THE ENCYCLOPEDIA OF
FINANCE AND INSURANCE
MANAGEMENT®
THE ENCYCLOPEDIA OF FINANCE AND INSURANCE MANAGEMENT®

First Edition
The Encyclopedia of Finance and Insurance Management is designed to provide authoritative information about the subject covered. Information contained herein has been carefully compiled from the sources believed to be reliable, but the accuracy of the information cannot be guaranteed. The authors are not engaged in rendering legal, accounting and/or other professional services; if such expert service is required the services of an appropriate professional should be sought.

The Automotive Dealership Institute, its staff and all the contributors to this work specifically disclaim any corporate or personal liability, loss or risk incurred as a consequence of the use either directly or indirectly, of any information or advice given in this publication.

The regulations presented in The Encyclopedia of Finance and Insurance Management represent the current information available at the time of publication. The authors have made a good faith effort to compile federal and some state regulations applicable to automotive dealership Finance and Insurance departments.

The Automotive Dealership Institute, the authors and contributing authors of this publication make no representation or warranty that the regulations excerpted or summarized herein constitute all of the state and federal regulations applicable to the in-dealership finance and insurance process. Reference should always be made to the full text of all applicable regulations. Please visit www.gpoaccess.gov/index.html and click on Code of Federal Regulations under Executive Resources for the most up-to-date version.

Actual resolution of legal issues depends upon many factors, including variations of facts and applicable laws.

It should be duly noted that some federal and state regulations may change and such changes may render a prior practice unacceptable, or may require ongoing alterations in methods of conducting business or in the forms required to document the transaction.
THE ENCYCLOPEDIA OF
FINANCE AND INSURANCE
MANAGEMENT®
THE AUTOMOTIVE DEALERSHIP INSTITUTE
Global leader in educating the next generation of Finance and Insurance Managers.

The Encyclopedia of Finance and Insurance Management is published with the editorial advice of the faculty and the administration of the Automotive Dealership Institute.

Educational content: Arzu Algan, CFO/Dean of Education
Content co-ordination: Alan Algan, CEO/Executive Director
Executive Editor: Keith Tuber, President/Director of Corporate Affairs
Copy Editor: Kristen Force
Research Supervisor: Amber Grunwald, Vice President/Director of Operations

Additional advice is given by distinguished members of Northwood University, AFIP, Institute for Ethical Behavior, professional trade organizations, associations and other professionals.

Special thanks to the following people for their editorial contribution to this publication:

Prof. Robert W. Serum, Ph.D.
Vice President, Academics and International Programs
Northwood University

David N. Robertson
Executive Director
The Association of Finance & Insurance Professionals

John Walsh
President/CEO
Institute for Ethical Behavior

Gary Thomas Fagg, FSA, MAAA
President
CreditRe Corporation

Thomas B. Hudson
Senior Partner
Hudson Cook, LLP

Timothy J. Gill
CFO/Director of Operations
Advent Resources, Inc.

Bob Conners
President/CEO
Saturn Auto Consultants Ltd., Canada

Patrick Colbert
Senior Vice President
First Advantage CREDCO

Marguerite Watanabe
Auto Finance Practice Manager
Benchmark Consulting International

Terrence J. O’Loughlin
Director of Compliance
The Reynolds and Reynolds Company

Corporate contributors:

Reynolds & Reynolds
Dealer Track
F&I Management & Technology Magazine
CARLAW® – Counselor Library.com, LLC
Northwood University
Institute for Ethical Behavior
Association of Finance & Insurance Professionals
CreditRe Corporation
Advent Resources, Inc.
First Advantage CREDCO
Benchmark Consulting International
Arizona Independent Auto Dealers Association
TABLE OF CONTENTS
AUTOMOTIVE RETAIL OPERATING SYSTEM

DEALERSHIP ORGANIZATION AND DEVELOPMENT

Running a Dealership .............................................................................................................36
Facilities and Services .............................................................................................................36
Dealership Products ................................................................................................................36

DEALERSHIP TRENDS

Straight Sales System .............................................................................................................36
The T.O. Sales System ..............................................................................................................36
One-Price Sales System ...........................................................................................................36

