

FROM CAPITOL HILL

What a Week! Congress OKs \$700 Billion Rescue Plan Extends Automakers \$25 Billion Helping Hand *NADA Calls Credit the "Lifeblood of Automobile Retailing"*

In an historic week for the auto industry and the nation, Congress, late on Friday, passed a revived \$700 billion financial rescue plan aimed at easing the credit crisis crippling commerce and auto sales.

The passage of the rescue plan, by a 263 to 171 vote in the House, came after that body had defeated the first attempt at a bailout on Monday. A 777 point drop in the Dow on the same day, and a revived plan with more tax breaks and spending sweeteners passed by a bipartisan 74-25 vote in the Senate on Wednesday changed a lot of minds, however. The final bill insists on greater congressional supervision over the \$700 billion rescue plan, additional measures to protect taxpayers, and steps to crack down on so-called "golden para-

chutes" that go to corporate executives whose companies fail.

Earlier in the week Congress also signed off on a measure granting \$25 billion in low-interest loans the U.S. auto industry urgently needs to rework its vehicles. Included in that package was an added \$1 billion in tax breaks for plug-in electric vehicles. The provision would grant all-electric vehicles

or plug-in models with at least a four-kilowatt battery pack a \$4,168 credit. A vehicle like the extended range Chevrolet Volt with a 16-kwh battery would qualify for the maximum \$7,500 credit for vehicles under 10,000 pounds.

Both NADA and AIADA strongly supported the rescue plan and issued legislative alerts

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MEDIA FRENZY ON CREDIT CRISIS

"How is the credit crisis affecting sales?" "It's a great time to buy a vehicle!"

"Beyond their own borrowing costs, many car dealers say they are concerned about the ability of their customers, many of whom are shaken by steep losses in the values of their homes, to get credit to buy new cars," The Washington Post reported in an October 1 article entitled "Crisis Felt Unevenly on Main Street." The Post interviewed a wide range of businesses impacted by the current financial crisis, including dealers and association executives.

"Our biggest concern right now is how much credit is going to tighten for our customers as this shakes out," WANADA CEO Gerard Murphy told The Post. "We have gone from a situation where a lot of people could get financed to one where it is much more difficult to get financing," said Murphy.

Both Murphy and Peter Kitzmiller, president of the Maryland Automobile Dealers Association, agreed that consumer credit was a bigger obstacle for automobile dealers than their own financing, but overall it's still a great time to buy a car. "Most dealerships have

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FROM CAPITOL HILL

NADA Lets Congress “Hear from Main Street”

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to all their members. In a letter to each member of the House of Representatives, NADA said the legislation was essential to overcome the “precarious times” faced by dealers, their employees and customers. “Simply put, credit is the lifeblood of automobile retailing,” wrote David Regan, NADA vice president of legislative affairs.

In earlier meetings with banking and financial services organizations, NADA emphasized that industry experts agree that the existing auto financing model is fundamentally strong and that it is in the best economic interest of lenders to continue making credit available for auto retailing. “Our message to the financial community and Congress is simple: Auto financing is sound. We just need liquidity to do our jobs,” said NADA Chairman Annette Sykora.

At the beginning of last week, NADA issued a legislative alert urging dealers to call members of Congress in support of the economic rescue plan because “Congress needs to hear from Main Street on this issue.” Dealers were asked to contact their representatives to let them know “your concerns about current financial conditions, including specific examples of situations where the liquidity crisis has prevented consumer sales from going through,” said NADA.

On Wednesday afternoon NADA’s sister organization, AIADA, released a statement of support for the economic recovery package. “AIADA

supports Congress’ efforts to pass a comprehensive economic recovery package. Legislation will allow Americans to move forward from the current economic crisis by providing necessary liquidity to capital markets and by improving credit rates so consumers can obtain car loans and dealers can keep their doors open. International auto dealers look forward to the passage of this bi-partisan bill and a return to financial stability and security,” said AIADA President Cody Lusk.

Help for Detroit

The \$25 billion in direct federal loans, the largest federal aid ever offered to the U.S. auto industry, includes several government aids -- from research funds to consumer tax credits -- that automakers will increasingly rely on to build the technology they need to survive. Under the loan program, automakers and suppliers can borrow at interest rates close to what the U.S. Treasury does -- roughly 5% -- rather than the 15% they would have to pay in the open financial markets. “On a loan of \$1 billion, that’s a savings of \$100 million,” said The Detroit Free Press.

However, the U.S. Department of Energy, which will draw up the rules and administer the loans, warned this week the process could take up to 18 months before automakers could have access to the proposed \$25 billion. Under the legislation, the Energy Department will have 60 days to write regulations, setting criteria that will determine who

qualifies for the loans and when. But an Energy Department official called that time frame “unrealistic.”

Meanwhile, it is expected that new vehicle sales may now rebound enough to keep the industry sound to 2009.

Title Wash Bill Arrives

Long sought by NADA, automakers and consumer groups, rules requiring insurers and salvage yards to identify all severely damaged vehicles they acquire and a national database for these vehicles were unveiled last week

“The proposed rule moving the National Motor Vehicle Title Information System (NMVTIS) forward is a major first step to reduce title fraud, but a more effective solution is still needed to make total-loss data available to consumers and dealers,” said NADA. “Until total-loss information is made available in an electronic and commercial format so that vehicle auctions, dealers and the public can track total-loss vehicles, legislation will be needed.

