

# THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 5-14 *NADA Convention Special* February 6, 2014

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## Fair Credit takes center stage at the Convention

### NADA dealers upbeat in New Orleans amid upbeat auto sales



Convention speaker Hillary Clinton and outgoing NADA chairman Dave Westcott

In some ways, the 2014 NADA/ATD Convention was almost like old times, back in New Orleans with auto sales likely to return to pre-recession levels this year in an improving economy. Attendance to the Convention was robust, too, at 22,000.

Unlike the old days, there's a female president at the head of General Motors, Mary Barra, who was First Lady Michelle Obama's guest at the State of the Union address recently. And although it's not unusual to hear a major political figure speak at the Convention, there have been few women or Democrats. Hillary Clinton

was a controversial choice when first announced, but her hour long speech appeared to be well received by dealers.

The biggest topic of the Convention this time wasn't a manufacturer program, but guidance



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from a federal agency. The Consumer Financial Protection Bureau alleged last March that lenders, by allowing dealers to set the finance rate on consumer loans, run the risk of violating fair credit laws, even if unintentionally.

NADA, with AIADA and the National Association of Minority Automobile Dealers, issued new guidelines for complying with the Fair Credit law that were announced at the Convention.

Speaking at the Convention, outgoing NADA Chairman Dave Westcott addressed the issue head on. “Our industry strongly opposes any form of discrimination in any aspect of our business,” said Westcott, referring to CFPB’s allegations that dealers financed by banks CFPB regulates, do indeed discriminate against minority consumers of vehicle credit. “If a federal agency is making allegations that discrimination exists in our industry, it should have to explain itself, and it needs to be transparent with the public,” Westcott said.

If the CFPB gets its way and dealers move to flat fees for financing, “consumers will lose the ability to see if dealers can ‘meet or beat’ an offer from their own bank,” Westcott said. “This will harm competition.”

Incoming NADA Chairman Forrest McConnell, III, who WardsAuto says gets an “A” in public speaking – was even more forceful. “Eighty percent of customers come to us because our financing system is convenient and competitive,” he said. “We provide credit avenues that they didn’t even know existed.

“NADA will keep hammering Washington that dealers don’t add to customers’ credit costs. We save our customers money, period,” McConnell said.

Videos on three giant screens were interspersed with McConnell’s speech, showing a skydiver, race car driver, rock concert, runners and comments from multi-franchise dealer Roger Penske.

Outgoing NADA Chairman Westcott is a Buick, GMC and Suzuki dealer from Burlington, N.C. Incoming Chairman McConnell is a Honda and Acura dealer in Montgomery, Ala.



Incoming NADA Chairman Forrest McConnell

## NADA issues guidelines for dealer compliance with Fair Credit law

In response to last year’s guidance from the Consumer Financial Protection Bureau, NADA has issued new guidelines for complying with the Fair Credit law. The guidelines are endorsed by AIADA and the National Association of Minority Automobile Dealers. Every NADA dealer member received a copy by email on January 24.

The Fair Credit Compliance Program is an optional program for dealers that “(1) establishes a Fair Credit Policy for the dealership that sets forth an unambiguous commitment to fair credit compliance, and (2) creates a general framework for promoting compliance with fair credit laws,” NADA wrote in a memo sent to its dealers accompanying the guidelines.

Under the program, dealers would establish a set amount of compensation to be included in credit offers to every consumer, unless the deal met predetermined criteria for exemption from

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the program. Any exemption would have to be recorded and documented. Management would need to periodically examine the documentation and make changes to the program when necessary.

The program offers seven (7) allowable exemptions:

- The finance source imposes a lower interest rate cap.
- The customer has a maximum monthly payment he or she can pay.
- The customer has an offer from another lender or dealer for a lower interest rate.
- The customer qualifies for a promotional credit offer made to all customers or to all buyers of certain vehicle on the same terms.
- The customer qualifies for a subvention program from a manufacturer, finance source or other third party.
- The customer qualifies for a Dealership Employee Incentive Program.
- The customer buys a vehicle that satisfies the dealership's predetermined inventory reduction criteria.

The dealer would need to appoint a Fair Credit Compliance Program Coordinator, who would administer the program and report to the dealership board of directors.



NADA advises dealers to consult with legal counsel before adopting any part of the program.

