

THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 26-04

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LEGAL UPDATE:

Dealers Pack F&I/Legal Compliance Seminar *Profitability and Compliance Are Not at Odds*

Dealers still flinch at a replay of the recent “60 Minutes” account of deceptive dealership F&I practices as well as numerous other media “exposes” and growing reports of individual and class-action lawsuits that were reviewed at WANADA’s “Legal Compliance Seminar,” held last week at the Pooks Hill Marriott, Bethesda, MD.

These reports are symptomatic of a changing legal, regulatory and public relations climate, and they were used to set the stage for the comprehensive yet easy to understand two-hour seminar that convincingly demonstrated to dealership executives that profitability and compliance with the law are not at odds.

The workshop focused on changes in the finance industry in today's market, dealer best practices, recommended F&I processes, and how lawsuits affect every dealer and the industry's reputation. There was also a review of 10 specific strategies to ensure legal compliance.

After the session was opened by WANADA legal counsel Patrick Kavanaugh, WANADA dealers heard from experts in the field: Chris Costello, corporate attorney for Jim Moran & Associates, Inc., and Peter Chafetz, JM&A Group's career development manager. JM&A Group has over 2,100 dealer customers nationwide, and has been

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Every seat was filled for the WANADA/JM&A Legal Compliance Seminar last week. At right and above, Peter Chafetz reviews negative media accounts of dealership F&I practices that have resulted in increased legal scrutiny.

DEALERS IN THE SPOTLIGHT

Criswell, Koons & Lindsay Honored As GM Dealers of the Year

Three area WANADA dealer members were among only 108 GM dealers nationwide to be recognized as “GM Dealer Of The Year” at a special ceremony in New York City on June 17.

General Motors' senior executives presented the 2003 Jack Smith Leadership Award to Harry E. Criswell III, Criswell Chevrolet, Inc., Gaithersburg, MD; James E. Koons, Koons Chevrolet, Vienna, VA; and Charles T. Lindsay III, Lindsay Cadillac Company, Alexandria, VA for their dedication to customer satisfaction and sales excellence.

“GM's 'Dealer Of The Year' honorees are the benchmark,” said Rick Wagoner, GM Chairman and CEO. “We applaud their leadership, their performance, and their tremendous contributions in

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Mustang Earns "Stamp Of Approval"

Jim O'Connor (right), Ford Motor Company group vice president for North America Marketing, Sales and Service, was in town earlier this month for a special ceremony at the National Postal Museum honoring the Mustang postage stamp as part of its "celebrate the century" commemorative series featuring the major icons of the 20th century as determined by a public vote. The 1965 Ford Mustang convertible "poster pony" for the special stamp issued in 1999 is owned by David Williams (left) of Clifton, Va., and is one of only a dozen cars to ever grace a postage stamp issued by the U.S. Postal Service. "Mustang's extensive presence in books, movies and songs underscores how it's been woven into the fabric of American popular culture," said O'Connor. "The recognition on the U.S. stamp was particularly gratifying for us, since the public --especially school kids -- voted for it."

GM Dealers of the Year

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building our brands."

"The 'GM Dealer Of The Year' winners have distinguished themselves as the best of the best in our dealer network and we celebrate their accomplishments, both in business and in their community," added John Smith, Group Vice President of Vehicle Sales, Service and Marketing, General Motors North America.

WANADA adds its congratulations to Harry, Jim and Chip for this well-earned honor.

F&I/Legal Seminar

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awarded J. D. Power & Associates' "Highest Overall Dealer Satisfaction With Service Providers."

Following a review of recent media reports and legal developments concerning dealership F&I

operations, Chafetz offered a step-by-step presentation of the proven JM&A F&I sales process, including the customer interview, menu-style presentation and product presentations.

Costello followed with a session on legal hurdles and JM&A recommendations, based in part on information provided by WANADA consultant Mike Charapp of Charapp & Weiss, LLP. The focus here was on "what dealers can do today," ranging from complaint and arbitration procedures and agreements to employee training and F&I certification, proper disclosure of products and recording transactions. Chafetz was specific about what to do as well as what not to do to be legal, ethical and profitable.



JM&A's Chris Costello and Peter Chafetz.

Find More Finance Info at www.nada.org

- For more information on the F&I issue, NADA lists the following resources available on the [nada.org](http://www.nada.org) home page or by going directly to www.nada.org/finance:
- "Media Tool Kit: F&I Under Fire," NADA's newest free dealer resource
- NADA's new training video, "F&I: Absolute Integrity...100% of the Time"
- NADA chairman's speech, "Finance Under Attack"
- Chairman's commentary printed in Automotive News
- Downloadable "Understanding Vehicle Financing" consumer booklet in English or Spanish
- "Facts About Financing" talking points
- Press release on NADA's position on disclosure
- NADA's Finance Resolution
- The June cover story, "F&I Under Fire," from NADA's AutoExec.

NADA DEALER OPERATIONS COMMENTARY**Safeguarding Customer Information...One Year Later**

Now that the FTC's "Standards for Safeguarding Customer Information" (Safeguards Rule) has been in effect for a year, NADA thought it appropriate to remind dealers of the rule's provisions and their responsibilities.

