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Obama Wants Dealers Regulated Under Finance Reform

NADA Rallies Dealer Assns. for DC Meeting to Lobby Senate on F&I Business

With the same fervor that went into pushing Healthcare Reform through Congress, President Obama and his operatives have set their sights on Finance Reform legislation, which they have made clear to Congress should include the regulation of automobile dealers as “originators” of consumer loans. Obama has taken this position despite the fact that the House version of the legislation specifically and deliberately *exempts* dealers from Finance Reform that Congress has aimed at banks and other financial institutions that make consumer loans.

Now before the Senate and reported out of the Banking Committee there, the bill reflects the president’s view that dealers be included in Finance Reform, which would make them subject to the same oversight directed at banks by a newly created federal agency known as the Bureau of Consumer Finance Protection (BCFP), the centerpiece of the legislation.

Because of what is at stake for dealership finance and insurance operations, NADA has called *an emergency meeting* in Washington of dealer associations that make up the Automotive Trade Association network (ATAE) for April 26-27, to orchestrate a national grassroots campaign directed at every senator in Congress. For its part, WANADA published a Special Bulletin last week urging all dealer members to contact Maryland and Virginia senators, urging their support of the Brownback Amendment, offered by Sen. Sam Brownback (R-Ks.) that will make the Senate bill like the House version, which exempts dealers from the legislation, leaving them out of Finance Reform altogether.

Talking points for the Brownback Amendment, framed by NADA and included in last week’s Special Bulletin, are as follows:

-As credit arrangers, dealers didn’t cause the consumer credit crisis that contributed to the “great recession.” Putting dealers within the regulatory reach of a BCFP agency, which is set up to regulate banks and finance institutions, therefore, is misdirected and unnecessary.

**Contact your
Legislators
TODAY
on the BCFP legislation!**

-Dealer arranged financing for vehicle consumers is a significant, time-tested “value added” for car buyers that wouldn’t be there if dealers weren’t credit arrangers.

-As credit arrangers for car buyers, dealers are already subject to a myriad of state and federal consumer protection laws such as Truth-in-Lending, The Equal Credit Opportunity Act, and prohibitions against unfair and deceptive trade practices, so including dealers in Finance Reform is redundant and unnecessary.

With these talking points in mind, contact Maryland and Virginia senators if your business is in either Maryland or Virginia or if you reside in either state, and urge their support of the Brownback Amendment, ASAP! Key dealership employees who reside in Maryland or Virginia can also contact their senator, as can dealership vendors. As covered in last week’s Special Bulletin, link to your senator’s constituent feedback system by going online below and following instructions.

In Maryland, contact,

Sen. Ben Cardin (D-MD) click here at <http://cardin.senate.gov/contact/email.cfm>
or (202) 224-4524;

Sen. Barbara Mikulski (D-MD) click here at <http://mikulski.senate.gov/Contact/contact.cfm>
or (202) 224-4654.

In Virginia, contact,

Sen. Mark Warner (D-VA) click here at <http://warner.senate.gov/public/index.cfm?p=Contact>
or (202) 224-2023;

and Sen. Jim Webb (D-VA) click here at <http://webb.senate.gov/contact.cfm>
or (202) 224-4024.

If you have already contacted your senator on the Brownback amendment, thank you. If not, please do so, ASAP! This legislation is as important as any that has come along at any time and all dealers must step up and be counted!

All will be kept advised.

If Dealers Come Under Finance Reform, Regulatory Agency Oversight Would Re-order and Limit F&I Operations

As the prospect for an independent Bureau of Consumer Finance Protection (BCFP) becomes more real in the wake of the Obama administration’s decision to “forego bipartisan support” to “rein in Wall Street,” it is imperative that franchise dealers know just what creation of this agency would mean for their finance and insurance business.

More specifically, the entire F&I part of the business will be turned upside down as dealers will be required to retain a financial stake in any loan they “underwrite.” This is because the legislation in the Senate defines a dealer as an “originator” of a loan, and as such, mandates that they have a financial stake in the loan as an economic incentive to make “sound lending decisions.” The Senate bill defines an “originator” as “a person who sells an asset to a

securitizer.” NADA believes that definition is broad enough to include dealers, as they routinely sell credit and lease contracts to third party finance sources.

