

Dealership Policy - Verifying Income

Background

In most cases, your Dealer-Lender Agreement indicates the dealer is responsible for confirming the accuracy of the credit application data. This includes verification of the consumer's income. Collecting stipulations without verifying them for consistency and accuracy is no longer acceptable.

Failure to monitor stipulations the dealer sends to the lender could result in the filing of a Suspicious Activity Report (SAR) by a federally insured institution. The lender will not inform the dealer when a SAR is filed and if there are enough reports filed against the dealer, the case could be turned over to the federal government for further investigation.

Policy

Acceptable documentation as proof of income includes:

- Paystub
- W-2
- Tax Return
- Standard Social Security Administration Benefit/Award Letter
- Letter from employer verifying consumer's income (on official company letterhead)

The dealership should verify the following items when reviewing the proof of income documentation provided by the consumer:

1. Decimals line up correctly in paystub columns.
2. Year-to-Date field should foot from prior pay period.
3. Totals in the "Current" field should foot.
4. FICA and Medicare deductions are correct.
5. Consumer name is spelled correctly.
6. Consumer address is consistent with address provided on credit application.
7. Employer address is consistent with address provided on credit application.
8. Verify that the phone/address a consumer provides for their employer is not the same as the personal references.
9. Proof of income documentation is created in a professional accounting based program, as opposed to an Excel spreadsheet or Word document.
10. Letter from employer verifying proof of income should be printed on official company letterhead. Do not accept a proof of income letter from a consumer that is not official in nature.

Dealership Management should have a plan in place to review a select number of deals on a regular basis. Upon review, they should look for the following issues:

1. There are multiple pieces of proof of income documentation from the same employer. This may indicate a dealership employee is creating paystubs to meet the stipulation requirements.

2. You notice a trend with the use of the same company name, phone number or address as an employer.
3. Recently prepared tax returns for prior years.
4. White-out marks on proof of income documentation. Dealer should require original documentation. This will minimize the opportunity to “doctor” the document.

Finally, have the dealership’s IT department run a scan of your system looking for paystub templates or Social Security award letter templates that may have been created by a dealership employee.

This policy provided by:

