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Credit application loophole

by Gil Van Over

With the economic downturn affecting both customers and employees, it is sometimes difficult to determine exactly who jicked the credit application submitted to a lender.

Sometimes the desperate consumer will falsify his income and provide phony proof of income generated either with Excel software or through a Web site.

Sometimes the desperate employee will falsify the customer's income and work to get the proof of income waived.

Preventing the desperate consumer from perpetrating bank fraud requires due diligence on the part of dealership managers.

Preventing the desperate dealership managers from perpetrating bank fraud requires internal controls and reviews by Controllers, Office Managers and others who perform internal audits.

Here are a few tips.

Differences

Look for income differences between handwritten credit applications and credit applications submitted through Dealer Track or Route One.

A potential tipoff is if the signature page is dated prior to the credit application date. This means that the F&I Manager obtained the customer's signature on a copy of the Dealer Track or Route One signature page, then loaded the credit application data at a later date. The customer did not have an opportunity to review the data entered into Dealer Track or Route One.

Alterations

If the income has been altered without the customer's initials next to it, the F&I Manager may have increased the income without the customer's knowledge.

After the Fact

If the income is written in different ink, or it is obvious that the handwriting is different from the rest of the handwriting on the rest of the credit application, it is usually because the income is originally being left blank so that it can be completed later.

If these fact patterns appear on the credit applications in your files, it does not necessarily mean that someone is manipulating income on your credit applications. It simply means that you have a process in place that could allow a desperate Manager to manipulate income. You should seriously consider closing the loophole so that a desperate Manager is not tempted.

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