DEALERSHIP MANAGEMENT STRUCTURE

Dealer Principal .......................................................................................................................37
General Manager ...................................................................................................................37
General Sales Manager .........................................................................................................37
Business Manager ..................................................................................................................38
Finance Director ....................................................................................................................38
Finance and Insurance Manager .........................................................................................38
Special Finance Manager .....................................................................................................39
Sales Manager .....................................................................................................................39
Desk Manager .......................................................................................................................39
Internet Sales Consultant .....................................................................................................39
Closer ....................................................................................................................................39
Salesperson ..........................................................................................................................40
Greeter ..................................................................................................................................40

DEALERSHIP TERMINOLOGY

Definitions ..............................................................................................................................41

DEALERSHIP SALES METHODOLOGY

Introduction to Sales ............................................................................................................43
Setting the Proper Sales Image ............................................................................................44
Attitude in Sales .....................................................................................................................45
Customer Interaction ............................................................................................................46
Organization/Self Discipline ...............................................................................................47
Who is the Boss? – The Customer .......................................................................................47

VEHICLE SALES TRANSACTION

SALES PROCESS

The Greeting/Welcome .........................................................................................................49
Understanding Customer Needs .........................................................................................50
Vehicle Presentation ..............................................................................................................50
Vehicle Demonstration/Trial Close ......................................................................................54
Vehicle Appraisal ................................................................................................................56
Purchase Consultation/Negotiations ....................................................................................57
# Table of Contents

## CREDIT INSURANCE & RELATED PRODUCTS

### AN INTRODUCTION TO CREDIT-RELATED INSURANCE

- Overview .............................................................................................................................................. 83
- A Brief History .................................................................................................................................. 85

### SINGLE PREMIUM CREDIT LIFE INSURANCE ON INSTALLMENT CREDIT

- Important Definitions .......................................................................................................................... 89
- Installment Credit .............................................................................................................................. 89
- Insurance Coverage on Installment Credit ........................................................................................ 90
- Group or Individual Policies .............................................................................................................. 91
- Single and Joint Coverage ................................................................................................................ 91
- Conditions of Eligibility .................................................................................................................... 91
- Exclusions .......................................................................................................................................... 92
- Contributory and Noncontributory Premiums .................................................................................. 92
- Premium Calculations ....................................................................................................................... 92
- Prima Facie Rates ............................................................................................................................. 92

### SINGLE PREMIUM CREDIT DISABILITY INSURANCE ON INSTALLMENT CREDIT

- Important Definition ......................................................................................................................... 92
- Insurance Coverage on Installment Credit ........................................................................................ 92
- Conditions of Eligibility .................................................................................................................... 93
- Determination of Disability ................................................................................................................ 93
- Benefits Provided ............................................................................................................................. 93
- Elimination Period ............................................................................................................................ 94
- Pre-Existing Condition Exclusion .................................................................................................... 94
- Premium Rates ................................................................................................................................. 95
- Claim Filing ....................................................................................................................................... 95

### INVOLUNTARY UNEMPLOYMENT INSURANCE ON INSTALLMENT CREDIT

- Definition .......................................................................................................................................... 95
- Overview .......................................................................................................................................... 96
- Policy Structure .............................................................................................................................. 96
- Eligibility for Insurance ................................................................................................................... 96
- The Insured Event ............................................................................................................................ 96
- The Underlying Credit .................................................................................................................... 97
- Markets and Marketing .................................................................................................................... 97
- The Insurers .................................................................................................................................... 98
- Underwriting Criteria ...................................................................................................................... 98
- Term of Insurance ............................................................................................................................ 98
- Benefit Conditions .......................................................................................................................... 98
- Premium Rates ............................................................................................................................... 98
- Premium Refunds ........................................................................................................................... 100
- Agent Licensing ............................................................................................................................ 101
- Available States ............................................................................................................................. 101
- Advantages to the Producer ........................................................................................................... 101
- Reserves .......................................................................................................................................... 101
Table of Contents

