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How many times have you been told?

by Gil Van Over

Today at baggage claim, a gentle voice reminded us three times that we should "check the name on your bag as many bags look alike." We were further admonished that "you don't want to leave with the wrong bag." Three times before the bags from my bags showed up.

Sure enough, when my bag starts making its way around the carousel, some lady on a cell phone picked it up and started to leave. Never bothered to check the name tag. Of course, she didn't leave with my bag.

We can be told numerous times how to do things the right way and continue to do things the wrong way.

Here are a few of the potentially deceptive or illegal actions some dealers continue to practice, even though there have been numerous industry articles on how to do it the right way.

Sub-prime Acquisition Fee

A fee that is charged on a sub-prime deal must be taken as a cost to the vehicle, not passed along to the consumer in the price of the vehicle.

Increasing the price of the vehicle for a sub-prime customer essentially makes the fee a finance charge that is not usually disclosed; therefore the dealer has violated the Truth in Lending Act.

You must take the sub-prime fee as a cost of goods sold and not increase the price of the vehicle.

Negative Equity

Fully 10 years after Regulation Z was modified to provide guidance on how to properly disclose negative equity, some Sales and F&I Managers continue to increase the trade allowance and the cash price to hide negative equity.

No longer does the lame excuse that the lender will not allow it hold credence. Lenders around the country recognize the issue and are permitting dealers to properly disclose negative equity.

Recontract Date

It's been over six years since the decision in a federal court validated the dark side's theory that backdating a recontract to the date of delivery effectively understates the APR on the contract, a violation of the Truth in Lending Act.

I'll admit that the manufacturers have been somewhat slow on this issue to recognize the quandary that dealers are in if there are date-based incentives on new deals, but many of them are starting to come around. Plus, many of the recontracts I see backdated are on used transactions.

Check with your manufacturer's rep. Ask if the factory will charge back an incentive if you have a voided contract dated the date of delivery and a valid contract dated a future date (or the date you recontracted the deal). If the answer is yes, stop backdating contracts.

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