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Compliance Corner: Time to Check Your Four Square

by Gil Van Over

I don't know if it is true that Ben Franklin created the first four-square. I am certain that Nostradamus predicted its widespread use in the 16th century:

*Soon man will ride
In chariots instead of walking
These chariots will have wheels
And be devoid of horses
Man will buy chariots using squares of four*

The four-square is a sales tool designed for two purposes: Start the vehicle sale negotiation with the house's best position and uncover the customer's objections.

Take this simple test. When someone offers an opinion, do you say, "I see what you mean" or "I hear what you are saying"?

More people are pre-dominantly visually oriented than orally oriented and the four-square helps to reduce the sales negotiation to a form that accommodates more consumers.

Some tools have a couple of traps, which can lead to charges of deceptive practices. Most four-squares are missing a safety net.

The first trap is a statement on the four-square that states, "Most Banks require 33% down payment." I challenge you to show me a rate sheet from any third-party lender that shows such a requirement!



There is a big difference between a requirement and recommendation. Stating that the bank requires a down payment is a potentially deceptive statement.

The fix: Change the language from requires to recommends, and reduce the percentage to somewhere between 10 percent and 20 percent.

The second trap is a notation that the payment quoted is a protected payment. Nearly a decade after the Washington state attorney general's office blasted the assumptive technique of quoting 'protected payments' as a deceptive practice and coined the term payment packing, a few dealers continue to do this and document it on four-squares.

The fix: Stop the practice of quoting protected payments and remove references to protected payments from your sales documents.

Now the missing safety net: A disclosure about the monthly payment.

The payment you quote is an estimate. It is a reasonable estimate, but it is still an estimate. You cannot establish the true monthly payment until you consider all underwriting factors. However, many four-squares do not disclose the estimated nature of the payment quote.

The fix: Incorporate a disclosure statement. This statement can be as simple as “This payment is for estimation purposes only. Your true monthly payment may vary based on other factors.” Have your attorney draft the appropriate disclosure.

Gil Van Over is president of gvo3 & Associates (www.gvo3consulting.com), a firm that assists dealers in legal defense strategies. The firm recently began offering an F&I auditing service in conjunction with the Association of Finance and Insurance Professionals (AFIP).

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