GAP
Definitions .................................................................................................................................................. 102
Overview .............................................................................................................................................. 102
Policy/Contractual Structure .................................................................................................................. 102
Eligibility for Gap Waiver and Gap Waiver Insurance ....................................................................... 103
The Insured Event ................................................................................................................................. 104
The Underlying Credit .......................................................................................................................... 104
Markets and Marketing ......................................................................................................................... 104
The Insurers ....................................................................................................................................... 104
Underwriting Criteria .......................................................................................................................... 104
Term of Coverage ............................................................................................................................... 105
Benefit Conditions of Gap Waiver and Gap Waiver Insurance .......................................................... 105
Rates ..................................................................................................................................................... 105
Financing of the Cost and Regulation Z ............................................................................................... 106
Refunds ................................................................................................................................................ 106
Licensing .............................................................................................................................................. 106
Available States ................................................................................................................................. 107
Advantages to the Producer ................................................................................................................. 107
Reserves .............................................................................................................................................. 107

PRODUCERS OF CREDIT-RELATED INSURANCE
Banks ..................................................................................................................................................... 107
Credit Unions ...................................................................................................................................... 108
Finance Companies ............................................................................................................................. 108
Acceptance Corporations ................................................................................................................... 108
Automobile, Mobile Home, and Recreational Vehicle Dealers .......................................................... 109
The Insurer-Producer Relationship ..................................................................................................... 109
Abbreviations ..................................................................................................................................... 110

THE CASE FOR CREDIT-RELATED INSURANCE
The Need for Credit-Related Insurance ............................................................................................... 110
The Convenience of Credit-Related Insurance .................................................................................... 111
The Cost of Credit-Related Insurance ............................................................................................... 111
Advantages to the Producer ................................................................................................................. 112
Consumer Attitudes ........................................................................................................................... 112

OTHER CREDIT-RELATED INSURANCE PRODUCTS FOR INSTALLMENT CREDIT
Net Payoff Life Insurance ................................................................................................................... 113
Level Life Gross and Net Payoff Coverage ......................................................................................... 113
Combination Products ......................................................................................................................... 113
Truncated Life and Disability Insurance ............................................................................................. 114
Critical Period Disability Insurance .................................................................................................. 114
Creditor-Placed Programs ................................................................................................................... 114

PREMIUM RATES
Prima Facie Rates ............................................................................................................................... 115
Life Insurance Premium Formulas ....................................................................................................... 116
## OVERCOMING CUSTOMERS OBJECTIONS

### HANDLING OBJECTIONS

- “I’m Not Interested in Hearing About any Products” ................................................................. 246
- “I Can’t Afford Additional Protection” ..................................................................................... 246
- Putting the Cost in Perspective .................................................................................................. 246
- ESC vs. Manufacturer’s Warranty ............................................................................................ 246
- ESC Value vs. Insurance Coverage ........................................................................................... 246
- ESC vs. My Personal Mechanic ................................................................................................ 246
- 99.9% Close ................................................................................................................................ 246
- ESC: A No-Lose Option ............................................................................................................. 247
- ESC: Cost vs. Coverage ............................................................................................................. 247
- “I Already Have Life Insurance.” .............................................................................................. 247
- “I am Not Interested in Disability Insurance” ............................................................................ 247
- GAP vs. Vehicle Replacement Costs .......................................................................................... 247
- GPS Security Systems vs. Alarms .............................................................................................. 247
- Anti-Theft System vs. Vehicle Replacement Costs ................................................................... 247
- Appearance Package vs. Vehicle Trade-In Value .................................................................... 247

## CREDIT UNION CONVERSIONS

- Convenience and Confidentiality ............................................................................................ 252
- Keep Your Line of Credit Available ............................................................................................ 253
- Rate Difference ............................................................................................................................. 253
- Right to Offset ............................................................................................................................... 253
- ESC vs. Mechanical Breakdown Insurance .................................................................................. 253

## LAWS, RULES, REGULATIONS AND ETHICS

### AN OVERVIEW OF TRUTH IN LENDING ACT

- Regulation Z ............................................................................................................................... 254
- Advertising ................................................................................................................................. 254
- Truth in Lending - Regulation Z – Published by the Board of Governors of the Federal Reserve System .................................................................................................................. 255
- Official Staff Commentary on Regulation Z ................................................................................ 255
- How to Advertise Consumer Credit & Lease Terms ................................................................. 255

