

January 13, 2009

The realities of bank fraud

by Gil Van Over

Last week a dealer accepted a settlement with federal authorities to settle a three year investigation into bank fraud practices. This dealer, who started with a domestic franchise half a century ago and recently owned five stores, agreed to a five figure fine, a seven figure restitution and a two year prohibition to setting foot inside any of his dealerships. The lesson to be learned? The Feds are serious about anyone committing fraud against the nation's financial institutions.

The Charges

According to published reports, this dealer was charged with submitting fraudulent credit applications to lending institutions and falsifying down payments. Ten other individuals were also indicted and appear to have been the individuals who perpetrated the fraud.

The Investigation

The FBI raided the dealerships about three years ago after completing an undercover investigation. How the FBI targeted the dealership for the investigation is not clear, but two possible scenarios come to mind. The first scenario is a whistleblower that was terminated and decided to exact some revenge. The second scenario is a lender turned in required Suspicious Activity Reports and the volume of SARs triggered an investigation. We may never know what triggered this particular investigation.

Protecting Yourself

Whether you are an owner or a practitioner, you can be a target of a federal investigation if bank fraud is taking place inside your four walls. This case focused on credit applications and down payments. You can add power booking and straw purchases to the list.

You must have a five point process in place to help to protect yourself against rampant bank fraud:

- Establish a policy that bank fraud is not permitted
- Provide training on how to properly completed a credit application
- Periodically audit the handwritten credit applications in file to the electronic submissions via Dealer Track or Route One
- Confirm that the down payment represented on the retail or lease contract has been collected and receipted
- After consultation with and documentation by your Human Resources professional, take appropriate disciplinary action for any offenses, including and up to termination

Gil Van Over is the President and founder of gvo3 & Associates, a nationally recognized F&I, Sales and Red Flag Rule compliance consulting and training firm (www.gvo3.com).

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