The CFPB has not said whether following NADA's program would mean a dealer would be in compliance with the Fair Credit Law and exempt from discrimination charges. The agency has said that dealers can be compensated by banks they regulate for arranging loans, but should not have discretion to set the interest rate.

A spokesman for AutoNation told the *Wall Street Journal* it plans to test the program in selected dealerships.

The dealer association's note in the memo to dealers about the program that the CFPB has alleged that "finance sources that purchase credit contracts from dealers create a 'significant risk' of fair credit violations when they allow dealers to exercise discretion in determining the finance commission, a.k.a. dealer reserve."

But the associations say, as they have in the past, that "we – along with a large bipartisan group of U.S. Senators and House members – have not received essential information from the CFPB demonstrating that such unintentional discrimination exists."

In its meeting in New Orleans in conjunction with the NADA Convention, the American Financial Services Association announced that it would conduct its own study of indirect auto financing.

"We want to make the case correctly, with accurate statistics," said AFSA President and CEO Chris Stinebert, according to WardsAuto. "Our job is to make sure regulators understand the industries they regulate."

## Hillary Clinton praises dealers' role in rebuilding economy

Speaking at the NADA Convention, former U.S. Secretary of State and likely presidential candidate Hillary Rodham Clinton praised dealers' role in rebuilding the economy after the recession.

"Building and selling cars helped create the American middle class," said Clinton. "The



Hillary Clinton at the NADA Convention

resurgence of the auto industry over the past few years has been a driving force behind our recovery. And you, the auto dealers of America, continue to play a vital role in communities all across our country.”

She acknowledged that the recession took its toll on the industry.

“I know NADA lost dealerships, lost jobs, lost those small businesses that were at the core of a lot of communities. But the overall picture turned out to be positive.”

Clinton admitted she had not driven a car herself since 1996. “I remember it very well,” she said.

“Unfortunately, so does the Secret Service, which is why I haven’t driven since then.”

She praised General Motors for picking a female CEO last year. “I was pleased, because we have a lot of women in the corporate pipeline who have been working in their industries for a long time and are now finally in a position where they can be given the opportunity for leadership like Mary Barra,” Clinton said. “I think it sends a really good signal to little girls and little boys.”

In a question-and-answer session with outgoing NADA Chairman Dave Westcott, Clinton said her biggest regret as secretary of state was the 2012 attack on the U.S. Consulate in Benghazi. Her proudest moment was authorizing the raid in 2011 on the Pakistani compound where Osama bin Laden was hiding.

She called on the nation’s leaders to work together, as they did after World War II and as the auto industry does now.

“The auto business has come through some tough times – and dealers bore a big part of the burden – but you’re showing us all that there’s light at the end of the tunnel,” Clinton said, “that there is no challenge too big or too hard when Americans work together.” The dealer convention crowd gave her a standing ovation.

## NADA: 16.4 million sales in 2014, driven by home values, jobs

NADA chief economist Steven Szakaly forecasts 16.4 million auto sales this year, driven by higher home values, residential construction and rising employment. That marks a 5.8 percent increase from 2013.

“Consumers will be far better off in 2014 than last year,” Szakaly told reporters at the NADA Convention. “Employment is improving, debt has been reduced and home prices across all regions of the country will remain stable or will rise, creating a positive wealth effect.”

Szakaly expects Gross Domestic Product to grow about 2.8 percent this year. Employment, particularly in construction and services, will improve in 2014, and moderating gas prices and an improved housing market will help offset stagnant wages and income.



NADA economist Steven Szakaly

## Used prices expected to slip this year, as off-lease volume surges

A sharp rise in the supply of late-model used cars and light trucks is expected to end a five-year run of price growth, according to the NADA Used Car Guide.

Late-model used vehicle supply will grow in large part because of an 18 percent surge in off-lease volume. The supply of units six to eight years old will continue to fall as a result of the big drop in new-vehicle sales from 2006 to 2009. Jonathan Banks, executive automotive analyst for the Used Car Guide, made the forecast at the NADA Convention.

NADA predicts prices of used vehicles up to four years old will fall by an average 2.5 percent on an annual basis in 2014. Prices of five-to eight-year-old units are expected to remain flat.

