News you can use

Dates to save, trends to watch

Data Extraction Seminar. Dealership DMS consultant Sandi Jerome will hold a Hands-on DMS Data Extraction Seminar on Wednesday, May 18, at the Woodbridge Hilton in Iselin, NJ. Learn how to create advanced reports from extracted data. For more information, contact Mironov, Sloan & Parziale, LLC at 732-572-3900.

Class-action curb. The Class Action Fairness Act of 2005, recently signed by President Bush, is intended to shift most class-action lawsuits from state courts to federal courts, which historically have been less friendly to plaintiffs in these kinds of cases.

Benefits surprise. Just 22% of surveyed employees at organizations that poorly communicate the value of their rich benefits programs are satisfied with their benefit package. In contrast, 76% of employees at organizations that effectively communicate the value of less rich benefit packages are satisfied, according to Watson Wyatt’s WorkUSA® 2004 study. A more recent analysis by the human capital consulting firm also found lower turnover among top employees whose employers offer less rich benefit packages but better communication.

Clarification. A reference to Section 179 bonus depreciation in our February issue (“Tax return tips”) should have indicated $102,000 as the 2004 write-off amount; $100,000 was the 2003 figure.

Financing options
Dealers weigh pros and cons of different floorplanning sources

“Coercion” by captive finance companies isn’t the only consideration.

Karp Automotive of Rockville Centre, NY, has seen a lot of industry changes since opening its doors in 1957. Now dealer David Karp, whose father founded the business and whose grandfather was also an auto dealer, is facing a growing dilemma.

Karp Volvo Buick Saab, which has long used a local bank rather than the manufacturers for floorplan financing, has really started to feel the squeeze on the retail end as a result. In December, it lost six Volvo sales, which Mr. Karp attributes to the captive finance company not buying its contracts at the more favorable terms offered to its floorplan dealers; he just wasn’t able to match what the competition could offer. Four of the customers went to a dealer down the street and the other two bought a different brand.

see Financing options on page 2

Smart investing
Don’t risk your family’s financial future

Preplanning prior to retirement or a dealership sale can help.

Putting an auto dealership up for sale, particularly a long-time family business, is one of the most difficult tasks a dealer can face. Determining an accurate valuation, finding potential buyers, and negotiating the terms of a deal are enough to set just about anyone on edge.

Equally challenging is figuring out what to do with the proceeds from even the smoothest of buy/sell transactions. For someone used to putting most of their money back into their business, getting accustomed to a whole new range of investment options—and potential tax consequences—can be downright intimidating.

Karl Murray, a vice president with the Pitcairn Financial Group, a privately owned wealth management and investment advisory firm headquartered in Jenkintown, PA, recently helped educate two auto

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“The (manufacturers’) disparity between floorplan and non-floorplan dealers and the resulting offers to the public is counterpro-
ductive,” Mr. Karp told us, since in reality they’re offering “second-class-
citizen rates” to dealers who floorplan elsewhere. The additional cost is either absorbed by the dealer or passed on to the customer.

“We’re taking lower profits up to a point or trying to convince custom-
ers that we’re worth a couple of dol-
ars more,” says Mr. Karp. But more often it’s coming down to losing profits or losing a customer, he says. Captives are also less likely to buy as deeply (accept contracts from less creditworthy customers) from dealers who floorplan elsewhere. This too creates an unreasonable advan-
tage to floorplan dealers.

“We’re trying to resolve this situa-
tion amicably with the manufac-
turer. We’re exploring the benefits of becoming a floorplan dealer with Ford and General Motors. But we’re not comfortable being forced to do this. We’re now being almost coerced into using a single source for retail paper,” he told us in February.

Mr. Karp has since decided to stick with his local bank for floorplanning, given 20-plus years of history. Lately Volvo Finance has been fair about its practices, assisting all dealers equally in the most recent promotion, he says. “I hope it continues in this vein,” he says. Still, he’s not able to take advantage of the retail programs GMAC Fin-
cancial Services offers its floorplan dealers.

Another viewpoint
The captive lenders are the floorplan provider of choice for other dealers like Baltimore auto group Schaefer & Strohminger, which floorplans exclusively through Chrysler Financial Corp.

“If you don’t floor plan with (the captive lenders), they’re not bashful about telling you the buying prac-
tices will be much tighter. The latter borders on coercion, since in effect, in order to take advantage of their favorable rates, you have no choice but to deal with them, and if they are not buying your paper deeply, you can really get hurt,” says S&S CEO Joe Jankowski.

