

Dealer



F&I

Five Essential Keys for a Compliant F&I Office

By Gil Van Over

The keys on my key ring will start my car, get me into my house, unbolt my tool chest, spring open my locker at the club and unlock my mailbox. These five keys keep the things I treasure safeguarded from the various nefarious threats I like to call the dark side. Like me, you have treasures you'd like to safeguard from the dark side, among them the profits you've already pocketed from F&I transactions. You can enhance the chances of protecting your profits if you have these five keys for a compliant F&I office in place within your organization.

I'd like to discuss each of these and point out their importance to you and your business.

Key number one:

A strong office manager who is not afraid to keep kicking deals back to the F&I manager until the deals are done right.

"The controller has to be strong and stand up to F&I on noncompliance issues," notes Nancy Noble, chief financial officer for Coggin Automotive, Jacksonville, FL. "The personnel that review the deals for compliance must not report to F&I. In our case, they report to the dealership controller."

There is very little gray in a strong office manager's world. Numbers are numbers, signatures are signatures and documents are to be completed properly every time. One of my favorite office managers in Chicago has a sign in her office that says:

"If you don't have the time to do it right, where do you find the time to do it over?"

Not surprisingly, the sales and F&I paperwork at her dealership ranks in the top five of dealerships that I have visited over the last three years. The F&I managers are conditioned to know that she will kick back any deal that is not completely correct. They spend the extra time before turning a deal over to the billing clerk to ensure the paperwork is right, that the customers have signed everywhere they are supposed to sign and that the vehicle and product pricing is consistent on every document.

A side benefit this dealership enjoys an extremely low contract-in-transit time because the deals are funded quickly!

Key number two:

A dealer principal who has made it absolutely clear that noncompliance in sales and F&I is expressly forbidden.

My son plays a lot of baseball. One of the teams we played last year had practice shirts for the

players with a great saying on the back: "Potential means you aren't trying hard enough!" It was obvious to the parents on our team that the opposing manager did not tolerate laziness or would allow his players to take the easy way out.

Many F&I managers are no different from the rest of society when it comes to taking the easy way out if the easy way out is accepted or tolerated. A dealer principal who takes the stand that his or her customers will be treated with respect, that the customers will be sold a vehicle and F&I products in a fully up front and disclosed fashion is setting expectations and is not allowing any wiggle room for an F&I manager to take the easy way out.

According to Steve Straske, vice president and general counsel for Ferman Automotive Group, Tampa, FL, "The entire F&I department needs to know clearly that executive management views legal and regulatory compliance as a non-negotiable issue. Top management must consistently and frequently communicate its expectations that F&I directors and managers will operate their departments in a fully compliant manner."

Key number three:

Sales managers who have successfully attained certification through the Association of Finance & Insurance Professionals.

As part of my process in understanding how a particular dealership operates, I ask sales managers what interest rate they use to calculate the payment for the first pencil. While the percent varies (and is rarely validated when audited), the response from one sales manager tops the list. He said, "I can tell what a customer's credit score is just by looking at him from across the showroom. If they look like a level one, I use a level one rate. If they look like mooches, I use state max."

How would you like for that statement to come up in a deposition?

Many of the compliance issues I see start in the front end of the deal, yet F&I is blamed. For example, payment packing (unfair and deceptive trade practice) normally takes place on the four square. An F&I manager rarely completes the four square. The agreement to accept a hold check or a promissory note (technically a Truth-In-Lending violation) for the down payment is usually negotiated by the sales manager, not the F&I manager. Product bundling (another unfair and deceptive trade practice) via an addendum window sticker is part of the sales manager's pricing negotiation, not the F&I manager's menu pitch.

By requiring AFIP certification of your sales managers (and enforcing compliance), you can shed many potentially noncompliance issues from your processes.

Key number four:

An F&I vendor that cares as much about compliance as it does sales.

First, see my article in April's DEALER magazine titled "They Ain't Got Your Back".

There are some F&I product vendors that will accept "Signature on File" on product certs. Or will accept enrollment forms with the price disclosed as NA or left blank. Or worst of all, vendors that supply you with enrollment forms that do not have a place for the product price.

Just as there are good attorneys who represent dealers and not the dark side, there are good F&I vendors that will watch your back, if you demand it. Get these people on your side as an additional set of eyes monitoring the results of your processes. Demand that they not accept any enrollment forms from your store that has "SOF" or "NA" or blanks. Establish a process that requires the vendor to send the rejected certs to you for your review.

The message will get through to both your vendor and your F&I manager. Do it right.

Key number five:

A preferred lender list that takes care to watch for Truth-In-Lending issues.

Back to the April article I just mentioned. Another party to the profit machine known as automotive sales is the lending community that purchases retail and lease contracts from your dealership. Some of these lenders may not be watching your back by purchasing receivables from you with Truth-In-Lending violations on the face of the retail contract.

Now is the time for you to flex your clout with these lenders. Clout with lenders is a synonym for contracts. The more contracts you supply to a lender, the more clout you have. The reverse holds true as well. You have little or no clout with lenders to whom you send no deals.

Have a heart-to-heart conversation with the lenders you have executed a dealer-lender agreement with. Lay out your expectations and see which ones are willing to dance your dance. Your expectations should include:

- 1. Quick call-back time
- 2. The ability to disclose every product you sell in the F&I office on line four
- 3. The willingness to accept contracts that properly disclose negative equity instead of forcing you to add it to line one and to the trade allowance
- 4. The lender accepts the responsibility to not accept any retail contract that has a Truth-In-Lending violation on the face of the contract

Send the lenders that aren't willing to dance with you back to Arthur Murray's Dance Studio to learn the tango.

Did you notice that the keys to a compliant F&I office did not include what would seem to be the obvious: the F&I manager? It's like a mentor once told me, "Focus on the processes and on satisfying the customers; the dealers and the employees and the profits will flow." By focusing on the support system available to today's F&I offices, compliance will become as natural as starting a new car negotiation at emm ess are pea plus plus plus.

If you wish to discuss this article with other dealers, or with the author, please go to the "Discussion Forums" at www.DEALER-magazine.com and enter the "F&I" forum.

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