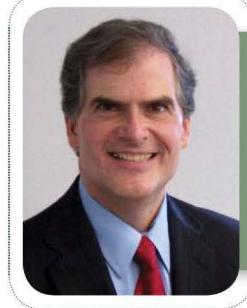


Your Sales Manager Is a Criminal

BY RON REAHARD



A reader wisely chooses to remain anonymous after uncovering a payment-packing scheme taking place in his (or her) dealership.

Our question this month comes from someone who wishes to remain anonymous. I have no idea where Anonymous is from, but he (or she) sure does have a nice boat.

Anonymous writes, "At our dealership, most deals are closed on payments, which are usually \$30 to \$40 higher than the actual payment because the desk starts every deal with a service contract already included. When a customer sees the base payment on the menu, they want to know why it's less than what they were told. Do I have to show the base payment on my menu, and if so, how do I explain the difference?"

Anonymous, based on your question, I can certainly understand why you would want to remain so. In fact, if your identity is ever discovered, you may have to go into the witness protection program.

See, what your sales manager is doing is called payment packing. It's a type of dealer fraud that occurs when a customer agrees to a monthly payment that is higher than the actual payment, allowing an F&I manager to imply that a \$2,500 service contract will only cost \$5 a month, when the cost is actually closer to \$45 a month.

Typically, the sales department gets the customer to agree to purchase the vehicle at an inflated payment. They then send the deal to the F&I department without disclosing to the customer either the actual APR or whatever products have been included in the customer's payment without his or her knowledge or consent. This room in the payment, known as "leg," enables a deceptive F&I manager to make F&I products appear to be free — or at least seem much cheaper than what they really are.

Payment packing is illegal in all 50 states. The practice is outlawed by one or more of the following laws: unfair or deceptive trade practices, and statutes of frauds and deceptive, unconscionable and anti-competitive business practices.

The National Consumer Law Center calls payment packing "one of the most widespread and significant forms of auto fraud today." As Doug Walsh, former assistant attorney general for the state of Washington, said, "Consumers are entitled to accurate, non-misleading monthly payment quotes. When they don't get them, it's deceptive and unlawful."

So, in answer to your first question, yes, you must show the

base and interest payment on your menu, and you should always disclose it to customers before reviewing their options.

There should also be no question this information was clearly disclosed, and that your customers were afforded the opportunity to select a payment without any products. That means telling the customer upfront: "Based on an amount financed of \$25,000, your principal and interest payment is \$448.11 for 60 months, with an APR of 2.9%. And I want to assure you that is the principal and interest payment, and you can take delivery of the vehicle for that amount. Now, you do have some options ..."

If the customer asks for an explanation of the difference between what he or she was quoted and the actual payment, simply say, "I wasn't involved in the negotiations, so you'll need to ask the sales manager how he calculated it. However, now that we have an approval from a lender, this is what we're able to offer you today. Now, you do have some options ..."

The reality is you weren't part of the negotiations, so you don't know everything that was discussed in the salesperson's office. You also have little control over what the desk does, because the sales manager doesn't report to you. However, you have total control over what you do. So make sure you're always honest and ethical and that you fully and properly disclose every document before you ask the customer to sign it.

You'll also want to have a discussion with your desk manager about why the sales techniques of yesterday are the felonies of today. As an F&I professional, whenever you uncover a deceptive sales practice, you need to immediately bring it to the attention of your general manager or dealer. If that doesn't stop it, then you need to find a new job.

Anonymous, thanks for your question. You can also check out Anonymous' boat and my video response at fi-magazine.com/blog. Until next month, remember, it's a beautiful day ... to stay out of prison! ■

ABOUT THE AUTHOR

Ron Reahard is president of Reahard & Associates Inc., a training company providing F&I classes, workshops, in-dealership and online training. Got a question or objection for Ron? Use your mobile phone to record a brief video (shot landscape style!) of your question and upload it to go-reahard.com/ask-ron/.