

CAR DEALER INSIDER

Profit Making Secrets for the Competitive Dealer

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F&I: Mind your disclosures and hold the line on product prices

Last year brought good news from an F&I standpoint: A federal court ruled that dealers are entitled to a mark-up on finance reserves.

Observers note that decision has taken some wind from the sails of consumer groups that have argued the practice is unfair and deceptive and that legislation should limit dealer profit potential - or eliminate it altogether.

Another good turn: Stores that have rolled out menu sales efforts and established firm pricing policies on F&I products have enjoyed better F&I profits and happier, better-informed customers. A menu tip: Limit your options to four or five products, and stay firm on the posted prices: customers either see the value and will pay for it, or they won't.

But **Gil Van Over**, who heads gvo3 Consulting and works with dealers on reducing legal risks, says he still sees evidence of dealers misusing menus and effectively packing payments by including products and not letting customers know the product purchases are optional.

He adds that class action cases against dealers are more likely to flow from technical violations of the Truth in Lending (TILA) statute than other areas.

Some items to watch in the year ahead:

- Seller signatures on retail contracts. Reg Z requires the "seller" sign these - which means your F&I manager and not your store's accounting or office manager. Van Over says it's a compliance item some stores overlook. Similarly, federal regs also require that you provide a copy of the retail contract, including the TILA disclosures, for any customer who wants to take one home if they choose to do so.
- Identity theft concerns. Some dealer attorneys believe this may be a new frontier of trouble for dealers. The problem: You've got one-sided risk with lenders who can charge-back deals that result from identity theft scams. Watch for more vendors to offer software tools to help you double-check a customer's identity - and comply with federal anti-terrorism legislation.

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