

Mickeys, Straws and SARs

by : *Gil Van Over*

Growing up as a military brat, I always looked forward to our annual monthly vacation spent with my grandparents and 60 cousins in a relaxed rural setting.

This serene rural setting had a rambling crick instead of a public swimming pool. This remote rural setting did not have little league baseball, but rather sandlot pickup games. In this calm rural setting, people-watching at the Greyhound bus stop replaced city movie theaters. Us cousins were usually left to our own devices to entertain ourselves.

One form of entertainment was to spend the afternoon way up in a crabapple tree picking a grocery bag full of crab apples. That night, we would climb a woodpile at the local lumberyard, which was strategically located at the bend in the two-lane highway. We were within a 10-year old's fastball of hitting cars that slowed down to negotiate the curve.

We usually missed the slowing cars, but one night we were on. Four of us hit a car at the same time. We didn't realize we had hit the sheriff's car – his patrol car.

With blue lights immediately flashing and a searchlight piercing the night, we were caught. We couldn't run, because the sheriff was one of our 60 cousins. He know'd us. Our parents were not amused. And of course, my parents did not buy the "Everybody is doing it defense." That defense did not work when I was 10 and it doesn't work now.

Feds and suspicious activity reports

Any federally insured financial institution is required by its regulator to file what is known as a Suspicious Activity Report (SAR) whenever a fraudulent transaction is presented to the institution. This means that a bank or a credit union or a subsidiary of a bank or a savings and loan must tell the federal government whenever someone submits a fraudulent credit application or loan documents. Trying to use the "everybody is doing it" defense does not work.

Institutions must secretly submit SARs

Furthermore, the institutions are prohibited from telling you that they submitted an SAR reporting your fraudulent transaction. If the institution fails to submit SARs, it can lose its charter to do business.

SAR qualifying situations

For car dealers, this means that whenever a federally insured institution receives a credit application with falsified applicant information such as time on job, income, and employment income to name a few, it must file an SAR naming your dealership as the party perpetrating the fraud.

This means that whenever a federally insured institution receives a contract or lease with a phony or mickied down payment, it must file an SAR naming your dealership as the party perpetrating the fraud.

This means that whenever a federally insured institution receives a contract or lease with a bookout sheet representing that non-existent options exist, thus falsely propping up the vehicle's value, it must file an SAR naming your dealership as the party perpetrating the fraud.

This means that whenever a federally insured institution receives a contract or lease with a straw purchaser buying a car for a credit challenged person, it must file an SAR naming your dealership as the party perpetrating the fraud.

If you have enough SARs filed against your dealership, you may become the target of an FBI raid.

Protection

You must establish a policy stating that bank fraud is verboten. This policy must also state that anyone violating your policy will be immediately terminated. You must obtain everyone's written acknowledgement that committing bank fraud is not permitted. Finally, you must periodically audit deals to feel assured that bank fraud is not taking place within your bricks and mortar. Or you will face the consequences that "Everyone is doing it" will not save you.

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