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## **Off Lease / Refinancing Policy**

McDaniels cannot contractually “refinance” any vehicle, we can only provide financing on vehicles we sell based on language included in nearly all of agreements that govern our relationships with banks, finance companies and credit unions. To legally provide financing, we must purchase these vehicles from the owner and sell them, including assessing new sales tax, tag fees, processing fees, etc. to any new owner. This requires assigning new stock numbers, generating washout sheets, the use of our money possibly including flooring the vehicle, etc. Keep in mind that an odometer disclosure form is needed to ‘purchase’ the vehicle from the Client, and an additional odometer disclosure is required as part of the sell to the Client. All documents that are part of a traditional sale are needed in this transactions, with the exception of commission cards.

Upon purchase, the Client is legally entitled to the same rights and benefits as any purchaser would have. In an extreme example, if a Dealer were to buy a vehicle to ‘refinance’ for a Client and it was later discovered to have an undisclosed second lien on the title, the Dealer would be obligated to satisfy the second lien as condition of the second sale. If a safety defect were found in the vehicle, the Dealer could be held liable for selling a vehicle with the defect being discovered. An individual who tampered with his own odometer could sue us for odometer fraud. Further, if documents are signed acquiring the vehicle from an individual and the financing later falls through, the lack of financing does not negate our purchase of the vehicle – in other words, the Manger could pay retail for the vehicle and have no recourse. Imagine this scenario with a vehicle with massive previous collision damage or salvage history.

Keep in mind substantial behind the scenes taxes and business license fees are levied on each automobile we sell, regardless of profit. Fees are paid to vendors and trade organizations such as First Place Finish, NADA, Universal Underwriters Insurance and SCADA for each transaction. Time and effort of the Sales, Business Office and Accounting staffs are expended on these transactions and away from generating other profitable transactions to pay the bills above and beyond those mentioned above. The hard costs of these transactions are difficult to calculate, but certainly exceed several hundred dollars. Additionally, these transactions could cost the sale of a vehicle we otherwise have on the lot, or frustrate other profit paying Clients waiting to get into the Business Office.

A few guidelines:

1. Senior Management recommends against but does not specifically prohibit offering this service as long as all appropriate measures are followed.
2. McDaniels will not, under any circumstance, certify an Off Lease or ‘Refinance’ vehicle.

3. McDaniels Sales Management may decline to offer refinancing for any reason it chooses, including a blanket prohibition. Keep in mind your criteria cannot violate nor should it appear to violate any laws, especially regarding discrimination against legally protected classes.
4. Any Refinancing a Management Team offers should generate sufficient gross either through vehicle markup above payoff amount or through Business Office Margins to justify the endeavor, and at the very minimum to offset the costs the transaction will generate.
5. All vehicles must be sold AS-IS for the purposes of the Buyer's Guide.
6. All vehicles must pass a basic safety inspection from our Service Department with the cost being paid directly to the Service Department (by the customer). No exceptions! This is the same Safety Inspections that all McDaniels' vehicles must undergo. If the vehicle has 3 miles or it had a 30K service just yesterday, it gets a Safety Inspection. No 'comeback later's', no WE-OWES. Inspection before Transaction.
7. A CarFax report must be archived with the deal, again 'No Exceptions'. **If the vehicle shows salvage history, flood history, odometer rollback or extreme collision damage, McDaniels refuses to provide financing.** No overrides without the Dealer's expressed consent.
8. This service cannot be marketed or advertised in any manner.
9. See 'Business Office Policy' for more details on the sale of any Extended Parts & Service Agreement as an enhanced inspection is required of those vehicles.
10. Margin guidelines are generally those outlined in 'Business Office Policy'.
11. If the 'purchase' vehicle is in two names, both must sign 'selling' us the vehicle regardless of State law. Client(s) are free to 'refinance' in any combination of names they choose.
12. Vehicle must actual be here for us to inspect. Vehicle should be in good working order.

*As with all McDaniels Policies, ideas for improvement or questions should be directed to the Dealer Principal or Chief Operating Officer.*