Dealers are urged to push their Representatives to cosponsor H.R. 1029 and push their Senators to cosponsor the recently re-introduced S. 3483 to require insurers and rental companies to disclose the VINs of totaled cars to vehicle history providers on a more rapid and complete basis. For more information, go to www.nada.org/TLD.

MEDIA FRENZY ON CREDIT CRISIS

Credit Crunch

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long-term relationships with lenders, and they are probably going to have options, even if some sources of credit dry up," said Kitzmiller.

The article pointed out that, "auto dealerships are facing rising interest rates because they heavily relied on...big Wall Street institutions to borrow money to refresh their inventories of vehicles...The rates these banks charge are set on the international financial market and driven by LIBOR, or the London Interbank Offered Rate,

which is the rate that banks worldwide are charging each other for short-term loans. That rate has spiraled with the financial crisis," said The Post.

"My rates are floating rates for floor financing," said Jack Fitzgerald of Fitzgerald Auto Malls. "As LIBOR goes up, those rates go up." Fitzgerald also said he is able to absorb the higher borrowing costs on a well established credit line, but others with less solid lines could be obliged to readjust credit arrangements as some lenders leave the market.

"There is some question about availability," he said.

"There are some institutions that are pulling back, from what I've heard from my friends."

Incoming chairman of NADA John McEleney, who runs two dealerships in Iowa, said, "Our concern is with what would happen without the rescue plan, if capital does tighten up and continues to be hard to come by." NADA reports 600 dealerships nationwide have closed this year. "The auto financing model could struggle, whether it's customers financing the vehicle or dealers financing their inventory," said McEleney.

Two New NADA Legal Compliance Publications Now Available Online

NADA has finalized two new publications aimed at helping dealers comply with several new federal legal requirements. All members will receive a free printed copy of *A Dealer Guide to the FTC Affiliate Marketing Rule (L51)* and *Electronic Disclosure Rules for Dealership Online Commerce (L52)* via mail. NADA Management Education is making these two publications available immediately, in PDF form, free to members upon request.

The FTC's Affiliate Marketing Rule specifies when certain credit-related information received from a company's affiliates may be used for marketing purposes. The guide covering this new rule defines key terms, explains the new rule's relationship to existing information-sharing restrictions under the Fair Credit Reporting Act, and provides examples of the notices required under the new rule.

The Federal Reserve Board's Electronic Disclosure Rules affect dealers who currently engage in certain online activities (such as advertising leases online, advertising credit online, or providing access to/accepting online credit applications), or envision doing so in the future. This publication explains the rules, discusses amendments to certain regulations—including Regulations B, M, and Z—and provides context and compliance considerations.

Going to the game?

You're invited to a...

Tailgate

Redskins vs. Rams

Date: Sunday, October 12, 2008

Time: 11:00 a.m.

Location: F22 - Purple Parking

Enter from Arena Drive and look

for

Contact

Kristina Henry @ WANADA:

(202) 237-7200

kh@wanada.org

Hosted by



SIGN UP**WANADA Annual Meeting & Luncheon***Monday, November 17, 2008***Marriott Wardman Park Hotel***Sponsored by**Featuring Political, Business, and Financial Expert Dr. Barry Asmus*

Washington area new auto dealer principals, key managers, and business associates will not want to miss WANADA's 2008 Annual Meeting and Luncheon, sponsored by Enterprise Rent-a-Car. Our featured keynote speaker is Dr. Barry Asmus, a noted author and political, business and financial expert who was named by *USA Today* as one of the five most requested speakers in America. Expect an enthusiastic and energy filled presentation.

Please mark you calendars right now for lunch with WANADA leadership on Nov. 17. and be ready to gain a better understanding of where the U.S. and the world are heading economically and politically. Hear, too, what your WANADA organization has been about, while networking with dealer peers, business supporters and friends at this great once-a-year dealer group gathering.

Tickets for the WANADA Annual Meeting and Luncheon are \$125 per person, with a table of ten discounted to \$1,150. For more information and registration see the enclosed form or register online at www.wanada.org. Questions can be directed to Kristina Henry at WANADA, (202) 237-7200 or kh@wanada.org.

UPCOMING FALL WANADA SEMINAR*WANADA & MADA Present***NADA Lifeline to Profit\$ Workshop***October 22-23, 2008, BWI Marriott*

This highly acclaimed NADA workshop is being offered by WANADA and MADA as a tool to help your dealership's profitability. In this intensive, hands-on, two-day workshop, dealers will go through every aspect of the dealership operation, with the aim of developing a detailed action plan to achieve the dealership's full profit potential.

An NADA 20 Group program, this seminar will be conducted by industry-leading trainers. Each has retail experience and will offer critical insight to help the company.

Sign up today at www.wanada.org or use the enclosed registration form. For more information on the Lifeline program, go to <http://www.nada.org/ProductsServices/Lifeline/>.

Thought for the Week...

At one time Americans thought the government would be properly financed if they had to budget like families. The government didn't, and now families thought it would be jolly fun to budget like the government and that's why we have a financial crisis.

—George Will

Enclosures

- *WANADA Annual Meeting & Luncheon Registration Form*
- *NADA Lifeline to Profit\$ Seminar Wed. & Thurs. 8 a.m. -5 p.m., Oct. 22 & 23*
- *Redskins Tailgate Party Information Flyer*