### FINANCE CONTRACT

- Retail Installment Sales Contract ............................................................................................... 304

### CONSUMER LEASING ACT

- Regulation M ............................................................................................................................. 319
- Advertising Consumer Leases .................................................................................................. 319
- Truth in Lending - Regulation M – Published by the Board of Governors of the Federal Reserve System .................................................................................................................. 319
- Official Staff Commentary on Regulation M ................................................................................ 319
- FTC Manual – Advertising Consumer Leases ........................................................................... 319
- FRB Manual – Keys to Vehicle Leasing ..................................................................................... 319
# Table of Contents

## LEASE CONTRACT
- Closed-End Motor Vehicle Lease Contract ................................................................. 342

## EQUAL CREDIT OPPORTUNITY ACT
- Regulation B .................................................................................................................. 352
- Equal Credit Opportunity Act - Regulation B – Published by the Board of Governors of the Federal Reserve System ...... 354
- Official Staff Commentary on Regulation B .................................................................. 354

## FAIR CREDIT REPORTING ACT
- The Fair Credit Reporting Act ...................................................................................... 380
- Rules for Running Credit Reports .................................................................................. 413

## THE CREDIT PRACTICES RULE
- FTC Manual – Complying with the Credit Practices Rule ............................................. 414
- FTC Manual – Cosigning a Loan .................................................................................. 419

## HOLDER IN DUE COURSE RULE
- Preservation of Consumers' Claims and Defenses ....................................................... 420

## MAGNUSON-MOSS WARRANTY ACT
- Overview of the Magnuson-Moss Warranty Act ......................................................... 422

## USED CAR RULE / BUYERS GUIDE
- FTC Manual – A Dealer’s Guide to the Used Car Rule ................................................ 438

## CASH PURCHASES
- Reporting Cash Payments of Over $10,000 - IRS FinCen 8300 .................................. 450

## USA PATRIOT ACT
- What is the USA Patriot Act? ...................................................................................... 458
- OFAC – The Office of Foreign Assets Control ............................................................... 458
- Patriot Act – Summary .................................................................................................. 458

## GRAMM–LEACH–BLILEY ACT
- Disclosure of Nonpublic Personal Information ............................................................. 459
- The Privacy Rule ........................................................................................................... 459
- The Safeguards Rule .................................................................................................... 478

## PAYMENT PACKING
- Quoting Monthly Payments ......................................................................................... 481

## UNFAIR AND DECEPTIVE ACTS, PRACTICES AND FRAUD
- Sample Cases from CARLAW® .................................................................................. 482
THE CALIFORNIA CAR BUYER'S BILL OF RIGHTS
The Car Buyer's Bill of Rights ......................................................................................................................... 493
Association of Finance & Insurance Professionals Supplement to California Car Buyers Bill of Rights ........... 507

STATE LEMON LAWS
Alabama State Lemon Law ................................................................................................................................. 512
Alaska State Lemon Law .................................................................................................................................. 514
Arizona State Lemon Law ................................................................................................................................. 516
Arkansas State Lemon Law ............................................................................................................................... 517
California State Lemon Law ............................................................................................................................ 523
Colorado State Lemon Law ............................................................................................................................... 527
Connecticut State Lemon Law .......................................................................................................................... 528
Delaware State Lemon Laws ............................................................................................................................ 530
Florida State Lemon Law ................................................................................................................................. 533
Georgia State Lemon Law ................................................................................................................................. 544
Hawaii State Lemon Law .................................................................................................................................. 551
Idaho State Lemon Law ...................................................................................................................................... 554
Illinois State Lemon Law ..................................................................................................................................... 559
Indiana State Lemon Law ................................................................................................................................. 561
Iowa State Lemon Law ......................................................................................................................................... 565
Kansas State Lemon Law ..................................................................................................................................... 572
Kentucky State Lemon Law ............................................................................................................................... 573
Louisiana State Lemon Law ............................................................................................................................... 574
Maine State Lemon Law ....................................................................................................................................... 577
Maryland State Lemon Law ............................................................................................................................... 581
Massachusetts State Lemon Law .......................................................................................................................... 584
Michigan State Lemon Law ............................................................................................................................... 592
Minnesota State Lemon Law .............................................................................................................................. 595
Mississippi State Lemon Law .............................................................................................................................. 600
Missouri State Lemon Law ................................................................................................................................. 602
Montana State Lemon Law ................................................................................................................................. 604
Nebraska State Lemon Law ................................................................................................................................. 607
Nevada State Lemon Law ..................................................................................................................................... 608
New Hampshire State Lemon Law ...................................................................................................................... 610
New Jersey State Lemon Law ............................................................................................................................. 614
New Mexico State Lemon Law ............................................................................................................................ 619
New York State Lemon Law ............................................................................................................................... 621
North Carolina State Lemon Law ....................................................................................................................... 630
North Dakota State Lemon Law .......................................................................................................................... 633
Ohio State Lemon Law ......................................................................................................................................... 634
Oklahoma State Lemon Law ............................................................................................................................... 637
Oregon State Lemon Law ................................................................................................................................. 638
Pennsylvania State Lemon Law .......................................................................................................................... 639
Rhode Island State Lemon Law .......................................................................................................................... 641
South Carolina State Lemon Law ...................................................................................................................... 644
South Dakota State Lemon Law .......................................................................................................................... 647
Tennessee State Lemon Law .............................................................................................................................. 649
Table of Contents