Despite the increase in off-lease units this year, lease volume will still be 11 percent below 2009 levels, Banks said.

Volume growth will be highest for the segments with higher new sales in the past few years – compact utilities, subcompact cars, luxury cars and utilities. Tight supply for certain truck segments – midsize vans, large SUVs and compact/large pickups – will mean price increases in 2014.

## Steve Forbes: “Dealers are the essence of America’s success”



Steve Forbes told dealers that current CAFE standards are not sustainable.

Steve Forbes, chairman and editor-in-chief of Forbes Media and keynote speaker at the NADA Convention, told dealers at the opening session in New Orleans, “You exemplify what is best in the American economy.”

Forbes said capitalism allowed Henry Ford to turn “a toy of the rich” into a product almost everyone can afford.

Free markets improve the lives of those at all socioeconomic levels, said Forbes. Free trade “expands humanity and brings about enormous circles of cooperation.” Apple’s iPhone, for instance, consists of parts made throughout the world,” he said.

But it was Forbes’s comments on the CAFE standards that drew the greatest applause from convention session attendees.

“CAFE standards try to dictate what happens in the market,” he said, predicting they would be modified in 2017. “I guarantee that thing is going to be changed.”

## *WANADA dealers in the spotlight at NADA Convention*

### Time Dealer of the Year, Chip Lindsay, Lindsay Automotive

The Time Dealer of the Year Award is given annually at the NADA Convention to dealer leaders who have distinguished themselves in the automobile business, their industry and in their community. Dealer associations making up the Automotive Trade Associations network, which includes state and major metropolitan area dealer groups across the U.S. nominate members.



Time Dealer of the Year, Chip Lindsay with wife Kate

And for WANADA's part. Chip Lindsay is the Time Dealer for the Washington area. Chip was among a select group of 57 Time dealers nationwide, all of whom were recognized at the NADA Convention first general session. Chip Lindsay also represented a first for WANADA's Time Dealers over the years being the association first third generation dealer

As with his father and grandfather, Chip was being honored with the Time Dealer Award as principal at Lindsay Cadillac in Alexandria, the flagship store in the Lindsay organization's portfolio of dealerships and franchises that also include Lexus, Chevrolet, Ford and Volkswagen at four other locations.

In addition to being a successful dealer, Chip has been an industry leader, heading up the Washington Auto Show in 2004, followed by service on the WANADA Board, which he chaired in 2012. He is still on the WANADA Board and also on the board of VADA and the Virginia Motor Vehicle Dealer Board.

Through the Lindsay group, Chip supports many organizations in the greater Washington community, including Autism Speaks, Boys & Girls Clubs of Greater Washington in Alexandria, Children's National Medical Center, Marine Corps Scholarship Foundation, Mater Dei School, Georgetown Visitation, Georgetown Preparatory School, Catholic Charities and the Yellow Ribbon Fund, which helps injured service members and their families.

A graduate of the U.S. Naval Academy, Chip served as an officer in the Marine Corps prior to joining the family business.

**Marisa Shockley, Shockley Honda was MADA's Time Dealer of the Year** joining Chip Lindsay in the field of dealers receiving this high industry honor at the 2014 NADA Convention.

## Northwood Dealer Education Awardee Frank McCarthy, Sheehy Auto Stores

Washington area dealer Frank McCarthy was one of 10 dealers who received Northwood University's Dealer Education Award at the NADA Convention. Since 1972, Northwood has recognized individuals in the automotive marketing field who have made noteworthy contributions to public or private education.

McCarthy started his automotive career working for a Washington area Toyota store in high school, later graduated from Notre Dame and went on to work in Toyota Motor Sales' Boston office. Returning to retail, he joined Ourisman of Virginia and later moved to Sheehy Auto Stores, where he has been general manager of its Springfield Ford/Nissan/Subaru store for the past eight years.

On the education front, he heads a leadership task force that is reestablishing WANADA's Automotive Dealer Education Institute Technician Development Program at Marshall Academy in Fairfax County, where the program has recently expanded. McCarthy has served on WANADA's Board of Directors since 2010.

In the community, McCarthy was recognized with Sheehy Auto Stores by the Housing and Community Services Program of Northern Virginia for supporting the organization's efforts to educate the public on the plight of those struggling to maintain their housing arrangements.



