E-contracting Ain't No Turkey!

by : Gil Van Over

Back when I worked for others for a living, I toiled on the next iteration of the proprietary credit system that linked dealers to the sales finance company.

This was back when Shaq recently graduated from LSU to Magic Land, and blue suits, white shirts and red ties were the accepted office wear. We were converting from a DOS-based system to something called GUI, or gooey, as some dealers in our early market research referred to it.

One of my roles on this team was to conduct the market research throughout the United States and Canada to find out what the dealer's objections were to our present system and what we would have to provide in the next iteration to make them excited enough to utilize the new system.

Believe me when I tell you that over a decade ago one of our visions was to provide an e-contracting solution for dealers. The vision never took hold because of various issues such as resource constraints, technological challenges and the lack of an electronic signature law.

Those reasons no longer form the Great Wall of China to keep e-contracting out of auto dealerships.

The credit aggregators, as they prefer to call themselves, have dedicated the necessary resources to make e-contracting a reality. The technology now exists with the electronic signature pad and web-based programs. There is an electronic signature law in place.

Several potential benefits accrue to the dealer with e-contracting. The dealer's contracts-in-transit fall from an average of five days to five hours. Return contracts become as obsolete as forks in a sushi bar. The UPS guy in the brown uniform will no longer be a fixture at your accounting office to pick up the packages headed off to the different lenders. The mumble jumble of service contract pricing will no longer bring out the antacid from the bottom drawer. Finally, CSI is bound to improve as customers will be receiving payment books a week after purchasing the car instead of a week before the payment is due.

So, why aren't dealers clamoring to get on the e-contracting wagon?

Because the F&I managers are not clamoring. The identified benefits accrue to the owner of the business, not the practitioner of the process. Some of the practitioners' concerns are:

- Reg Z, for example, requires that the dealer provide a copy of the Truth-In-Lending disclosures to the consumer in a form the consumer can keep prior to consummating the deal. How does an e-contracting solution provide this disclosure? Does the system require that a copy be printed to be given to the consumer before the manager can continue with the deal or will the system allow a manager to bypass this important compliance requirement? Also, the seller is required to sign the Retail Installment Sales Contract before giving the customer his copy of the RISC in order to properly consummate the transaction. Does the F&I manager sign the electronic signature pad to capture his signature on the RISC?
- Only the RISC can be e-signed and submitted. Other forms, such as buyer's orders, service contracts and gap enrollment registrations must be printed off separate printer and faxed to the lender. It is much easier for the F&I manager to bundle the package together and send it up to the accounting office to handle.
- Leases are not eligible yet. Many F&I managers do not wish to manage two separate processes, one for retail and one for lease. Some of them have indicated that they will not look into e-contracting until both retail and lease transactions can be submitted electronically.
- Many F&I managers are concerned about how to spot deliver a customer via e-contracting. Although one of the aggregators now has a method to accommodate the spotted RISC prior to obtaining an approval, most F&I managers I spoke with say it remains cumbersome at best and they would prefer to just print a RISC, get a signature and send the customer on her way.
- Some F&I managers have been burned before with bleeding edge technology and are taking a wait and see approach.
- Still other dealers have tried e-contracting and ran into seemingly insurmountable obstacles in getting the first deal funded. As a result, they refuse to try again.
- One attorney general I've discussed e-contracting with is leery about the consumers receiving the proper disclosure. His point is that many people prefer to read information on paper instead of a computer screen. For example, how

> many times have you printed something you found on the Internet so that you could read it easier on a piece of paper? This attorney general is also concerned that senior citizens will just sign the e-pad instead of taking their time and opportunity to read and review the disclosures on the RISC.

e-contracting will eventually address and overcome these and other issues. The benefits to the dealer are just too great and the benefits to the banks are just too great. The credit aggregators just have to make sure that the benefits to the practitioner are too great as well.

Gil Van Over *is the president of gvo3 & Associates (www.gvo3consulting.com). He assists dealers with F&I and sales compliance.*