The rule implements section 501(b) of the Gramm Leach Bliley Act, which requires the FTC to establish appropriate standards for "financial institutions," including dealers who are "significantly engaged in financial activities." The standards relate to administrative, technical and physical safeguards to:

- 1) Ensure the security and confidentiality of customer records and information,
- 2) Protect against any anticipated threats or hazards to the security and integrity of such records,
- 3) Protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

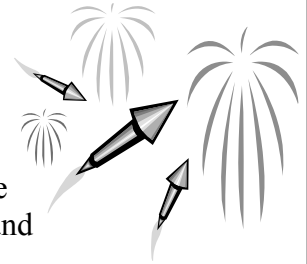
The FTC Safeguards Rule requires dealers to develop, implement and maintain a comprehensive written information security program that contains administrative, technical and physical safeguards that are appropriate to the dealership's size and complexity, the nature and scope of its activities, and the sensitivity of any customer information at issue. Information security programs must contain the following elements:

- 1) The designation of an employee or employees to coordinate the program;
- 2) The identification of reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in its unauthorized disclosure, misuse, alteration, destruction, or other compromise, and an assessment of the sufficiency of any safeguards in place to control those risks. The risk assessment should consider risks in each relevant area of dealership operations. This includes, at minimum:
 - a) Employee training and management,
 - b) Information systems, including network and software design, as well as information processing, storage, transmission and disposal, and
 - c) Detecting, preventing, and responding to attacks, intrusions or other systems failures;
- 3) The design and implementation of information safeguards to control the risks dealers identify through the required risk assessment, and regular testing and monitoring of the effectiveness of the safeguards' key controls, systems, and procedures;
- 4) The oversight of dealer service providers by taking reasonable steps to select and retain those capable of maintaining appropriate safeguards for the customer information at issue and by requiring dealer service providers by contract to implement and maintain such safeguards; and
- 5) The evaluation and adjustment of the dealer's information security program as a result of dealer's testing and monitoring, any material changes to dealership operations or business arrangements, or other circumstances that may have a material impact on information security program.

NADA recently held a teleconference covering the Safeguards Rule and developments of the past year. A recording of the two-hour conference is available at \$99 for NADA members and \$169 for non-members. Also available are a videotape of a presentation to the Washington Area New Automobile Dealers Association and a publication entitled *A Dealer Guide to Safeguarding Customer Information*. For more information or to order call (800) 252-6232, ext. 2 or visit the NADA website at www.nada.org/mecatalog.

FOOTNOTES:**Have a Safe July 4th Holiday, Call SoberRide**

To help keep our streets as safe as possible, the Washington Regional Alcohol Program's (WRAP) July 4th SoberRide program will operate this year from 4:00 pm Sunday, July 4, 2004 through 4:00 am Monday, July 5, 2004. Area residents age 21 and older who are celebrating with alcohol may call the toll-free SoberRide number 1-800-200-TAXI (or #8294 (TAXI) on your AT&T Wireless telephone) and get a free cab ride home up to \$50.

**Yellow Pages Solicitation that Resembles Invoices**

WANADA dealers are reporting solicitations for regional "Yellow Pages" directories from a company in Dallas, TX. The ads appear to be invoices, complete with a picture of your dealership's ad and a listing of all the communities your ad will appear in. But in small print it says: "WE ARE NOT THE TELEPHONE COMPANY," and "THIS IS NOT A BILL." Alert your staff to know what they're purchasing before they purchase it.

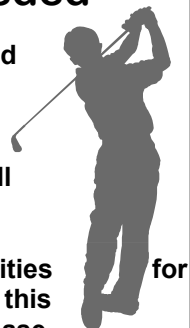
Mattos Donates Computer System to Edison High School

WANADA applauds kindred member Joseph Mattos, CEO of Mattos Pro Finishes, Camp Springs, MD, for his recent donation of a \$12,000 computer system to the Automotive Career Technology's (ACT) auto body class at Edison Career Center in Wheaton, MD. The new computer system will help prepare Montgomery County Public School students to learn about the various paint mixing systems used in our industry. Mattos, additionally, has said he and the Mattos organization intend to follow up with ACT in the future relative to further support.

BOBBY MITCHELL HALL OF FAME CLASSIC**Sponsorship Opportunities Available, Auction Items Needed**

With a goal of raising \$500,000 for the Leukemia & Lymphoma Society, Bobby Mitchell and Co-Chair Tammy Darvish are not letting up on the need for WANADA dealers, vendors and friends to really support this year's Classic. "Have you faxed your commitment confirmation form in yet? If not, there is still time to support this very worthy cause!" says Darvish. "And don't miss attending the reception and banquet on Saturday, July 10th to rub elbows with all the sports celebrities from the Hall of Fame.

There are still several sponsorship opportunities available, as well as the need for a wide variety of auction items. For more information on participation in and sponsorship opportunities this year's Hall of Fame Classic, see the details in the flyer and donation form enclosed with this Bulletin, or contact Barbara Martin at WANADA, (202) 237-7200 or bjm@wanada.org. And please make your commitment today.

**Thought for the Week...**

In the truest sense, freedom cannot be bestowed; it must be achieved.

-Franklin Delano Roosevelt

**Enclosure**

Bobby Mitchell Hall of Fame information sheet & donation form