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Credit application policy

by Gil Van Over

Make no mistake about it; bank fraud is a federal crime punishable by imprisonment. Yet, some dealership employees apparently give no second thoughts to falsifying consumer information on credit applications in an attempt to obtain a favorable decision by lending institutions. These lending institutions are required by their regulator to file a Suspicious Activity Report whenever bank fraud is detected. As a dealer, you should implement certain steps to protect yourself against employees committing bank fraud in your name.

New Policy

All finance and lease transactions should have two credit applications included in the deal file, the handwritten credit application and the lender input document.

Handwritten Credit Application

A handwritten credit application should be filled out in its entirety by the customer, signed by the customer and dated once complete. Any mistake written down by the customer should be marked out with a line (whiteout or liquid paper is prohibited) and initialed by the customer. This includes time on job, time at residence, mortgage or rent, monthly income and other monthly income.

Mistakes will happen. One example would be when a customer writes down his or her net income versus gross income. A second example would be when the proof of income is obtained and the income on the credit application is understated. In each case, a single line should be drawn through the number and the correct amount should be written down in the appropriate section. Once the correction is made, the customer should initial the change. Under no circumstances shall a dealership employee ever change information on the handwritten credit application.

The reason for this is simple. A dealer needs to have the ability to match what the customer wrote on the credit application to the information submitted to the lender. If a lender has any questions concerning the validity of a customer's information, a dealer needs to have the original credit application available in the customer's handwriting. This will eliminate a number of issues, which could lead to the dealership being required to repurchase a contract.

Input Document

The electronic credit application (Input document) submitted to the lenders should also be included in the deal file. This includes but is not limited to Route 1, DealerTrack, CUDL, Honda/Acura Interactive, BMW Autobond and Credit Acceptance Corporation applications.

The vehicle delivery will not always coincide with the submission of the credit application. There are also multiple pages on input credit applications and the signature page is sometimes a page by itself with no other information on it. Because of these, a signature is not required on the input document.

This policy, properly implemented and monitored, will go a long way to showing that the owner of the dealership does not condone bank fraud. If the information provided is falsified, it was most likely the consumer who committed the crime, not the dealer.

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