As a result, NADA is concerned that dealers will have to establish a “risk retention reserve account” to comply with this new requirement and also create an underwriting process similar to that which is normally performed by finance institutions and banks.

Financially, these requirements would add significantly to the charge-back obligations dealers already face in the event of a loan default, not to mention the losses they incur when they sell repossessed vehicles as used.

In addition to these new financial burdens, Finance Reform legislation, as the Senate has designed it, might also lead to more stringent regulation of auto financing. That is because the regulatory reins that currently govern the rulemaking and enforcement power of the Federal Trade Commission as they relate to unfair and deceptive practices, would be eliminated since the BCFP is designed to eclipse the authority of the other regulatory agencies.

Because of the urgency of this issue, NADA will be hosting a legislative fly-in April 26-27 for NADA state directors and dealer association leaders from the Automotive Trade Association network as part of a targeted lobbying effort to gain support for the Brownback Amendment in the Senate to exempt dealers from Finance Reform.

No dealer has to be reminded how critical F&I is to their business and any move to restrict it is cause for great concern. Accordingly, NADA is urging dealers nationwide to persuade senators that to include dealers under the aegis of the pending legislation is unnecessary and needlessly harmful. (See the preceding article, above, with talking points and links to Maryland and Virginia senators)

The Brownback Amendment will not succeed without a focused grassroots effort by all dealers. And time is short: President Obama wants this measure passed, to include dealers, before the Memorial Day recess.

Act NOW!

WANADA Member Briefing on Health Care Reform 9:30 a.m., April 23, Bethesda Marriott

WANADA has scheduled a timely and important member briefing on Health Care Reform with a panel of knowledgeable professionals who will take attendees through the elements of the legislation underlying the new law and how employers will need to proceed.



The briefing, presented to WANADA members courtesy of WANADA’s Employee Benefits operations, is calendared for 9:30 am – 11:30 am, Friday, April 23 at the Bethesda Marriott. [Click here](#) to get the registration information

Dealers Boost Political Action Funding Nationally

2010 DEAC Contributions Up

NADA reported this week that contributions to the Dealer Election Action Committee (DEAC) are up nearly \$35,000 from last year and that DEAC has nearly \$210,000 in hand as spring settles in. In recent times, DEAC has taken in well in excess of \$5 million per year, making it one of the best funded PACs in Washington.

DEAC finance chairman Jack Kain said he was pleased by the upturn but that dealers needed to keep giving in light of the many challenges they are facing before Congress and the regulatory agencies. "There are a number of serious legislative and regulatory issues facing our industry and DEAC donations give us the access required to provide our point of view on issues impacting the future of our businesses," he said.

Dealers who wish to contribute to DEAC must sign the DEAC Permission to Solicit Forms for the 2010 calendar year, which is available in a PDF file at www.nada.org/DEAC.

Kain reported that through March 2010, there were already 204 Presidents Club and Eagle donor members compared to 214 for all of last year. The March month-end major donor totals are as follows:

		<u>2009</u>	<u>2010</u>
Bronze Eagles	(\$250-\$499)	114	96
Silver Eagles	(\$500-\$999)	26	24
Gold Eagles	(\$1,000-\$2,499)	15	15
Presidents Club	(\$2,500-\$5,000)	<u>59</u>	<u>69</u>
YTD Totals		214	204

MD Legislature Adjourns

Clarification on Sales Rep Incentives and Tax Credits for Alt Fuel Cars

The Maryland General Assembly concluded its 2010 session this week passing a number of measures likely to boost the sale of electric and hybrid vehicles in the state as well as improve dealership operations. An important measure signed into law earlier in the month clarifies a law passed last year on the manner in which manufacturers incentivize dealership staff through the dealership. It clears up issues that some manufacturers had with the original parameters while continuing to ensure that the dealer is aware of manufacturer payments to dealership personnel.



The legislature also approved a measure that boosted the threshold limit on balloon payments in installment loans on automobiles to \$30,000. That action was taken to adjust for rising vehicle prices, particularly on luxury vehicles. Also passed were measures to boost the adoption of electric and hybrid vehicles. These included a \$2,000 tax credit to purchasers of all-electric automobiles and an exemption from HOV restrictions for electric and plug-in hybrid electric vehicles through 2013. Gov. O'Malley has made the expansion of electric vehicle ownership a

cornerstone of his environmental agenda and has already allocated \$1 million in state funds to build EV charging stations in and around the state.