But this isn’t the whole story behind S&S’s floorplanning choice. “By using CFC we can be confident that our lender will always support our business. Like many other dealers, we have experi-
cenced the whims of various banks, who choose when and when not to do business with car dealers. There are also many in-
centives tied to retail penetrations which serve to reduce floorplan costs,” says Mr. Jankowski.

S&S invests all its excess cash in the CFC floorplan offset account, which provides a good rate of return and is 100 percent liquid. Mr. Jankowski also described to us an interesting incentive CFC has for its floorplan dealers: it gives $60 per new contract, and $30 per used contract, along with up to a 1 per-
cent rebate on the stated floorplan interest. CFC will allow you to credit 20 percent of this amount to an investment account, which if you remain a dealer for two years, will yield a 35 percent bonus on funds, he says. “This is the most creative twist I’ve seen used as a retention tool,” he says.

Shop your floorplanning business
Ed Offterdinger, managing partner in charge of the automotive group at CPA and consulting firm Beers & Cutler PLLC, says at least 80 percent of his clients use captive finance com-
panies for floorplanning. It’s pretty dif-
cult for commercial lenders to com-
pete with the rate captives offer. They can be more aggressive since they don’t face the same level of regulation as banks. Floorplan with the cap-
tives and they’re likely to let you sell more retail paper too. But don’t auto-
matically rule out the banks, he says.

For one, banks can be more respon-
sive than the captives. Dealers — es-
pecially those in the expansion mode – may also be able to find fairly com-
petitive floorplan rates from banks if they bundle this together with their real estate, cash management and working capital needs, says Mr. Offterdinger.

Before you make any floorplanning de-
cisions, he suggests talking to at least three potential sources. “Much more and they’ll start to run together,” he says. Layout the terms side by side and they’ll start to run together,” he says. Layout the terms side by side and see which is least intrusive. Find out how much time you have to pay off the cars. You should also ask if the proposal rates are LIBOR or Prime based; the best loans, he says, tend to be LIBOR based.

While the captives are a ready source of where to go to sell your paper and may offer you a great floorplan rate, be wary of their possible demands – like demanding that you sell them every “A” credit paper that walks in the door. Don’t be afraid to ask them to be more aggressive in buying your “B” paper, he says. There’s often room for some back and forth.

“If you push and are patient, you should get the one (floorplan source) you are happiest with from the service level and get the rates you want,” says Mr. Offterdinger. Don’t look to switch floorplan sources too often, though, he warns.

“If you shop every year, you’re asking for inferior service because you’re defining it as a commodity. You want a good rela-
tionship. There’s a balance between leaving money on the table and getting good service,” he says. Mr. Offterdinger, based in Tysons Corner, Va., may be reached at 703-637-7608 or eoffterdinger@beersandcutler.com.
Smart investing continued from page 1

Dealers, each of whom sold their business to a consolidator. Both clients had put a lot of money into their dealerships and hadn’t done much other investing.

“There are many issues associated with significant wealth,” says Mr. Murray. “$1 million is a lot different than $30 million. A considerable amount of planning is involved including how it impacts you personally as well as the future of your family.”

Mr. Murray and his colleagues start out by building a thoughtful investment strategy based on individual needs, objectives and risk tolerance. In this case, they made sure that the clients understood the fundamentals of fixed income and equity, and how to achieve good results with them. For example, in a low interest rate environment it’s best to keep fixed income maturities shorter. On the equity side, diversifying among small, mid and large capitalization growth and value stocks can help decrease volatility and lead to steadier returns.

“We’re looking to hit singles and doubles, not home runs... steady gains of 8 to 10 percent are better than being up 15 percent, down 30 percent and then up 2 percent,” says Mr. Murray.

Beyond fixed income and equities, Pitcairn also introduces clients to alternative investments such as hedge funds, private equity (non-public companies with growth potential), and real estate. A private real estate investment trust (REIT) could include a land pool in 10 to 20 different properties of one or more classifications (i.e., apartments, commercial, industrial and residential).

