Make F&I Compliance A Profit Center
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Some dealers still fear that F&I profitability will suffer if they implement a compliance solution.

I tell them not to be fearful of compliance…be fearful of the alternative.

However, truth be told, F&I compliance can lead to higher profitability. Here's some examples.

**First Pencil**
Consistently applying a properly structured rate matrix will help a dealer get past charges of payment packing *and* help improve gross.

Set up a rate matrix by 50-point credit bureau score bands. Use your captive's buy rate for that tier, add two points and use the rate on every first pencil.

Most importantly, use the industry's standard term of 60 months to quote the first payment. This is defensible against payment packing charges and give you room to move term to get to the customer's payment objective before you have to give up gross or rate.

**Every Product, Every Time, Every Customer**
Using a menu or other product-selling tool to ensure that every available product is offered to every customer, every time helps to get past any charges of discriminatory selling techniques.

It also helps to avoid any payouts in the event you did not offer a product and a catastrophic event happens to your customer, i.e. did not offer credit life and the customer dies three months later. The widower's attorney will likely come knocking.

From a profit perspective, offering every product improves product penetrations. Moreover, by using a highly transparent sales process, chargebacks drop, leading to increased F&I profitability.

**Used Car Buyer's Guides**
The FTC Used Car Rule has been around since the seventies. Every dealer knows about it, yet execution by the sales and F&I departments is generally lacking. For example, sometimes used vehicles are available for sale on the lot and are missing Buyer's Guides. Other times, the warranty is disclosed simply as "Balance of Factory Warranty", when the Used Car Rule specifically prohibits this simple term and provides safe harbor language for the dealer to use.

As with other FTC Rules, a dealer can be fined up to $11,000 per violation. In other words, ten vehicles offered for sale without the Buyer's Guide can result in a six figure fine.

Here's how to use the Buyer's Guide to help improve F&I profitability.

As the F&I Manager is reviewing the guide, she should point out to the customer that this is a form the federal government requires. The language has been provided by the government. The back side of the form tells consumers many of the items that can go wrong on a used vehicle. Go over the various items.

Then say, "While we have confidence that our certified vehicle is in good operating order today, the government requires us to tell you about these things that can go wrong. The good news is that I have a number of service contracts that can cover the cost of repairs. I will go over your options in a moment, but first, please sign here."

You just planted the seed for a vehicle service contract sale, using a government required form.

**Negative Equity**

The battle between dealers and third party lenders over negative equity disclosure appears to be near an end. Almost every third party lender I've talked with over the last six months now realize they must permit the proper disclosure of negative equity on retail and lease agreements.

Properly disclosing negative equity to a customer is not only the transparent way to do it, but can also lead to the sale of a gap product, improving F&I profitability.

There are other examples, and the possibilities are limitless. And the alternative is unthinkable.

Good luck and good selling.