

Article from Dealer Magazine (http://www.imakenews.com/dealercomm1/e_article001231517.cfm?x=b11,0,w)

October 14, 2008

Suspicious activity reports

by Gil Van Over

Last year many economists, including some from NADA, were predicting that the subprime mortgage crisis would not affect the auto industry because mortgages are different from auto loans.

Balderdash I said. They may be two different lending instruments, but they are both originated from the same customer base.

I bring this up because I have been writing about Suspicious Activity Reports (SAR) for over two years now.

Now comes a news report that the FBI is assembling a task force to investigate the substantial increase in Suspicious Activity Reports in the mortgage industry. Can the car industry be far behind?

Suspicious Activity Report

As a refresher, a federally insured institution must file a SAR whenever it suspects bank fraud. This means that whenever a fraudulent deal is uncovered by a bank, credit union or other federally insured institutions, this entity is submitting a report to the Department of Treasury providing the details of the fraud.

In the car business, any deal that is considered a straw purchase, or is power booked, or has falsified income, or discloses a non-existent down payment is considered fraud and the institution will file a SAR.

Mortgages First, Car Loans Next

Just like the subprime crisis has affected subprime customers the ability to obtain a mortgage, subprime customers are now finding it difficult to obtain auto loans.

Likewise the mortgage industry is going to incur the Fed's wrath based on an escalating filing of SARs and the car industry may not be far behind.

If you aren't submitting straw purchases or power booking used cars or jacking up customer's incomes or creating phony down payments, you don't have anything to worry about.

If, however, you are...you do.

Gil Van Over is the President and founder of gvo3 & Associates, a nationally recognized F&I, Sales and Red Flag Rule compliance consulting and training firm (www.gvo3.com).

© 2008 by gvo3 Consulting, LLC. All rights reserved.

Published by [Dealer Communications](#)

Copyright © 2008 Horizon Communications Inc.. All rights reserved.

Information in this newsletter is provided by both proprietary and public sources. Dealer Communications makes no claims as to the accuracy of information provided by third party providers.

Powered by [IMN](#)