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Accepting credit apps over the phone

by Gil Van Over

This year's columns have been dedicated to describing this whole thing called compliance. We are now in the process of describing best practices that, if implemented, are designed to help reduce exposure to litigation and regulatory inquiries. Today's topic is accepting credit applications over the phone.

Disclaimer

One industry targeted by identity thieves is the car business. These slimy, sleazy idiots who don't have the guts or accountability to earn an honest buck are continuously prowling the earth looking to steal someone else's good name. They then open up credit lines and purchase high ticket items for sale on the black market. Some simply create a list of qualified names for other slimeballs to use.



Because these thieves are slicker and slimier than a snail, with about as much backbone, I continue to highly discourage any dealer from accepting credit applications over the phone. This avenue remains a favorite ploy for ID thieves to confirm they have stolen an ID that can be converted. And the first unknown inquiry on a victim's credit report is the dealer's.

However...

A number of dealers tell me they might as well close the doors and open up a bait shop if they stop accepting credit apps over the phone. Their business models rely on either covering a large territory or by pulling in deals from outside of their assigned footprint.

My job is not to make a dealer's business decisions. Rather it is to help a dealer to be compliant with his processes, as long as the dealer is not breaking a law. Here is how you can continue to accept credit applications over the phone and help to lessen your risk of being a target of ID thieves.

Background

None of the federal laws that govern the acceptance of credit applications or pulling a credit report requires a signature on a credit application. Federal law does give a consumer up to five years to sue someone for inappropriately accessing his or her credit report. You just have to be able to prove that you had permission. Best practices and common sense suggest that the best way to prove consent is with a signature on a credit application.

Solution

If you must...implement a six step process to help protect yourself.

Designate credit app takers

First, determine who in the dealership is to accept the credit applications. Limit the number of employees and train them thoroughly in the process outlined below. Absolutely do not allow a manager to run a credit report accepted over the phone from anyone other than those trained for

the task.

Record caller ID

Provide the trained employee with the caller ID function. Instruct the employee to capture the phone number that the call is coming from. If it is a private number or blocked call, ask the caller for a number that you can call back to, couching the request with the need to safeguard information and that you cannot accept personal information from a blocked phone number. If the caller refuses, you may have an ID thief on the other end of the call.

Develop a script

Next, develop a script that the employees are to use. I suggest you start out with some disclaimer language that includes these points:

Consumer affirms identity

Consumer agrees to have credit bureau pulled

Conversation may be recorded (whether you do or not may scare off a spineless ID thief)

Mother's maiden name, name of high school and mascot, or some other personal info that is not found in someone's wallet

Marketing type questions

Information needed to complete credit application

If the person is still with you, move to the next step.

Run identity verification software

Subscribe to one of the identity verification software available to car dealers. This software generates three to four questions about a consumer that is not easily known to other people. For example, when I ran one on myself, it asked me where I lived in 1970. This software does not leave an inquiry on the consumer's credit report.

If the consumer successfully answers the questions, print out the success report and move forward. If the caller cannot successfully answer the questions, politely let the caller know that you can proceed once he or she physically visits the showroom with identification and signs the credit application.

Google

Establish a list of items to conduct an internet search on. For example, if you ask for the name of the high school and the mascot, Google it. If you find conflicting information, consider treating the credit application as a suspicious attempt to steal someone's identity.

Document suspicious attempts

Create a form and reporting process to document suspicious attempts. Documenting suspicious attempts and your reaction to these attempts is critical to your potential defense in the event one does slip through your process.

You should react to any suspicious attempt by:

Requiring your employee to document all information on the reporting form

Establishing a reporting hierarchy and requirement to immediately report the attempt to management

Notify the consumer

Notify law enforcement

Maintain a copy of your report and reaction in your Safeguards binder

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