Northwood Dealer Education Award winner, Frank McCarthy with his mother Pat.



2014 AIADA Chairman  
Larry Kull

## NJ dealer Larry Kull installed as new AIADA chairman

Marlton, N.J., dealer Larry Kull was elected chairman of the American International Automobile Dealers Association at AIADA’s Annual Meeting in New Orleans, held in conjunction with the NADA Convention.

“I don’t expect to eliminate government over reach in our stores or our industry, but I will work throughout this year to ensure that those making the laws and setting the regulations have some understanding of how our businesses are run,” said Kull as he accepted the chairmanship and referenced the international brand dealers’ agenda.

Also during its annual meeting, AIADA recognized Orange County, Calif., dealer David Wilson with its 2014 David F. Mungenast Lifetime Achievement Award. Wilson operates Wilson Automotive Group, a group of 16 dealerships that has been recognized as one of the 10 largest dealership groups in the country.

“Along with building a successful dealership group, Wilson has also invested considerable time and resources to better the lives of his employees and those in Orange County,” said AIADA President Cody Lusk.

## MADA / VADA / WANADA Reception at NADA Convention held in New Orleans’ historic French Quarter



Latrobe’s on Royal Street in the French Quarter, New Orleans



The 2014 three association Reception at NADA lived up to its reputation as the *best* party at the Convention as members from Maryland Auto Dealers (MADA), Virginia Auto Dealers (VADA) and Washington Area Auto Dealers (WANADA), along with allied industry people of every stripe came together Saturday night January 25, 2014 at Latrobe’s in New Orleans. The three associations’ reception returned to Latrobe’s in the French Quarter having utilized the historic former bank venue at the last NADA Convention in New Orleans.

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### MADA / VADA / WANADA Reception at NADA in New Orleans, Convention - Saturday Photo Gallery



WANADA Chairman Danny Korengold, Ourisman of Virginia, with Lou King



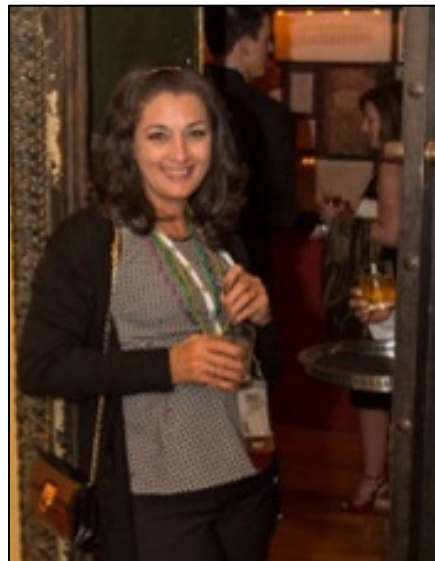
Three Associations' CEOs: (From left) Gerard Murphy, WANADA; Pete Kitzmiller, MADA; Don Hall, VADA



John Devine, US Trust/Bank of America with John Comunale, Councilor, Buchanan & Mitchell.



Reception Sponsor Mike Johansen Rifkin/Weiner/Livingston/Levitan & Silver, with wife Holly



NADA director, Metro Washington, Tamara Darvish, DARCARS



# MADA / VADA / WANADA Reception at NADA in New Orleans: Photo Gallery - *continued*



WANADA Time Dealer, Chip Lindsay (center) and wife Kate (left) with Jackie and Gerry Murphy



MADA Time Dealer, Marisa Shockley, Shockley Honda, flanked by parents Al and Patti Shockley



Pat McCarthy, wife of the late NADA CEO Frank McCarthy, with Reception sponsor Pat Watson of TrueCar



DealerTrack sponsors (from the left) Dan Casey, Kevin Currier, Mark O'Neil and Mike Audette (right))



The lone standing event organizer, Ethel Biensach, MADA, was the only one of three able to attend. Kristina Henry, WANADA, and Natalie Toler, VADA, both took ill



# MADA / VADA / WANADA Reception at NADA in New Orleans: Photo Gallery - *continued*



## MADA / VADA / WANADA Reception at NADA in New Orleans: Photo Gallery - *continued*



### Thought for the Week...

The risk to be successful is a car dealer's everyday challenge.

--Forrest McConnell

Incoming NADA Chairman, at the 2014 NADA Convention