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Profit Making Secrets for the Competitive Dealer

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Top 5 tips on how to audit an F&I deal

Here are items Wendle, dealer litigation defense consultant **Gil Van Over** and others recommend that you evaluate when you audit F&I deals:

1. Credit applications with incomes written "above the line." This could be a signal that F&I managers are manipulating income levels to make deals more attractive to lenders, Van Over says. The risk of this practice is greater today given the negative equity some customers roll into the financing for a new vehicle purchase. You should also look for handwriting differences on the forms. Example: If the income is written in a different hand, it could mean F&I managers are entering the figure as they vet deals with lenders.

2. Multiple copies of credit applications in deal jackets. This could be a red flag - especially if you find blank credit applications with customer signatures. Look for alterations on credit applications that do not include customers' initials. You should also check to make sure the customer information is consistent across the multiple application copies. A related point: A single photocopy of a credit application should beg a "where's the original?" question, especially given your store's obligation to protect customers' personal information.

3. Consistent pricing of products, vehicle purchase prices in documents. Steve Straske, general counsel for Ferman Motor Car Co., Tampa, says his group's audit procedures follow a "rule of three": Prices for products should appear consistently on a buyer's order, product enrollment form and the retail installment contract. You should find the same consistency with a vehicle's price between the buyer's order and retail installment contract. Changes in the vehicle price could be a sign of "power-booking," in which F&I managers may inflate a vehicle's price to make lenders more comfortable. In addition, all forms should bear customer signatures. With such repetition, "the customer has a hard time saying, 'I didn't know I bought this,'" Straske says. The "I didn't know" claim's common in plaintiffs' attorney cases against dealers.

4. Consistency of rate, term and vehicle price between your sales desk and F&I office. These are the areas Wendle watches closely. He doesn't want sales managers quoting deal terms that will change as a customer moves into F&I. For example, a deal that starts at a 36-month term and winds up at 72 months would trigger questions to the F&I manager to explain why the changes were necessary.

5. Consistent date and time stamps on menus and other documents. This check makes sure that your F&I managers are re-doing all elements of a deal if a lender requires that you re-contract a deal with a customer, Straske says.

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