Correspondingly, Maryland is moving more toward the electronic age in requiring dealers to electronically transmit to the Motor Vehicle Administration the vehicle, owner, and temporary registration information on the same day the tags are issued. In addition, dealers must submit taxes, fees, and other required titling documents to the MVA within 30 days of the date of delivery. Dealers will need to keep temporary registration plate records for 3 years.

Employer Notice Requirement

Health Insurance Option for Children of Medicaid Eligible Employees

The Children's Health Insurance Program Reauthorization Act (CHIPRA) was signed into law by President Obama on Feb. 4, 2009.

This law provides for a new special insurance enrollment opportunity for children of Medicaid eligible employees. Employers must notify these employees of this opportunity no later than May 1, 2010. The model employer notice (**See Attached**) must be prominently posted/distributed to all employees by *May 1, 2010*.

Toyota Problem May Spawn More Safety Laws

Recent revelations about Toyota Motor Corp.'s handling of safety issues may spawn new legislation to reform auto safety regulations.

Sen. Jay Rockefeller, (D-WVa), as chairman of the Senate Commerce Committee, and Rep. Henry Waxman, (D-Calif), chairman of the House Energy and Commerce Committee, are reported to be working on a bill to reform the nation's auto safety laws after it was disclosed that Toyota told dealers in 31 European nations about sticking throttle pedal problems four months before it did so in the United States.

"Toyota's reported withholding of vital safety information is a glaring sign that NHTSA must be given more authority to ensure driver safety," the lawmakers said. It is expected that both committees will develop legislation that will address gaps in highway safety oversight, while providing more funding for staff and equipment to monitor automobiles and trucks.

Motorists Suffer Another Setback in DC

Mayor Fenty Proposes Meters Go to \$3 an Hour

The District of Columbia, looking to limit auto travel in the city, boost Metro ridership, bring more revenue to the city, or all of the above, is proposing to increase the cost of metered parking in downtown D.C. and Georgetown to \$3 an hour. The proposal is part of Mayor Adrian Fenty's fiscal 2011 budget and calls for hiking parking meter rates on the National Mall, throughout downtown and into upper Northwest to 75 cents every 15 minutes, or \$3 an hour.

Meter fees in those same locations jumped from \$1 to \$2 an hour last year, and enforcement was extended to 10:30 p.m. on weeknights.

The District is looking at a budget shortfall of some \$500 million next year, and the Fenty budget relies heavily on new fees, higher fees and higher fines to plug the gap. For example, it calls for a 10 percent charge for basic business licenses, building permits and corporate registrations for “enhanced technological capabilities.” There is also a new “filing deposit” fee for new construction and building alteration requests that will cost 50 percent of the assessed permit fee — up to \$20,000. Three dollars per hour for street parking and \$35 or higher parking tickets may mean that parking spots in those more expensive buildings will be more valued than ever.



2010 WANADA OPEN

May 10, 2010

There are only three weeks left to register for the 2010 WANADA Open, which will be played this year at Lakewood Country Club on Monday, May 10. The registration fee for the 2010 WANADA Open is just \$225 per golfer and \$100 for those coming for cocktails and dinner only.

Register *NOW* by calling or e-mailing Kristina Henry, WANADA’s director of events at (202-237-7200, ext. 18) or kh@wanada.org, or click [here](#) to download the registration form.

Note: With only one course, golf positions are available on a first-come, first-served basis only.

Tax Day Factoid...

How much tax did the Head Man and his #2 pay in 2009?

We can all rest assured that the president and vice president are among the 50% of Americans who paid taxes in 2009!

President and Mrs. Obama, filing jointly, paid \$1.79 million in federal taxes on \$5.5 million of income, a goodly chunk of which came from book royalties. This works out to 32.5% of total income, exclusive any income taxes they might have paid to Illinois, their home state. To their credit, the Obamas contributed \$329,000 to various charities, or 6% of their income. They also opted to donate 100% of the \$1.4 million award the president received for the Nobel Peace Prize to charity, which is about as much as he will earn in salary for being president for four years.