The planning process

Pitcairn has done planning with auto dealers prior to the sale of Pitcairn has done planning with auto dealers prior to the sale of their operations. Its personal financial managers make sure that assets are held in the proper names and appropriate trusts exist. They meet with an individual and their family to find out about their needs, estate matters, and risk tolerance. Monte Carlo simulations are run with different asset class allocations. After some fine-tuning, Pitcairn comes up with an acceptable and agreed upon allocation for the client and writes up an individualized investment policy statement, which becomes a blueprint for investing. A plan can generally be in place one to three months after the initial meeting, says Mr. Murray.

A couple of topics that often come up, he says, are how to cost effectively provide health benefits and life insurance for the whole family – things that had been provided by the dealership. “It’s not just the patriarch or matriarch, there are others involved,” he says. In one case, the son stayed on with the new owner and got benefits but the dad retired and had to make other plans.

Pitcairn conducts quarterly evaluations of investments and estate matters. Clients receive monthly portfolio statements and quarterly investment reports. Pitcairn also participates in several wealth management networks and is in touch with other wealth management advisors worldwide. The group is constantly monitoring how other wealthy families are dealing with the ever-changing investment, legal and regulatory environments. To reach Mr. Murray, call 215-881-6058 or e-mail k.murray@pitcairn.com.

Dealers contemplating selling their businesses and looking ahead to securing their family’s financial future are encouraged to attend “Ownership & Management Transition Planning for Auto Dealers,” a DealersEdge seminar to be held May 11-12 in Chicago. For more information, go to www.dealersedge.com or call 1-800-321-5312.

Minimize tax consequences

As tax director of Pitcairn Financial Group, one of David Nave’s jobs is to come up with ways for clients to diversify and defer capital gains. His suggestions for auto dealers looking to minimize the tax consequences associated with the sale of a dealership:

► Examine the current structure of your business. Depending on how it’s structured, you could have a double tax. For example, make sure that real estate is held in a pass through entity and not in the corporation in order to avoid double taxation.

► If the business is held as a corporation, you may want to structure a stock sale rather than an asset sale.

► Look at your retirement plans before you sell. Who are you designating as beneficiaries?

► Review your succession planning. You may want to gift assets before a sale.

 Dealers should be aware that they may exchange their real estate for other real estate – such as raw land that can be built on or held for investment purposes – without incurring taxes. The proceeds for like-kind exchanges go into an escrow account. The seller then has 180 days to identify six potential properties and 180 days to complete a transaction, says Mr. Nave.
More auto dealerships are relying on arbitration clauses to avoid costly consumer lawsuits, but, as one dealer learned the hard way last year, they can be invalidated if you’re not careful.

The dilemma
Lisa Eagle experienced several mechanical problems with a used car she purchased from Fred Martin Motor Co. She brought the vehicle to the dealership’s service department a number of times and the mechanics told her they couldn’t guarantee that they could always get the parts to fix it. Eagle sued, claiming alleged unfair and deceptive consumer sales practices, but she was ordered to go to arbitration since the purchase agreement she had signed included an arbitration provision. Eagle appealed, challenging the arbitration clause.

What happened? Make your decision and turn to p. 6.

Quick guide for floor planning with banks

Here’s what you should look for – and what the banks are looking for too.

The banking industry has been consolidating and a number of banks have sold off their floorplanning businesses, but commercial lenders can still be a viable option for dealers looking for an alternative to the captive finance companies.

Dealers interested in exploring floorplanning options with commercial lenders should look for someone who understands their business, has been working with auto dealers for a long time, and is likely to be there in the future, says attorney Charles DeBevoise, a shareholder with Boston-based law firm Davis, Malm & D’Agostine, P.C. Look at a bank’s current ownership. Is it susceptible to change? Although it’s hard to project if Bank A will announce an acquisition of Bank B, check to see if large chunks of stock are held by a few people or institutions, he says.

Mr. DeBevoise, who typically represents lenders and works on a lot of financing arrangements with their dealership customers, says dealers should ask a bank about its history in the floorplan lending area and about its operational infrastructure for monthly audits and drafting – its process for paying the manufacturer for the cars. It’s generally consistent among better banks, he says.

Mr. DeBevoise, who was recently involved with an $18 million floorplan deal, typically steps in at the point where a loan officer is thinking about taking a loan proposal to the loan committee for approval. If a commitment letter is issued, he prepares loan documents and conducts legal due diligence for the client. Banks take a look at a number of things, he says, including the dealer’s experience and how the dealership is staffed, managed and run. Banks, which look for dealers with strong balance sheets, also take a close look at the dealer’s personal net worth and liquidity; the cash flow of the dealership (to see if it is run properly to service debt); and the guarantor’s income, net worth and liquidity.

