

Good POI is Hard to Find

by : Gil Van Over

Growing up an Air Force brat, I was fortunate to live in some exotic places. There was Rantoul, Illinois; Wichita Falls, Texas; and Honolulu, Hawaii, to name a few.

I was further fortunate to spend some of my high school years in the islands. While there, I sampled some of the local cuisine, like papayas, mangos and poi.

I miss the papayas. I miss the mangos. I don't miss the poi. Good poi is hard to find. Even in the islands.

Good POI is sometimes as equally hard to find at some dealerships. Apparently some dealership managers don't understand the ramifications of manufacturing proof of income for a lender in order to support the lie that the lender relied upon to approve the deal.

Dealerships that engage in manufacturing proof of income are potentially committing bank fraud, a federal crime with potential fines and jail time.

What is a dealership owner to do?

Establish a policy that bank fraud is not permitted, establish a procedure to outline your expectations and conduct regular audits to ensure your managers are following your policy.

Need a procedure for proof of income? It is coming up on the Christmas season. Read on. Here is a procedure you can cut and paste into your policy and procedure manual.

Background

In most cases, your dealer/lender agreement indicates the dealer is responsible for confirming the accuracy of the credit application data. This includes verification of the consumer's income. Collecting stipulations without verifying them for consistency and accuracy is no longer acceptable.

Failure to monitor stipulations the dealer sends to the lender could result in the filing of a Suspicious Activity Report (SAR) by a federally insured institution. The lender will not inform the dealer when a SAR is filed and if there are enough reports filed against the dealer, the case could be turned over to the federal government for further investigation.

Policy

Acceptable documentation as proof of income includes:

- Pay stub
- W-2
- Tax return
- Standard Social Security Administration benefit/award letter
- Letter from employer verifying consumer's income (on official company letterhead)

The dealership should verify the following items when reviewing the proof of income documentation provided by the consumer:

1. Decimals line up correctly in pay stub columns
2. Year-to-date field should foot from prior pay period
3. Totals in the "current" field should foot

4. FICA and Medicare deductions are correct
5. Consumer name is spelled correctly
6. Consumer address is consistent with address provided on credit application
7. Employer address is consistent with address provided on credit application
8. Verify that the phone/address a consumer provides for their employer is not the same as the personal references
9. Proof of income documentation is created in a professional accounting based program, as opposed to an Excel spreadsheet or Word document.
10. Letter from employer verifying proof of income should be printed on official company letterhead. Do not accept a proof of income letter from a consumer that is not official in nature.

Dealership management should have a plan in place to review a select number of deals on a regular basis. Upon review, they should look for the following issues:

1. There are multiple pieces of proof of income documentation from the same employer. This may indicate a dealership employee is creating pay stubs to meet the stipulation requirements.
2. There are different types of proof of income documentation for the same employer within multiple deal jackets. This may indicate a dealership employee is falsifying pay stub information to meet stipulation requirements.
3. You notice a trend with the use of the same company name, phone number or address as an employer.
4. Recently prepared tax returns for prior years
5. Whiteout marks on proof of income documentation. Dealer should require original documentation. This will minimize the opportunity to “doctor” the document.

Finally, have the dealership’s IT department run a scan of your system looking for pay stub templates or Social Security award letter templates that may have been created by a dealership employee. Hope this is helpful.

Gil Van Over is the president of gvo3 & Associates, a nationally recognized dealer compliance consulting firm. He assists dealers with F&I and sales compliance.