Vice President and Mrs. Biden didn’t appear to have made much more than his salary in 2009, which amounted to \$353,182, of which they paid \$71,147 in federal taxes, or 21.4% of their income. The Bidens donated \$4,820 to charity, or 1.45% of their income. Being from Delaware, the Bidens pay no state income tax.

Medicaid and the Children’s Health Insurance Program (CHIP) Offer Free Or Low-Cost Health Coverage To Children And Families

If you are eligible for health coverage from your employer, but are unable to afford the premiums, some States have premium assistance programs that can help pay for coverage. These States use funds from their Medicaid or CHIP programs to help people who are eligible for employer-sponsored health coverage, but need assistance in paying their health premiums.

If you or your dependents are already enrolled in Medicaid or CHIP and you live in a State listed below, you can contact your State Medicaid or CHIP office to find out if premium assistance is available.

If you or your dependents are NOT currently enrolled in Medicaid or CHIP, and you think you or any of your dependents might be eligible for either of these programs, you can contact your State Medicaid or CHIP office or dial **1-877-KIDS NOW** or **www.insurekidsnow.gov** to find out how to apply. If you qualify, you can ask the State if it has a program that might help you pay the premiums for an employer-sponsored plan.

Once it is determined that you or your dependents are eligible for premium assistance under Medicaid or CHIP, your employer’s health plan is required to permit you and your dependents to enroll in the plan – as long as you and your dependents are eligible, but not already enrolled in the employer’s plan. This is called a “special enrollment” opportunity, and **you must request coverage within 60 days of being determined eligible for premium assistance.**

If you live in one of the following States, you may be eligible for assistance paying your employer health plan premiums. The following list of States is current as of March 3, 2010. You should contact your State for further information on eligibility –

ALABAMA – Medicaid	CALIFORNIA – Medicaid
Website: http://www.medicaid.alabama.gov Phone: 1-800-362-1504	Website: http://www.dhcs.ca.gov/services/Pages/TPLRD_CAU_cont.aspx Phone: 1-866-298-8443
ALASKA – Medicaid	COLORADO – Medicaid and CHIP
Website: http://health.hss.state.ak.us/dpa/programs/medicaid/ Phone (Outside of Anchorage): 1-888-318-8890 Phone (Anchorage): 907-269-6529	Medicaid Website: http://www.colorado.gov/ Medicaid Phone: 1-800-866-3513 CHIP Website: http:// www.CHPplus.org CHIP Phone: 303-866-3243
ARIZONA – CHIP	
Website: http://www.azahcccs.gov/applicants/default.aspx Phone: 602-417-5422	
ARKANSAS – CHIP	FLORIDA – Medicaid
Website: http://www.arkidsfirst.com/ Phone: 1-888-474-8275	Website: http://www.fdhc.state.fl.us/Medicaid/index.shtml Phone: 1-866-762-2237
GEORGIA – Medicaid	MONTANA – Medicaid