His suggestions for dealers looking to become better partners with lenders:

- Communicate early and openly about your business so the lender has time to help you through the process. He has heard lender clients become unhappy when they’ve been surprised in a negative way about financial results.
- Build a relationship with the lender.
- Don’t treat a lender as an adversary.

Mr. DeBevoise can be reached at 617-589-3846 or cdebevoise@davismalm.com.
Workplace trends

Trains, buses and automobiles: three-hour commutes grow more common

Cars are becoming pseudo offices and living rooms for some of these commuters.

Extreme commuters, U.S. workers who travel a minimum of an hour-and-a-half each way to work and back every day, has jumped 95 percent since 1990 to 3.4 million workers, according to the Census Bureau. A recent BusinessWeek Online article titled “Extreme Commuting,” which cited this statistic, stated that experts expect this number to continue to swell.

Supporting this trend, reported the article, is expensive real estate, the increasing logistic difficulty of being able to live near two working spouses’ jobs – or near an ex-spouse and the kids – and the search for something better (house, salary, school, etc.). It also noted that more low-income rural workers looking to make a living wage are flocking to a growing number of corporate jobs in the suburbs. The U.S. average commute is now 25.5 minutes each way.

Studies show that, on average, commuters are much less satisfied with their lives than noncommuters, reported the article. Social connections, hobbies and health suffer the most. Commuting is associated with elevated blood pressure, musculoskeletal disorders, increased hostility, tardiness, absenteeism, and adverse effects on cognitive performance, it noted. But technology, which can turn commute time into work time, and more comfortable vehicles have become the panaceas for those who can afford it.

One person quoted in the article drives 105 miles each way to work – from Chicago to Michigan – so he can live near his fiancée and his sons who live with their mom. The man, who conducts a lot of business on his cell phone while enroute, put 62,000 miles on a brand new Range Rover during his first year on the job and now drives an $84,000 Mercedes sedan. “I knew it was a splurge, but I spend more time in my car than in my living room,” he said.

What’s working in dealerships

Real-life problems and creative solutions: dealership CFOs and controllers share success strategies that can be adapted to fit your business’s specific needs.

Vigilant monitoring helps dealer catch $12,000 overcharge

(Andrea Glowacki, controller, Viti, Inc., Tiverton, RI)

We’re being a lot tougher on payables and who has purchasing authority. We now require prerequisite forms for any purchase that’s an expense to the dealership; employers are no longer empowered to order things. It’s designed to be a two-signature form; the two owners and I can sign it. The payable clerk has to match up bills to the prerequisite forms. The forms are a continuation of our keeping a close eye on everything.

We recently put a $3 million addition on our facility. We were billed through our contractor and I controlled (all paperwork) related to the construction; it did not go through our payable people. We discovered we were double-billed an extra $12,000 by a subcontractor.

Local college is great source for tech staff

(Brad Warren, technology director, Healey Brothers, Hudson Valley, NY)

We employ two college students from a local community college with a great IT department. One works as our digital photographer, taking photos of new and used vehicles for our website, and the other indexes them. I went to the college, asked which professors I should speak with, and made appointments. We could’ve hired a dealer specialty company but that costs an arm and a leg. There’s a boom in 18- to 25-year-old people who love cars.

Do you have a strategy in place that’s helping you save time or money, boost cash flow, improve employee relations, make better use of technology, or anything else? Share your dealership success story with us. E-mail Jeri Bier at jkbier@dealersedge.com or send a fax to 1-800-314-4770. Got questions on how to improve any process or problem? Send us those too and we’ll help you find an answer.
The decision

The appeals court determined the arbitration clause was “unconscionable” and therefore unenforceable. The clause didn’t disclose how much arbitration could cost, but it would be prohibitive and unfair to low-income consumers like Eagle, it said. The court also noted the great disparity in bargaining power between Eagle and the dealership. No one at the dealership explained the clause to her and it was doubtful – considering her educational and economic background, age, sophistication and experience – that she understood it or was aware she was waiving her consumer rights. The clause’s secrecy requirements also directly hindered the consumer protection purposes of the Consumer Sales Practices Act, said the court.

