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## **Best practices – Quoting payments**

I've dedicated this year's weekly column to providing an understanding of what compliance looks like. This journey has taken us to a discussion of best practices. Today's discussion: quoting payments.

### **Reasons to quote payments**

Many dealers sell cars using monthly payments, not price. Consumers seem to understand a monthly number easier than a five figure count. Compound this with weak talking heads like Suzie Orman telling consumers to know what monthly payment their budget can afford before going to purchase a car. Dealers are taking a common sense approach to sell cars.

### **Compliance concerns with quoting payments**

The biggest compliance complaint against dealers who quote payments in the sales process has been that the dealers are not necessarily telling the consumer the true base payment. The Knights of the Dark Side Roundtable have coined a term to describe what they consider to be a deceptive sales tactic: Payment packing.

### **Payment packing definitions**

Since this phrase was first introduced in the late nineties, several definitions have evolved:

- Including, but not disclosing, traditional F&I products such as gap and service contracts in the payment quote
- Using an artificially high interest rate to calculate the payment
- Using a short, undisclosed term to inflate the payment, then stretching the term out
- Arbitrarily increasing the true payment amount
- Using a range greater than ten dollars

### **Best Practice**

If you are going to quote payments in the sales process, you must establish a procedure on how payments are to be calculated and quoted. The keys to this procedure are that the methodology is defensible and that it is applied consistently. Be sure to include this procedure in your policy and procedure manual

*Defensible* – This means develop a methodology that will withstand the scrutiny of the Attorney General, the plaintiffs' bar or the media. For example, if you pull a bureau before quoting payment, using a 25% APR for a customer with a 822 bureau score is not logical and certainly will not withstand the common sense logic of six citizens sitting in the jury box.

If you pull a bureau before quoting payments, we recommend the use of a rate matrix. This matrix should use bureau score bands that are consistent with your market. Using the captive's buy rate plus a reasonable amount of dealer reserve is best. Jurors can make the connection that if you are

a Ford dealership, you are using Ford Credit rates to quote payment. Shoot me an e-mail if you want an example of a rate matrix.

If you quote payments before pulling a bureau, use an average rate. Everytime. Many dealers will use a rate that is consistent with a 678 bureau score, as that is the average bureau score of Americans.

*Consistently applied* – Once you develop a methodology, you must train the desk managers to apply the methodology consistently. If the sales manager strays from the procedure, say to match a credit union rate or to quote a payment using a subvened rate, the sales manager should document the file as to why he or she strayed from using the standard rate.

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