out bank and mortgage fraud. Institutions are under the threat of losing their charters for failure to submit SARs on a timely basis.

### SAR Submissions

The bottom line is this: If a federally insured institution receives a contract from you that has evidence of bank fraud, the institution will report the transaction on an SAR.

It does not matter when the institution discovers the alleged fraud, whether it is a straw purchase discovered during collections, or power booking is uncovered when the vehicle is repossessed, or falsified income becomes evident during the customer interview process.

About the only sure way to know that an SAR has been filed is when the lender either kicks a contract during funding because of bank fraud issues or asks for a check or buy back when the car is repossessed.

### Protection

In order to protect yourself and your dealership from being named on an SAR, you need to implement a policy and follow-up to ensure compliance. Consider these steps:

- Establish a policy that bank fraud is a prohibited practice and will not be tolerated.
- Require that all managers read the policy and sign an acknowledgement form that also includes the statement that violations of this policy could result in immediate termination.
- Develop processes to document compliance:
  - o Require that a manager sign each used car bookout sheet verifying options. This will help limit power booking.
  - o Regularly audit the income listed on handwritten credit applications to income submitted to lenders via Route One or Dealer Track.

- o Confirm the down payment receipts match the down payment disclosed on the retail contract or lease agreement.
- o Raise awareness in the dealership to straw purchases. Many straws can be uncovered by billing clerks prior to submitting the package to the lender.

Continued good luck and good selling.

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