The implications

“Eagle is a wake-up call,” attorney Robert Rapp wrote in the Winter 2005 issue of Litigation Insights, a publication of Ohio-based law firm Calfee, Halter & Griswold LLP. “The court did not hold that all arbitration clauses in preprinted sales contracts are invalid. It did hold, however, that particular features or elements of an arbitration provision can make it invalid, particularly in circumstances where there is significant disparity in bargaining power and an unfair surprise to a consumer.”

“The courts are showing a willingness at the consumer level to take a good hard look to determine if there really was an agreement,” Mr. Rapp told the CFO & Controller Report. An arbitration agreement should set out clearly (in plain English and boldface type) that the consumer is giving up the right to submit a case to court or have a jury trial; it’s up to the business to ensure that the customer sees and understands this, he says. Make sure too that any provision does not impose excessive burdens on the consumer, such as making them bear most of the costs or requiring a case to be heard in a distant location, says Mr. Rapp. Businesses should ensure that their arbitration agreements don’t step in the way of state statutes. He also notes that laws can vary from county to county.

Mr. Rapp’s primary focus is financial market regulation and litigation. He is also an arbitrator for the American Arbitration Association and is a member of its Northern Ohio Commercial Advisory Council. Contact him at 216-622-8288 or rrapp@calfee.com.

Auto dealers who’ve shied away from setting up their own F&I entities – typically referred to as dealership/producer-owned reinsurance companies (PORCs) – out of fear of the Internal Revenue Service’s stiff crackdown are getting more interested now that the IRS recently announced a step down in its level of scrutiny. And there’s no shortage of companies looking to grab any portion of your business.

“You couldn’t walk very far at NADA without seeing an F&I company that sets up arrangements for auto dealers,” says CPA and automotive tax executive Joseph Magyar, referring to the Convention and Expo in New Orleans in January.

At a glance

Setting up or participating in an F&I arrangement can give dealers the chance to:

■ Retain more of the profits generated from the sale of F&I products
■ Grow reinsurance premiums in a tax advantaged manner
■ Diversify dealership risk by segregating assets and increasing profit per vehicle

But how do you know what program or model is right for you, and how do you make sure it’s correctly structured to comply with existing IRS guidelines?

For some answers, we spoke with Mr. Magyar and his colleague Matthew Joffe, an attorney who is also a tax executive with Crowe Chizek and Company LLP in Fort Lauderdale, Fla. About 80 percent of their firm’s dealership clients are doing something to take advantage of underwriting income, especially with warranty contracts. This includes: owning 100 percent of their own reinsurance companies; participating in underwriting income or profits of an F&I entity with multiple owners; or partaking in retro programs that yield additional commissions tied to the performance of the dealer’s book of business.
Mr. Magyar and Mr. Joffe work with dealers to identify the benefits and risks of different arrangements. The first questions they ask are:

- Is this a profitable line of business for the dealer?
- What are the dealer/principal’s intentions and desires (e.g., build an additional cash cow to support business expansion and lifestyle; build another business for long term personal wealth; or create a wealth transfer tool to share business profits with other family members and key managers)?
- Who will administer the entity, the dealer or a third party? Money is made and lost in the administration of contracts, they say.

After looking at the financial implications and risks, they take a look on the tax end to see if an option can operate appropriately and achieve goals for tax purposes.

Make sure that any F&I company you work with has a good history and good reputation, say Mr. Joffe. He and Mr. Magyar recommend getting references and referrals from other dealers. It’s also important to have any arrangements reviewed by competent outside professionals, including a CPA and legal counsel. This is especially important if you do business in multiple states and it’s getting more critical amid the increasingly rocky F&I legal landscape.

Although the term PORC is generally applied when dealers participate in underwriting income, Messrs. Magyar and Joffe prefer the term “insurance company” or “reinsurance company.” Not only does PORC carry negative connotations, it’s also a misnomer since such entities are generally owned by the dealer and their family, not the dealership.

While many dealers spend significant time debating onshore vs. offshore entities, Crowe Chizek recommends that cost and performance lead the decision rather than location. At a minimum, an F&I entity should meet the criteria listed in the sidebar below.

Mr. Magyar, who is also the chairman of AutoTeam America’s Tax Committee, may be reached at 954-489-7439 or jmagyar@crowechizek.com. Contact Mr. Joffe at 954-202-2923 or mjoffe@crowechizek.com.

