



Finance & Insurance

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Addendum Window Stickers – Best Practices

Even after celebrating our 10th anniversary as a compliance consulting company, we continue to see new issues that surprise us.

For example, one dealer gave the keys to a repo agent, who had what appeared to be a legitimate order from one of the captives to repossess a car that was in the dealer's service department. Unfortunately, the customer was not delinquent; someone had run an elaborate scam to steal his car.

Everyone in the industry is familiar with POR (Proof of Residence). We vet the stipulations in deals to verify that the dealer is providing what the lender is looking for to buy a deal. I see a lot of different types of POR. For the first time, I recently saw a photocopy of the customer's *People Magazine* cover with her subscription label containing her address as POR.

Here is my humble attempt to outline some pitfalls and provide some standards.

Yet another strange one. While conducting a lot review to make sure used vehicles had correct used car buyer's guides and new vehicles prominently displayed Monroney labels, I saw an addendum window sticker that added about \$2,000 to the MSRP for "Trade Equity Assistance." Thankfully for our dealer, the car was a dealer trade and the addendum was from the dealer he bought the car from, but it was obviously a deceptive practice intended to raise the price of the vehicle and disclose a non-existent down payment to the lender.

With no guidelines on what could

be on addendums and what probably shouldn't be on addendums, here is my humble attempt to outline some pitfalls and provide some standards.

Federal requirement

There is not a federal law governing the use of addendum window stickers. Addendums are generally used on new vehicles to add to the cost displayed on the Monroney Label.

Dealers attacked

Some dealers have faced attacks from the state attorney general or the Division of Motor Vehicles or the plaintiff's bar over the use of addendums. The attacks are not generally about the dealer's right to set vehicle pricing, but rather about perceived deceptive methods of adjusting vehicle pricing.

Potentially deceptive addendums

Some of the potentially deceptive practices when using addendums include:

- The added items listed on the addendums do not appear to support the amount of the additional mark-up. For example, charging \$5,000 for pinstripes would seem to be a bit much.
- The items listed on the addendum are non-existent. Kind of like phantom pinstripes.
- The mark-up is for a list of items that are not individually priced. Having a list of tint, pinstripes, door edge guards, wheel well enhancements and a rear spoiler for a group price does not play well.
- Including soft adds that have a benefit or a warranty to the consumer, such as etch or environmental protection products.
- Inconsistent pricing between the addendum price and the starting price on the sales documentation, specifically


if the starting price is higher than the addendum price.

- Having Market Value Adjustments on every car in inventory, even those which have been in inventory over a year.

Dealer's best practice

A dealer who is intent on using addendum window stickers as part of its selling strategy should consider these best practices to help avoid charges of deceptive selling:

- Every product listed on the addendum be fairly priced, separately priced and physically installed on the vehicle prior to offering the vehicle for sale.
- Only include hard adds.
- Only consider market value adjustments if the vehicles are truly in short supply.
- The addendum price is the starting point in the sales negotiation.

Continued good luck and good selling. 

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