

Soothsaying Like the Frenchman

by : *Gil Van Over*

Up until a year ago, the only French things I liked were fries, toast, kisses and that funny man on Family Affair. Then I spent some time in Paris and gained a new perspective, using my actual experience instead of listening to all those ugly stories about the ugly French.

Now I plan to spend more time there and intend to chat with the sidewalk café waiter in his language.

Another French thing I've taken a liking to is the eerie predictions of Frenchman Nostradamus. Anyone that foresaw Hitler's reign of terror, Kennedy's assassination and Clinton's debacle over 450 years ago can't be half bad!

Now, I don't sit in my tower late at night burning candles and conjuring visions. However, I have a prediction for you that you will be able to check out in three years' time, not five centuries hence. GVO's prediction: The FBI will start raiding at least three dealerships in each state looking for bank fraud.

When Nostradamus was writing his quatrains, he is said to have purposely made them vague to avoid prosecution as a magician. I don't have to worry about being tried as a magician so I will be succinct. Again, the FBI will start raiding at least three dealerships in each state looking for bank fraud.

Basis for prediction

Background - The FBI has a systematic approach to fighting white color crime and fraud. First, it figures out which industry to attack. The targeted industry normally brings the investigation on itself with well-publicized cases of fraud. The mishandling of hazardous waste and healthcare fraud come to mind in the last decade.

Today - There have certainly been a number of "Eyewitness on your Side Consumer Protector" news stories in the past five years focusing on deceptive practices in the auto industry. These exposes have highlighted straw purchases, power booking, payment packing and credit application fraud.

Background - Once the FBI figures out which industry to attack, it assigns a number of agents to a task force. This task force then is trained for up to two years. This training is to understand the fraud, determine how to ferret it out and how to prosecute the businesses in the targeted industry.

Today - The FBI has reportedly assembled its task force and started agent training on bank fraud in the auto industry. If the bureau follows its previous strategies, these agents will be in training for up to two years.

Background - Once the agents have been trained, they start the process of gathering information and evidence. In the case of car dealerships, I would not be surprised to see agents working as dealership employees or going through the purchase and finance process as customers.

Today - Last year the FBI raided a dealership after gathering information and evidence acting as customers.

Background - The bureau likes to make a statement and lets the entire industry know that it is serious

about eliminating the fraud it has targeted. It typically makes this statement by selecting three to five businesses in each state to prosecute.

Today - Federally insured financial institutions are required by law to file a Suspicious Activity Report whenever the institution suspects a fraudulent transaction has taken place. An institution is not permitted to reveal that it has filed an SAR, but rest assured that if you are asked to pay off a deal because of power booking, straw purchase, falsified down payment or falsified credit application information, an SAR has likely been filed against your dealership. I would suspect that when the FBI is ready to start its investigation against car dealers for bank fraud, it will go to the Department of Justice and ask for the list of SARs filed against car dealers for the last few years. The dealers who lead the list of number of filed SARs would probably be targets of investigations.

The good news is that you have time to clean up your processes to protect yourself against potential criminal charges. Consider implementing controls and audits to ensure that no one in your dealership is power booking, enabling straw purchases, falsifying income or other information on the credit apps or conjuring down payments.

The bad news is if you don't, you may want to invest in soap on a rope.

So sayeth the soothsayer.

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