

Compliance Is Here to Stay

By Jim Leman

Terry Dortch of Automotive Compliance Consultants has compiled 168 pages of news items from various sources about finance and insurance compliance, regulations, violations, fines and continuing infractions that still trouble the industry.

Phew! The compliance minefield is hazardous duty to transverse. That may be why many dealers keep their heads buried, hoping none of this will land on them.

But that can lead to more problems. The best course of action is to deal with matters — and in their entirety.

Even though you believe your dealership is in compliance with the myriad of regulations, you probably are not.

F&I compliance consultants say no more than 15% of the dealerships they work with are in real F&I compliance.

Compliance means you have in place a repeatable process that produces a trail (paper or electronic) of what products were presented in the F&I office that qualify for that customer, what the customer agreed to purchase and at what price.

The results of those presentations and the customer's agreement to them are memorialized on each relevant document.

Beyond the obvious financial risks from fines and liabilities, compliance infractions leveled against a dealership are not good community public relations, says Kevin Cohan, managing partner of Jim Coleman Auto Group, a 7-brand dealership operation based in Bethesda, MD.

"No one wants to be on that wrong side of the house," he says.

His group invested in compliance training some time ago, "when the water was starting to boil," Cohan says. "Some issues in this industry come and go, but compliance issues will always face this industry.

"To protect our assets, our employees, our customers and our good name is why we invest in compliance programs and training," he says.

Training needs to be more than a one-time event, due to staff turnover, new laws and constantly changing F&I products.

Training needs to extend from the F&I office to the showroom where acts of noncompliance often begin when a misinformed sales person promises buyers things the dealership can't or shouldn't do.

"F&I compliance should start at the front door of the showroom, beginning with the individual who meets and greets the customer, which is where the exchange of information begins," Dortch says.

"It is at that point that we set everything up for the deal and where, when done right, we don't leave the F&I office holding the bag," he says. "In other words, no one other than F&I personnel should be quoting payments, selling add-ons and the like.

"This compliance structure needs to stop and start in the F&I department and sales managers and sales people must understand what the role of the F&I office is."

Cohan agrees.

"Some deals do come back to the finance office with enough problems to sink a battle ship," he says. "But resolving that is a training and ethical issue and it boils down to what is the dealership's DNA and how they want to do business. Every dealership is different.

"But when the sales guys are trained correctly and you have your compliance systems right, the finance guy should never be in harm's way," he says.

"When the sales guys are selling F&I products it doesn't leave opportunity for the F&I guy to make his money; Sales people should be instructed that their job is to sell vehicles and not finance products."

Dortch believes old ways persist, even in today's compliance-laden business climate, because too many dealerships still focus on profit capitalization.

Instead, the focus should be on the long term, where the process is amicable and the customer pleased enough to return, he says.

Adds Cohan: "Customers are intelligent and if you give them enough information to make an informed decision, product

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penetration goes up.”