

Finance and Insurance

The desk can be critical to a dealership's success, but overstepping its boundaries can leave a store vulnerable. The magazine's F&I pro draws a line in the sand.

By **Ronald J. Reahard**

There is an ugly trend taking hold at many dealerships today. The sales desk is being tasked with many of the duties and functions that have traditionally been the responsibility of the F&I department. The list includes taking credit applications, pulling credit bureaus, submitting deals to lenders, and quoting payments and interest rates.

In such cases, F&I is a separate department in name only. And unless the customer has terrible credit, the desk basically handles the entire process while the finance office is relegated to simply preparing the paperwork and presenting the customer with additional products to purchase.

Paper Pusher vs. F&I Manager

Is this what's happening at your dealership? If you're not sure, consider the following questions:

1. Who takes the credit application and obtains the credit bureau report?
2. Who reviews the app with the customer prior to submission?
3. Who decides which lender to submit the deal to, and who actually submits the deal to the lender?
4. Who determines the interest rate, down payment and maximum advance?
5. Who decides whether the customer matches the vehicle, and who decides whether or not to deliver the unit?

If you answered "the desk" to a majority of those questions, then you no longer have an F&I department. What you have is a secretarial service for the sales department. All you're doing is typing up the finance terms the sales department negotiated.

F&I managers are there to help customers attain the car they want at terms they can afford. Removing the

"finance" function from the F&I department reduces it to mere product pushers. Worse yet, if the F&I manager is not reviewing the credit application and credit bureau with the customer prior to submitting a deal to a lender, the customer will not perceive him or her as having any role in the credit process — and they'd be right.

The biggest problem, however, is that there is no way for the F&I manager to attain the necessary information he or she needs to make a needs-based product presentation. And if an F&I manager doesn't get the customer's story regarding information contained in the credit app or the bureau, the F&I sales process becomes nothing more than a series of generic product pitches.

Checks and Balances

The F&I department also plays a vital role in protecting the dealership, because all it takes to put a dealership out of business is a desperate salesperson inflating a customer's income or a rogue sales manager power-booking cars. That's why every store

Reorganizing



Finance and Insurance

needs someone outside of the sales department to confirm that the customer's information is correct and to verify that every deal is structured properly for a particular lender prior to submission.

Every dealership and every department in the dealership needs a checks-and-balances system. If a

particular form is missing, filled out incorrectly or not signed, someone from accounting will gleefully prance into the F&I office, wave the form in the manager's face and chortle, "You forgot to get this signed!" And just as the accounting office is a branch of our checks-and-balances system, the F&I department must act in the same

capacity for the sales department. If you let the fox guard the henhouse, you'll run out of chickens pretty fast. If you eliminate the critical checks and balances for the sales department, you may not have a dealership.

The F&I department also is responsible for building and maintaining the dealership's lender relations, which means they have to be the ones to confirm the information sent to the lender is correct. The department also must manage the dealership's portfolio mix and look-to-book ratio for all of the dealership's lenders. That is impossible to do when you're not the one submitting the deals to the dealership's finance sources.

To protect the dealership and ensure the customer sees value in the F&I process, the sales desk must operate within certain parameters. The most successful — and profitable — dealerships establish written guidelines for both the sales and F&I departments. Those guidelines should reflect the fact that the sales department is responsible for selling new and used vehicles. It should also indicate that the sales department is not responsible for selling or giving away dealership financing or F&I products in an effort to sell those vehicles. Additionally, the sales desk should not be allowed to submit deals to lenders without an F&I manager first reviewing the deal and interviewing the customer.

If a customer indicates they want the dealership to arrange their financing, the desk can certainly have a salesperson assist them in completing a credit app. The sales desk also can and should obtain a credit bureau report to help determine the interest rate for which the customer is likely to qualify. Additionally, payments and interest rates should be quoted by the desk utilizing the dealership's guidelines before and after a credit bureau report has been obtained.

Once the customer makes a commitment to buy, it becomes absolutely essential that an F&I manager interview the customer prior to submitting the deal to a lender. Again, informa-



If an F&I manager doesn't get the customer's story regarding information contained in the credit app or the bureau, the F&I sales process becomes nothing more than a series of generic product pitches.

tion needs to be confirmed and the F&I manager must have the opportunity to learn the details and circumstances related to any adverse information contained in the customer's credit report. Not only is it essential for justifying an approval from your buyer, the information provides the foundation for a needs-based product presentation in the F&I office.

Selling the Deal

Remember, the first thing every lender considers is the deal structure itself. Based upon the lender's stated guidelines, maximum advance, debt-to-income ratio, etc., ask yourself whether the deal meets the lender's requirements. Nothing irritates a paper buyer more than receiving a deal that clearly wasn't structured with his bank's guidelines in mind.

We've all had deals approved pending proof of income, only to find that we can't actually provide the proof. You know what that looks like to a lender? It looks like we didn't do our job. That's why it's critical that every dealership have written guidelines for the sales department when it comes to taking the credit application, obtaining a credit bureau report, and quoting interest rates and monthly payments prior to introducing the customer to the F&I department.

Lastly, your dealership's guidelines must require that the F&I department evaluate the deal structure, as well

as review the credit application and credit bureau with the customer prior to submitting the deal to a lender.

So, again, if your F&I department is not responsible for confirming the information on the credit application, reviewing the customer's credit history with him or her, helping to structure the deal and then submit-

ting it to a lender, maybe it's time to reorganize your desk! ■

Ron Reahard is president of Reahard & Associates Inc., an F&I training company providing classes, workshops, and in-dealership and online training. Email him at ron.reahard@bobit.com.