The IRS test

In order to pass IRS muster, the primary criteria a dealership/producer-owned reinsurance company (PORC) must meet are:

- More than 50% of gross receipts and net income must come from insurance or reinsurance.
- “Arm’s length” pricing must be used. An actuary or industry guidelines should determine how much of a service contract, for example, is insurance and how much is commission.
- The entity must have enough capital in order to pay current claims. Again, this figure should be determined by an actuary or industry standard. It is also important to set up an insurance company in a jurisdiction that regulates them appropriately; the IRS doesn’t care for ones that are very loosely regulated. The regulators there should understand your business and the jurisdiction should have reasonable capital requirements.

Source: M. Joffe and J. Magyar, Crowe Chizek and Co.

A faster service drive? We’re talking hamburgers here, not tune-ups. McDonald’s has begun the use of remote call centers for order-taking at a number of its restaurants in the Pacific Northwest, according to a recent article in USA Today. The company is hoping that call center professionals with “very strong communication skills” can help boost order accuracy and speed up the drive-thru process. McDonald’s CFO Matthew Paull said a “heavy percentage” of the complaints received are from drive-thru customers who received the wrong order. “Even if 95% of the time it is right, those 5% are very upset with us,” he said. Discuss ways to boost your own customer satisfaction scores with managers and staff — maybe over a quick lunch.

Virtual meetings. A $10 microphone, a $100 video camera, and a collaborative workgroup application like Microsoft NetMeeting are all that it takes to bring people in remote locations together, the Journal of Accountancy noted in a February 2005 article that walked readers through the process of how to set up a virtual conference. The Microsoft application – which comes with Windows 95 or later versions and requires just a few mouse clicks to activate – enables participants to sketch diagrams or write notes on an electronic whiteboard and incorporate material into a shared document or spreadsheet, said the article.

Speeding crackdown. More states are experimenting with camera systems which automatically send tickets to speed-limit violators, reported the Wall Street Journal. Just four states and Washington D.C. currently allow speed cameras.
The back page

Prevent identity theft
Importance of safeguarding data escalates to a whole new level

ID thieves are getting trickier and dealers are being held more accountable.

Data vendor ChoicePoint’s recent announcement that criminals posing as legitimate businesses gained access to its customer databases, stealing personal and financial data from up to 145,000 consumers nationwide, has set off a flurry of activity in recent weeks.

The Federal Trade Commission – which says identity theft strikes about 10 million Americans a year – testified about the reach of existing federal laws that require safeguarding of sensitive information. More states are considering security freeze laws, which would prevent anyone from getting credit in the consumer’s name if he or she has requested to have their file frozen. A couple of states are also considering requiring companies to notify customers about security breaches, which is how the ChoicePoint scandal was revealed in California.

The best measure to strike back against identity theft is to try to prevent it in the first place by hiring smart and adequately safeguarding customer data. Some suggestions for auto dealers, from various sources including the Better Business Bureau:

- Use criminal background checks for employee applicants and verify they are indeed who they say they are. Train all employees on your security program and keep a log to track who has received training. Remove a departed employee’s network access immediately.
- Place your computer server in a secure location and limit access to programs on a need-to-know basis. Use password protection, encryption, adequate firewalls, virus protection and security patches. Regularly backup sensitive customer information.
- Remember to lock up files and do not leave copies of driver’s licenses and credit applications unattended. Shred any information that isn’t necessary. Identity theft is more likely to be “paper-based” rather than “cyber-based”, according to a survey co-sponsored by the Better Business Bureau.
- Don’t give out employee or customer information to anyone whose identity can’t be positively confirmed.

Dealers may recall that a number of provisions of the Fair and Accurate Credit Transactions (FACT) Act of 2003, designed to help reduce identity theft, kicked in late last year. As of June 1, dealers will also be required to follow a new rule required by the FACT Act regarding the proper disposal of consumer reports and related records. Dealers can be held liable if their vendors fail to adequately destroy records so due diligence on vendor selection is strongly recommended (see the March issue of DealersEdge Essential Office Manager).

The bottom line
Identity theft can cost businesses and consumers a lot of time and money. Failure to comply with the FTC’s Safeguards Rule can result in a maximum fine of $11,000 per day. But just in case you need another incentive to get more proactive about these matters, we have one: Automotive News recently reported that auto lenders are starting to holding dealerships more accountable for verifying customers’ identities and collecting accurate credit information. Lenders are increasingly forcing dealerships to repurchase contracts that have been defaulted on, take back the vehicle, and pay off the loan.