Website: http://dch.georgia.gov/ Click on Programs, then Medicaid Phone: 1-800-869-1150	Website: http://medicaidprovider.hhs.mt.gov/clientpages/clientindex.shtml Telephone: 1-800-694-3084
IDAHO – Medicaid and CHIP	NEBRASKA – Medicaid
Medicaid Website: www.accesstohealthinsurance.idaho.gov Medicaid Phone: 208-334-5747 CHIP Website: www.medicaid.idaho.gov CHIP Phone: 1-800-926-2588	Website: http://www.dhhs.ne.gov/med/medindex.htm Phone: 1-877-255-3092
INDIANA – Medicaid	NEVADA – Medicaid and CHIP
Website: http://www.in.gov/fssa/2408.htm Phone: 1-877-438-4479	Medicaid Website: http://dwss.nv.gov/ Medicaid Phone: 1-800-992-0900 CHIP Website: http://www.nevadacheckup.nv.org/ CHIP Phone: 1-877-543-7669
IOWA – Medicaid	
Website: www.dhs.state.ia.us/hipp/ Phone: 1-888-346-9562	
KANSAS – Medicaid	NEW HAMPSHIRE – Medicaid
Website: https://www.khpa.ks.gov Phone: 800-766-9012	Website: http://www.dhhs.state.nh.us/DHHS/MEDICAIDPROGRAM/default.htm Phone: 1-800-852-3345 x 5254
KENTUCKY – Medicaid	NEW JERSEY – Medicaid and CHIP
Website: http://chfs.ky.gov/dms/default.htm Phone: 1-800-635-2570	Medicaid Website: http://www.state.nj.us/humanservices/dmahs/clients/medicaid/ Medicaid Phone: 1-800-356-1561 CHIP Website: http://www.njfamilycare.org/index.html CHIP Phone: 1-800-701-0710
LOUISIANA – Medicaid	
Website: www.dhh.louisiana.gov/offices/?ID=92 Phone: 1-888-342-6207	
MAINE – Medicaid	NEW MEXICO – Medicaid and CHIP
Website: http://www.maine.gov/dhhs/oms/ Phone: 1-800-321-5557	Medicaid Website: http://www.hsd.state.nm.us/mad/index.html Medicaid Phone: 1-888-997-2583 CHIP Website: http://www.hsd.state.nm.us/mad/index.html Click on Insure New Mexico CHIP Phone: 1-888-997-2583
MASSACHUSETTS – Medicaid and CHIP	
Medicaid & CHIP Website: http://www.mass.gov/MassHealth Medicaid & CHIP Phone: 1-800-462-1120	
MINNESOTA – Medicaid	NEW YORK – Medicaid
Website: http://www.dhs.state.mn.us/ Click on Health Care, then Medical Assistance Phone: 800-657-3739	Website: http://www.nyhealth.gov/health_care/medicaid/ Phone: 1-800-541-2831
MISSOURI – Medicaid	NORTH CAROLINA – Medicaid
Website: http://www.dss.mo.gov/mhd/index.htm Phone: 573-751-6944	Website: http://www.nc.gov Phone: 919-855-4100
NORTH DAKOTA – Medicaid	UTAH – Medicaid
Website:	Website: http://health.utah.gov/medicaid/

http://www.nd.gov/dhs/services/medicalserv/medicaid/ Phone: 1-800-755-2604	Phone: 1-866-435-7414
OKLAHOMA – Medicaid	VERMONT– Medicaid
Website: http://www.insureoklahoma.org Phone: 1-888-365-3742	Website: http://ovha.vermont.gov/ Telephone: 1-800-250-8427
OREGON – Medicaid and CHIP	VIRGINIA – Medicaid and CHIP
Medicaid Website: http://www.oregon.gov/DHS/healthplan/index.shtml Medicaid Phone: 1-800-359-9517 CHIP Website: http://www.oregon.gov/DHS/healthplan/app_benefits/ ohp4u.shtml CHIP Phone: 1-800-359-9517	Medicaid Website: http://www.dmas.virginia.gov/rcp- HIPP.htm Medicaid Phone: 1-800-432-5924 CHIP Website: http://www.famis.org/ CHIP Phone: 1-866-873-2647
PENNSYLVANIA – Medicaid	WASHINGTON – Medicaid
Website: http://www.dpw.state.pa.us/partnersproviders/medicalass stance/doingbusiness/003670053.htm Phone: 1-800-644-7730	Website: http://hrsa.dshs.wa.gov/premiumpymt/Apply.shtml Phone: 1-877-543-7669
RHODE ISLAND – Medicaid	WEST VIRGINIA – Medicaid
Website: www.dhs.ri.gov Phone: 401-462-5300	Website: http://www.wvrecovery.com/hipp.htm Phone: 304-342-1604
SOUTH CAROLINA – Medicaid	WISCONSIN – Medicaid
Website: http://www.scdhhs.gov Phone: 1-888-549-0820	Website: http://dhs.wisconsin.gov/medicaid/publications/p- 10095.htm Phone: 1-800-362-3002
TEXAS – Medicaid	WYOMING – Medicaid
Website: https://www.gethipptexas.com/ Phone: 1-800-440-0493	Website: http://www.health.wyo.gov/healthcarefin/index.html Telephone: 307-777-7531

To see if any more States have added a premium assistance program since March 3, 2010, or for more information on special enrollment rights, you can contact either:

U.S. Department of Labor
Employee Benefits Security Administration
www.dol.gov/ebsa
1-866-444-EBSA (3272)

U.S. Department of Health and Human Services
Centers for Medicare & Medicaid Services
www.cms.hhs.gov
1-877-267-2323, Ext. 61565