

Leave the Embers Be

by : Gil Van Over

Way back before I had underarm hair I proudly wore my Boy Scout uniform to school once a week like the other members of my troop. I still have the 48-star American flag that Rocky gave me.

Rocky was our fearless leader. He embodied "Be Prepared." For instance, for our weekend camping excursion, we had to prepare our own frozen TV dinners and bring them with us.

My favorite dinner was a quartered potato, sliced carrots and a hamburger patty liberally sprinkled with salt. I made it early in the week, and was sure to double wrap it in foil and freeze it. By Saturday morning my dinner was ready for the trip to camp.

Further dinner preparation started once we claimed our campsite. Working as a team, some of the boys pitched tents, some fetched water from the stream while the rest gathered firewood.

My lasting life lesson from Rocky came from building the campfire. "Leave the embers be." In other words, don't add wood to the embers while cooking! It will burn through the foil and ruin your dinner.

I thought of Rocky and his lesson recently while reading and hearing accounts of dealers who have added logs to smoldering fires and started the compliance flames leaping again.

While there are isolated reported cases of dealers allegedly violating federal laws or supposedly committing deceptive acts, I can't recall a major situation that has captured the press' attention since the world's largest Chevy dealer filed for bankruptcy protection.

The industry has done a great job over the last decade on raising its collective compliance quotient. However, the embers are still glowing and logs will start the flames reaching for the heavens again if dealers are not careful.

In no particular order, here's my list of major compliance logs for 2010:

Even though the enforcement for the Red Flags Rule has again been extended, the federals will hammer some dealer who should have detected and prevented an identity theft with even a minimal Red Flags policy in place. Be sure yours is up and running. We've been given enough time so there are no excuses.

The attack on doc fees will level off as states pass laws giving us guidance. However, a dealer in those states without doc fee limits will go too far and cause his state to severely limit doc fees. You may want to survey your market and make sure you're not the most expensive house in your cul de sac.

Bank fraud will become a major issue for some dealers as the increased volume of suspicious activity reports filed by federally insured lenders will cause the Treasury department to take action against major violators. Now is the time to make sure straw purchases, falsified income, phony down payments and power booking are not epidemics within your four walls.

Some creative plaintiff attorney will file a class action lawsuit against a dealer who is increasing the price of vehicles sold to sub-prime customers to cover the cost of the acquisition fee. Make sure this fee is being taken as a cost of goods sold and not as an increase in the cash price.

There will not be a dealer who gets into hot water by selling a vehicle to someone on the OFAC list.

Keep up the good work!

Internet compliance will become a hot topic. Many of the compliance theories are evolving. It's time to take a hard look at your Internet compliance.

Finally, with the industry's compliance quotient and awareness higher than ever, more dealers will become comfortable in video recording the F&I transactions. This move will not only help to improve compliance with state and federal laws, but also compliance with the sales word tracks dealers want finance managers to use to sell products.

Keep up the good work and let the embers be.

Gil Van Over is the president of gvo3 & Associates, a nationally recognized dealer compliance consulting firm. He assists dealers with F&I and sales compliance. gvo3 & Associates specializes in F&I, sales, Red Flags and Safeguards compliance and training.