

# TAKE ACTION!

## PRODUCT COMPLIANCE: TRANSPARENCY NOW

An FNI Incorporated newsletter serving  
the auto and consumer finance industry.

April 2013

March's [Subprime News](#) article about FNI and [February's Take Action!](#) prompted a great response and generated many follow-up questions from readers. This month we'll drill down on the product sales and marketing process, **one of the four** most important issues surrounding Provider & Product compliance for financial institutions. It is **FNI's** position that today's regulatory environment requires product sales and marketing processes **designed for transparency** and meeting or exceeding consumer expectations, **and away from** inadvertent or designed processes that avoid or overcome objections.

### • **Product Sales & Marketing Process**

Several of the questions received from readers expressed surprise over **FNI's** statement that **how a product is sold** could be more important for compliance purposes, than how much the product is sold for, product penetration rates, or even as critical as the value of the product itself. FNI maintains this position for two reasons: **First**, the CFPB has plainly stated expectations for financial institutions' product marketing and sales presentations to consumers and placed ultimate compliance responsibility on financial institutions for their products and service providers. **Second**, consumer complaints are largely *why* regulatory activity is initiated and there is no better way to limit consumer complaints than through a consistent and accurate product sales presentation up front. (**Note:** Having a process for *responding* to consumer complaints and preventing escalation is another best practice, and a topic for a future *Take Action!*)

Despite the CFPB's stated expectations and reports of enforcement actions in the credit card industry, there has been little guidance to date from the Bureau, as a practical matter, on precisely what language meets their expectations around the sale of ancillary products. This has caused uncertainty in the industry and reluctance by some to identify a recommended course of action in product sales and marketing efforts.

**FNI recommends the simplest solution: Complete product transparency.** That means a bit of a detour along the way to a traditional "features and benefits" sales presentation **and a complete departure from many classic "overcoming objections" techniques common to the automotive F&I training industry.** Providing customers with the complete facts about what a product does and what it doesn't do is the only guarantee that a presentation cannot be deemed misleading or deceptive. At the same time, it provides a great check on another key compliance issue - **product value:** If customers don't want to buy with this kind of full disclosure, it's time to make a product change!

Following **FNI's** recommended strategy may require a more complete understanding of products by your selling employees or dealer networks, but need not be any more difficult or time consuming in execution. Plus, once implemented, pays dividends in increased product penetration (or removal/replacement of a risky, deficient product) and reduction in consumer complaints and associated administrative issues. **Step one:** Identify the key contractual terms and administrative operations of your products. **Step two:** Develop a standardized consumer sales presentation around them. **Step three:** Deploy your new sales process through employee and dealer network training. (**Added tip:** *Document* your training efforts and integrate dealer network product sales process expectations in your dealer agreements!)

**Of course marketing efforts and the actual sales presentation itself are only pieces of the complete process your compliance obligation for products and providers requires:** Service Provider/Product and Marketing Material Due Diligence must be completed; the sales process beyond just the presentation must meet compliance expectations; and your internal processes for vendor and product management must be in place and consistently executed. **Up Next:** Issues in Vendor/Program Administration & Management.

**Get expert assistance – Contact FNI Today.**

Contact FNI President David Bafumo at 888-973-9776 or

E-mail [david@myfni.com](mailto:david@myfni.com) for a confidential consultation or to schedule a meet-up at the AFSA Independents Conference.



FNI President David Bafumo has sixteen years of combined experience in financial insurance product development and marketing, financial institution product implementation and sales management, and commercial litigation.

David received his J.D. from the Washington & Lee University School of Law and is a member of the Virginia State Bar.

This Newsletter is not offered as, or intended to provide, legal advice. Legal advice depends on facts and circumstances unique to each reader and is provided only subject to an executed written Agreement.

### 30<sup>th</sup> Annual AFSA Independents Conference and Expo

**Wow, what a great line-up for this year's AFSA Independents Conference in Las Vegas April 10-12.** The agenda includes a Wednesday session on **"Service Providers"** and a recently added Friday Roundtable session on **"Ancillary Products in the New Regulatory Environment"**. Plus, a speaking appearance by **CFPB Director Richard Cordray** on Wednesday afternoon! It is exciting to see AFSA's focus on these critical topics that we have been discussing in *Take Action!* over the past year, and is sure to be a great conference. To register or for more info, visit the AFSA site:

<http://www.independentsconference.com>

**If you are planning to attend the AFSA conference and would like to meet up, please contact David!**

#### WHAT DOES FNI DO?

##### Due Diligence & Process Design

FNI conducts third party Service Provider and product due diligence on behalf of CFPB regulated financial institutions. You can rely on FNI industry expertise for development and implementation of effective compliance monitoring and risk mitigation processes for Service Provider relationships and product offerings subject to CFPB oversight.

##### Income Development

Discover FNI income producing products and benefit programs that provide real consumer value and enhanced business profitability. FNI bundles superior products from select administrators with a proprietary, complete vendor and product management solution designed for financial institution compliance with CFPB's Service Provider and Add-On Product Bulletins.

#### TAKE ACTION!

With 16 years of combined experience in F&I administration executive management, product development and marketing, auto finance sales management, and law, you can count on FNI's total vision of industry products and issues for complete profitability and compliance solutions for your business.

**FNI**  
INCORPORATED  
*Take the High Road.™*