Texas State Lemon Law ............................................................................................................................................652
Utah State Lemon Law .............................................................................................................................................661
Vermont State Lemon Law ....................................................................................................................................662
Virginia State Lemon Law .....................................................................................................................................667
Washington State Lemon Law .............................................................................................................................670
Washington D.C. State Lemon Law ......................................................................................................................680
West Virginia State Lemon Law ..........................................................................................................................685
Wisconsin State Lemon Law ..................................................................................................................................687
Wyoming State Lemon Law ..................................................................................................................................693

ETHICS

Protect your Dealership ............................................................................................................................................694
Disclosure is Critically Important ..........................................................................................................................700
Deception in the F&I office ......................................................................................................................................703
Ethical Leasing..........................................................................................................................................................707

INTRODUCTION TO INTERNET AUTOMOTIVE COMMERCE

INTERNET AUTO BUYING PROCESS
Automotive Internet Sites ........................................................................................................................................712
Effective Selling and Closing ....................................................................................................................................712

INTERNET SALES AND ELECTRONIC COMMERCE
Sample Cases from CARLAW® ................................................................................................................................714

eCONTRACTING
Approaches to Quantifying eContracting Benefits .............................................................................................723
eContracting’s Mass Appeal: Not a Matter of If, Only When ..................................................................................726

AUTOMOTIVE FINANCIAL SERVICES INDUSTRY

Auto Finance – The Competitive Landscape and Opportunities for Adaptation ....................................................729
Partnerships in Auto Finance Originations: The Options, Opportunities and Outlook .........................................735
Indirect Auto Financing Source’s Value Proposition: The Foundation of Strategy ..................................................738
Indirect Auto Lenders Need Equal Focus on Dual Client Groups – Dealers and Customers ...............................743
Impact of Auto Financing Incentives on Financial Services ..................................................................................745
Aligning New Technologies with Operational Improvement Goals .........................................................................748
Auto Finance – Perspectives on Fraud in Indirect Auto Finance ........................................................................752
Auto Finance – Collection Strategies ..................................................................................................................755
MISCELLANEOUS ARTICLES

The Safeguards Rule: It’s the Law, Are you in Compliance? ................................................................. 759
What Does the Safeguards Rule Mean to your Dealership ................................................................. 761
OFAC – Do you Know Who you are Dealing With? .............................................................................. 762
Going Beyond the Norm to Capture the “Beyond Prime” Market ..................................................... 763
The Special Finance Divide .................................................................................................................. 765
Professional F&I Training – The Proof is in the Profits ..................................................................... 766
Consumer Fraud – Don’t Get Burned .................................................................................................. 768
Women in F&I – Women Make their Mark ......................................................................................... 771
F & I Menu Selling Process

F&I INTRODUCTION

CUSTODY OF THE CUSTOMER
The chain of custody as it refers to the customer is essential in all aspects of the automotive sales process. The customer must be controlled at all times, beginning with the salesperson. One aspect of that control is maintaining a consistent turnover strategy, from sales to Finance.

The best time to introduce the customer to the F&I manager is at the point of sale. That can be accommodated in several ways: having the salesperson serve as an ambassador of the dealership by taking the customer to the Finance Office and introducing him to the F&I manager, explaining briefly along the way what will occur in that office to help put the customer at ease. Or, having the F&I manager meet the customer on the showroom floor or at the salesperson’s workstation, and letting the F&I manager mention briefly what will soon transpire.

Both methods are effective, and serve to de-mystify the overall vehicle sales transaction process. If the customer has knowledge of the process, he can mentally prepare for it. That means he won’t be surprised, or upset, when he is asked to spend another 30 minutes at the dealership in the Finance Office after he already has spent hours making his deal.

For either chain of custody transition to work properly, the salesperson and the F&I manager need to work together. Educating the Sales staff on the importance of F&I products and processes accomplishes that. It enables the salesperson to have insight, which translates into trust, when the transition occurs. This, in turn, allows for higher backend sales as the customer is better prepared for the F&I portion of the sales transaction. If there is good communication between the F&I and Sales departments – the F&I managers keeping the salespeople updated on the progress of their deals, and the salespeople prepping their customers for the F&I experience – then everyone wins, including a more relaxed customer.

CUSTOMER INTERVIEW PROCESS

THE INTERVIEW PROCESS
Consider the F&I manager as the dealership’s equivalent to a bank manager.

Sensitive financial information will be discussed, and for many who have experienced financial setbacks – that’s a majority of the population – it is a topic that’s not always easy to talk about. Consequently, the F&I manager must establish a personal relationship with the customer in a very short amount of time. This is called building rapport, which really means getting to know your customer quickly and effectively.

The finance manager needs to do this for another purpose as well, and that has to do with the recommendation of aftermarket products. Only by knowing the customer’s situation – what area he lives in, the distance between his home and work, how long he expects to keep his vehicle – can the finance manager help protect his customer and the large investment he is making.

To set the proper stage, the F&I Office must be neat and clean. It should contain family pictures or other items with which the customer can identify. The F&I manager should look like a bank manager – professional to a tee. That includes proper grooming, being dressed appropriately, and carrying the demeanor of authority.

BUILDING RAPPORT / DETERMINING NEEDS
The process includes getting to know the customer by asking questions designed to reveal his situation by getting him to talk about himself. Expansive questions – those that can’t be answered by a simple yes or no – help speed the process. If the F&I manager was able to review the customer’s purchase’s statement prior to the consultation, it is an advantage.

By learning about the customer’s thought process, the F&I manager can determine what is most suitable for him. For instance, if the customer has a sizable commute and will be putting a substantial amount of miles on the vehicle, an Extended Service Contract is in order. The purpose here is to learn of the customer’s distinct needs, even if the customer himself isn’t aware of them. The F&I manager is the expert, and as such will provide solutions to future problems the customer may encounter.

The three objectives of the interview process include establishing a mutual respect with the customer, reviewing the purchaser’s statement and credit report, and verifying the terms of the purchase order. If these objectives are accomplished, the F&I manager will have enough facts to determine, and satisfy, the customer’s needs.

A BREAKDOWN OF THE INTERVIEW PROCESS
The three steps in the interview process, as mentioned above, are:

• Meet and Greet
• Review and Confirm the Figures
• Review Purchaser’s Statement and Credit Report

Encyclopedia of Finance and Insurance Management
MEET & GREET
Purpose of the Meet & Greet

- Customer Custody Transition
- Building Trust and Credibility

The customer has probably spent several hours with a salesperson, and now is introduced to a new individual who has the power to make, or break, the transaction. The fear of the unknown is always scary, so there is bound to be some trepidation on the customer’s behalf.

To help put the customer at ease, the F&I manager needs to let him know he is in his corner. He can do this by congratulating the customer on his purchase, and talking about the excellent decision he made by talking up the vehicle’s attributes. Once the customer is comfortable – the finance manager obviously sharing the customer’s enthusiasm for the vehicle – the F&I manager should brief the customer on the next step in the sales transaction.

