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Zero tolerance

by Gil Van Over

There are compliance violations, then there are compliance violations.

Not properly executing a menu is one thing, forging a signature is something altogether different.

Forgetting to properly disclose the remaining warranty on a Used Car Buyer's Guide creates a minimal risk to the dealership, packing payments on a regular basis can germinate class action lawsuits.

Here is a list of the hot compliance issues that, if happening in your dealership, must be on the top of your eradicate list. As you work through the list, a common theme surfaces. These issues are caused primarily by employee fraud, not customer fraud.

Bank fraud – includes straw purchases, credit application manipulation, power booking and falsifying down payments

Forgery – includes signature on file. Any signature to any document that is not signed by the customer is forgery.

Trading rate for product – whenever the rate that is negotiated in sales is lowered to facilitate the sale of F&I products, you are trading rate for product. Make sure that the new base monthly payment at the lower rate is disclosed to the customer before moving on with the sale of F&I products.

Payment packing – anytime a payment is quoted to a customer, it must be the correct payment for the purchase being contemplated at the time. If a payment is quoted for the sale of the vehicle, quote the payment without ancillary, undisclosed products. Once the customer gets to F&I, the base payment on the menu must also be disclosed without products.

Acquisition fee added to purchase price – on subprime deals, the acquisition fee must be taken as a cost of goods sold. The vehicle cash price cannot be increased to include the acquisition fee.

Front end improvement – any increase in the cash sales price must be supported by the sale of hard adds. Arbitrarily increasing the vehicle sales price is considered a deceptive sale practice.

Protect yourself and your dealership by forbidding these employee fraud practices. Any violation of these practices should be dealt with in as severe a manner as your Human Resources attorney advises, including 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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