

Using a Checklist Can Promote Compliance

by : Gil Van Over

“A dream goes on forever.” ~ Todd Rundgren

I know more guys who dream about owning a private pilot’s license than guys who fulfilled their dream of owning one. I still dream.

So I spend some time talking about flying with these guys with a glint of envy in my eye and in my voice.

Just last week, such a conversation really hit home with what I do for a living.

A pilot friend told me that he uses three checklists when he flies: one in pre-takeoff, a second when he reaches altitude and a final in pre-landing – even though he has logged thousands of hours in the air.

His reason? “When you do something frequently, it’s easy to start missing steps if you don’t use a checklist.”

His motivation? “If I miss something, the results can be calamitous.”

My friend also owns a successful real estate business in my hometown and requires the use of checklists in his business. Every time a home is listed, the listing clerk has to use a checklist to make sure all the paperwork and listings are completed correctly.

His advice? “Using a checklist is the only way to ensure standardization and compliance.”

My friend’s reason, motivation and advice are certainly strong arguments why dealers should mandate the use of checklists by both F&I managers and billing clerks to promote a dealer’s F&I compliance program for every deal, every day.

Suggestions

Put together an F&I compliance checklist that both the F&I manager and the billing clerk have to complete. Require that both employees complete the checklist correctly. Have the office manager or controller spot check five deals a month to make sure the checklist is being properly used.

Checklist elements

There are nine essential elements to a good checklist:

1. Buyer’s order/order for leased vehicle
2. Credit application and privacy notice
3. Retail installment sales contract/lease agreement
4. Menu
5. Trade documents
6. Customer identification/OFAC
7. Other documents
8. Deposits/down payments
9. F&I functions

Require that the F&I manager and billing clerk look for these components within these nine elements.

Buyer's order/order for leased vehicle

Look to ensure that the customer and the F&I manager has signed in all the appropriate places on your buyer's order and that the amount due is consistent with the retail installment sales contract or lease agreement.

Credit application and privacy notice

A legible copy of the credit application signed by each customer must be on file. There should not be any strikeovers on the credit application and the income must be clearly stated. Also ensure that the customer has received a copy of your dealer's privacy notice.

Retail installment sales contract/lease agreement

A properly completed RISC or lease agreement must be on file, the customer must have received his copy and the customer and F&I manager must have signed the RISC/lease agreement prior to giving the customer his copy. The original RISC/lease agreement must be voided and in file if the deal has been recontracted.

Menu

Compare the agreed upon payment on the menu with the final payment on the RISC/lease agreement. Verify that the products selected by the customer are consistent with the products purchased and that the prices are consistent between the two documents.

- Trade documents
- Signatures, mileage, signatures, mileage, signatures, mileage.
- Customer identification/OFAC

A current, legible copy of the customer's government issued identification must be in the file as well as confirmation that your sales manager ran the customer's name past the government's OFAC database.

Other documents

All the other documents used in your dealership deserve a place on your checklist to make sure they are being executed each time. Samples of other documents include a we-owe, book out sheet signed by the used car manager, the four square, invoice, rebate form, used car buyer's guide (English and Spanish), and insurance verification.

Deposits/down payments

Confirm that a receipt is in file that matches the down payment or lease starts on the contracts. On qualifying transactions, look for a completed 8300 and letter to the customer.

F&I functions

Finalize the checklist with specific functions that the F&I manager is required to complete, such as product enrollment forms, products sold within pricing guidelines, drive away and F&I recap.

Once your employees learn to use the list, it will take about five minutes to complete. Not only will the

consistent use of a checklist promote compliance, it will cut down on the number of deals kicked back to F&I and help to improve a dealer's contracts in transit time.

Now, back to some of those dreams...

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