Use your own words to relate to the customer, but convey the following information:

“Congratulations, Mr. and Mrs. Smith. I’m sure you’re going to love your new Ford Escape, which gets great gas mileage for an SUV. May I call you John and Jane?”

“My name is Jeff Myers, and I’m the finance manager. I’m going to prepare all the legal and registration paperwork, so you’ll be able to drive home in your new car. I’ll also assist you with financing, if you need it, and discuss how you can protect your new investment. The whole process should take about 20 minutes, and while we’re doing the paperwork, your new car is being prepared for delivery.”

“Before we begin, can I offer you a soft drink or a cup of coffee?”

REVIEW AND CONFIRM
THE FIGURES
Purpose of Reviewing and Confirming the Figures

- Verification of Purchase

The finance manager was not party to the sales negotiation, so it’s incumbent upon him to confirm the deal on his desk. If there are any problems regarding the agreement, the finance manager should immediately contact the sales manager.

The verification process can start like this:

“Let’s review the purchase order. You purchased a 2007 Ford Escape four-door in black and these are the figures you’ve agreed to…”

Verify the following: selling price, trade allowance, trade payoff, cash down, and the monthly payment.

For the registration paperwork, verify the proper name, current address and for delivery purposes, confirm the current insurance information.

REVIEW PURCHASER’S STATEMENT AND CREDIT REPORT
Purpose of Reviewing the Purchaser’s Statement and Credit Report

- Verify Personal Information
- Determine the Customer’s Needs
- Structure the Deal for Credit Approval

The purchaser’s statement contains personal information that enables the finance manager to learn more about the customer. By questioning or highlighting some of this information, the finance manager can build the rapport necessary to make this a successful consultation. Reviewing the purchaser’s statement also allows the customer to verify work history, job title, income sources and the length of time at current and previous residences. Lenders require this information for loan approval and funding.

For example:

“Next, I’d like to review your personal information that is required by the lender, and to make sure I register your car and process your legal paperwork correctly.”

Reviewing the credit report with the customer allows the F&I manager to structure the deal for the appropriate financial institution. Since the customer at this point will expound on his credit situation – explaining any credit problems that appear on the report – the finance manager can better match the customer to the lender.

“Let’s go over your credit information to make sure we get the most suitable rate and terms for you.”
F&I MENU PRESENTATION

THE MENU
The advent of the menu system has revolutionized the methodology of product presentation. It’s still necessary for the customer to provide an insight into his habits and routines, so the finance manager can determine the customer’s needs. However, as an expert on vehicle investment protection, the finance manager must provide details on all the available options. Otherwise, the customer will not be able to make an intelligent decision.

By using a menu system, a finance manager can offer his product options to all his customers, counseling them on the basis of what he has learned about them. By having his customers sign the menu, the finance manager can protect himself and the dealership by proving all the products were offered and explained to each and every customer. This efficient and effective process also builds strong CSI, as customers appreciate knowing about the wide range of protection products available to them. It allows the finance manager to utilize the 300% rule. Offer 100% of your products to 100% of your customers 100% of the time.

F&I MENU PRESENTATION STEPS
The following is an example of how to transition to a menu presentation.

“Your new vehicle represents a substantial investment, and as your finance manager it is my responsibility to share with you the available protection options, so you can make an informed decision.”

Step 1: Verify the Information
Start at the top of the menu. Make sure the customer and vehicle information, purchase price, cash down, trade value, trade payoff, balance financed, term, APR, base payment, etc. are accurate.

Step 2: Product Presentation
Explain the options presented in the menu. Discuss the features, but stress the benefits. If the customer agrees the benefits are worthwhile, he will buy them. Benefits sell themselves, as they represent value. The customer should perceive the finance manager as an expert who is looking out for the customer’s best interests. Consequently, what should follow is a logical, informative discourse on the products designed to protect the customer.

Step 3: Qualify the Customer
Qualify the customer for a specific option.

“Which one of these options would best fit your needs?”

Step 4: Closing on a Specific Option
When the customer decides on an option, ask him if he would like to keep the payment term the same, or extend the term to reduce his monthly payment. Have the customer sign the option.

“Would you like me to extend your term for a lower monthly payment?”