

Take A Good Look At Your Dealership: Do You See What I See?

Go ahead. Take a good look at your dealership. It appears to be in good shape, but do you see what I see? What do you think it looks like from my perspective?

How can you improve dealership compliance and avoid problems before they happen, while increasing customer satisfaction and overall dealership profitability at the same time? It can be done. Want to know how I would accomplish it? I would begin by conducting a “Walk-thru” of your dealership paying special attention to the following things.



Deal Documents: Dealers should have their deal documents reviewed and, as necessary, updated on a yearly basis. Having a relationship with a paperwork vendor capable of keeping you apprised of compliance issues as they develop will help streamline this process. You should also limit who, within the Dealership, has authority to revise the paperwork and have procedures in place to ensure that employees do not use paperwork brought from outside sources, such as the last Dealership where they worked. Regularly auditing actual deals can help to ensure that paperwork is being properly completed and that computers are properly programmed to print information in the appropriate places.

Advertising: The persons who create your Dealership’s advertisements should be familiar with the Federal Truth-in-Lending and Leasing Acts and State Advertising Laws and/or your advertisements should be reviewed for compliance with these Laws.

Regardless of whether they appear in the newspaper, on television, or on the Dealerships’ website, your advertisements must contain mandated disclosures if you use any of the “triggering terms” defined in Regulations M and Z. They must also disclose any material limitations or exclusions to offers that are made in a clear and conspicuous manner. Direct mailers and telephone solicitations or follow up calls can raise a whole host of other issues. Remember to keep copies of all advertisements in case you need to respond to a consumer or regulatory inquiry about an offer or the contents of an advertisement.

F&I: Dealers should make sure they have a copy of the dealer agreement for each lender and service provider with whom the Dealership does business. These agreements and any related materials should always be reviewed by someone who has knowledge about both the products being offered and our industry. Reviewing dealer agreements and properly training employees on how to sell service contracts, GAP agreements, ancillary and all other products sold at the Dealership can go a long way in protecting your Dealership from potential liability. All too often we find that Dealers rely on representations made by a third party as to the compliance of its marketing materials, the products it offers and even the training it provides to the Dealership’s employees. For those who use an F&I Menu, remember to revise it whenever you begin or cease offering a product so that it accurately reflects the products and services available at the Dealership and to make sure the menu is consistent with other documents provided to a customer.



Employees: All potential employees should be required to complete an employment application and, at a minimum, you should contact references to verify that the individual is qualified for the position. Depending upon the job responsibilities and access the applicant will have to confidential information about your Dealership and customers, you may also wish to conduct background investigations or obtain a credit report. All employees should also receive an employee handbook that contains information about the Dealership’s internal policies and procedures. Remember to address issues such as who has access to pull and/or review credit reports, whether customer information belongs exclusively to the Dealership and whether employees are permitted to remove such information from the Dealership both during the term of employment and afterwards. If specific agreements are made with respect to commission payments and bonuses, you may also wish to enter into a separate written

employment or compensation agreement. Employee handbooks should be updated regularly, and employees should always be required to acknowledge in writing that they have received and read the materials. Just as important is requiring all employees to attend training and/or educational seminars related to their duties at the Dealership, not just at the time they are hired, but on an ongoing basis.

Privacy Policies and Customer Identification Procedures: Every Dealer should have a Privacy Policy that accurately reflects the Dealership’s business practices with respect to collecting and sharing customer information and a comprehensive written information security program that describes how the Dealership protects the confidentiality of the information collected. Access to customer information and other Dealership records should be limited to authorized employees who need the information to complete their employment responsibilities. Customer information must be obtained to verify the identity of customers and the Dealership has to have procedures to ensure that it does not enter into transactions with any individual or entity that appears on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Asset Control (OFAC). Motor vehicle dealers are responsible not only for implementing their own privacy policies and procedures, but must also take steps to ensure that the lenders and service providers with whom they share information have taken steps to maintain the confidentiality of customer information.

Dealership Website and Computer Systems: Online advertisements must comply with Federal and State Advertising Laws and should be updated on a regular basis. Dealers who permit consumers to submit credit applications electronically must post their privacy policies online. Keep in mind also that many of the same precautions taken with respect to your deal documents apply to your Dealership’s automated systems. Computer systems and programs should be reviewed and updated regularly. You should also limit who has the ability to update software applications, take steps to prevent and prepare for a systems failure and ensure that data is eliminated, or hard drives removed when disposing of computers and any other electronic media and records. By the way, one more thing, what exactly is the dealership doing online? Marketing, advertising, taking orders or selling cars and how does it affect your deal documents? You must have answers to these questions!



Service: Dealers should also have their service documents reviewed and updated on a regular basis. Start by reviewing the Repair Order and other service-related documents to ensure that they contain all of the information and disclosures required by applicable law. The dealership should obtain permission from its customers prior to road-testing their vehicles, ascertain whether they wish to have parts removed from their vehicles discarded or returned, and advise them of additional charges that may be incurred for miscellaneous materials and partially completed work or for restocking of returned parts. Customers should always be provided with the appropriate estimate or estimate choice form (as required) before any services/repairs are

performed and a system should be in place to document any additional services/repairs that a customer authorizes. The dealership’s warranty and return policies should also be clearly communicated to customers and be consistent in all of the service documents, such as the Repair Order, Repair Invoice and After Hours Repair Authorization (Night Drop). If you perform a repair at no charge or a reduced charge to the customer when you are not obligated to do so (a “goodwill” repair), don’t forget to utilize a form indicating that the performance of the goodwill repair does not create any additional dealership obligation or warranty in connection with the repair or service.

Signage posted in the dealership’s Service Department is necessary not only to make appropriate disclosures to customers, but also to comply with safety-related laws and regulations. Signage advising customers of their right to receive an estimate choice (as required), additional fees that may be incurred in various circumstances and the dealership’s warranty and return policies should be consistent with the information provided to customers in the service documents and be posted in the area where customers commence the service transaction. You should also have signs that restrict the access of customers to certain areas. In those areas where employees are performing services and repairs, signage should be posted explaining the proper use of safety equipment and the safety equipment, such as first aid kits, eye wash stations and goggles should be located in close proximity to the signs and be easily accessible.

Okay, now you have a glimpse of what I see when I look at your dealership. Your dealership is probably in pretty good shape, but I see a few areas within the dealership that could use a closer look and a little fine-tuning. If these issues are attended to and appropriate action is taken, it will result in a more efficiently run and profitable dealership.

Accomplishing this doesn’t have to be complicated, time consuming or expensive. In fact, you can do much of it yourself provided you know what to look for and where. If you want some help getting started, check out the compliance tools in the iComply Pro Compliance Section.

