

THE WANADA BULLETIN

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

WANADA Bulletin # 6-16

February 19, 2016

Headlines...

DC DMV starts electronic filing system, changes MD SIF rules

WANADA F&I Workshop Feb. 23 – seats still available!

FTC provides guidance on ads for cars on open safety recall

Per-dealership sales rise for fourth straight year

Toyota drops Scion; youth brand no longer needed

60-day delinquencies up on auto loans

NADA Dealership Workforce Study now open for participation

Gas to average below \$2 in 2016; \$2.21 in 2017

Traffic death rate up sharply in first 9 months of 2015

Staying Ahead...

DC DMV starts electronic filing system, changes MD SIF rules



DC DMV's electronic filing system is designed to eliminate problems with processing times.

The DC DMV plans to test its Online Dealer Interface Systems (ODIS) with a single dealer by the end of February and, if it is successful, make the system available to dealers everywhere no later than April. ODIS will allow franchised dealers to register and title new and used vehicles. The system includes titling, registration and inventory control using a new Web-based format.

Using ODIS, dealers will be able to title and register new and used vehicles *without visiting DC DMV*. The DMV will assign inventory (tags, registration and inspection stickers) to the dealers for them to issue to DC residents.

Because dealers will be able to title and register vehicles and issue paperwork in their offices, concerns about turnaround processing times and DC's three deals per dealerships in-person limit should be eliminated, the DMV says. But as dealers are aware, working with the DC DMV can be difficult.

Maryland Security Interest Filing (SIF) forms

A change has occurred in DC DMV's policy concerning Maryland Notice of Security Interest Filing (SIF) forms. As of February 1, to release the lien, DC DMV will accept either the SIF, or a notarized statement on letterhead from the lienholder stating that the debt has been repaid in full.

Seats still available at WANADA F&I Workshop, Feb. 23

WANADA will host an F&I Certification Workshop on Tuesday, Feb. 23, as a service of the Automobile Dealer Education Institute (ADEI). And there is still room for those who want to attend!

The workshop, presented and sponsored by WANADA Kindred-Line member JM&A Group, will cover these hot button topics: Tax Reform Act and FinCen Form 8300; Truth in Lending Act – Regulation Z; Consumer Leasing Concept – Regulation M; Rate Speed; Equal Credit Opportunity Act – Regulation B; Fair Credit Reporting Act and FACT Act; Gramm-Leach-Bliley Act; Magnuson-Moss Warranty Act; USA Patriot Act and OFAC; Unfair and Deceptive Trade Practices.

This workshop will school F&I professionals in the legal and regulatory matters they need to know about and act on to avoid the pitfalls set for dealers by regulators and plaintiffs' lawyers who focus on the automobile business. Participants will walk away with a framework of best practices for review of paperwork, general compliance and the keys to good selling. Attendees will take a multiple choice exam at the end and receive compliance certificate upon passing the test.

The workshop will be at WANADA headquarters, 5301 Wisconsin Ave., NW, Suite 210, in Washington, DC. Cost is \$199. Act now to attend! To register, click [here](#). Questions? Contact Kathy Teich, kt@wanada.org or 202-237-7200.

FTC provides guidance on ads for cars on open safety recall



Sales staff must make certain disclosures to buyers of vehicles under open safety recall.

NADA, which has closely followed issues around the sale of cars under open safety recall, has issued this bulletin, edited for space:

The Federal Trade Commission (FTC) has been investigating whether an advertisement that states or implies that a used vehicle subject to an unrepaired open safety recall is safe to drive (such as by stating that it is certified or subject to a qualified assurance or multi-point inspection) is a deceptive trade practice and thus prohibited under the FTC Act.

The FTC recently [announced](#) proposed consent orders with General Motors and two dealers to resolve several of those investigations. The following provisions provide the most useful guidance to dealers:

1. The dealer may not represent that used vehicles that it offers for sale are safe, have been repaired for safety issues or have been subject to a safety-related inspection *unless*:
 - a) those vehicles are not subject to an open safety recall, **or**
 - b) the dealer clearly and conspicuously discloses – in close proximity to such representation – any material qualifying information related to open safety recalls, including but not limited to:

- (i) the fact that it's used vehicles may be subject to unrepaired recalls for safety issues, and
 - (ii) information on how consumers can determine whether a vehicle is subject to an open safety recall, but has not been repaired (presumably by directing the consumer to NHTSA's recall website at <https://vinrcl.safercar.gov/vin/>);
2. If the dealer receives written notice from a manufacturer that a used motor vehicle is subject to an open safety recall, it must provide that notice – or a document with the same information and in a substantially similar format – to the consumer before completing the sale; and
3. The dealer may not misrepresent a vehicle's safety recall status, whether the dealer repairs vehicles subject to an open recall, and any other material fact about the safety of vehicles it advertises for sale.

Note that item 2, above, appears to apply to *any* sale of a used vehicle to a consumer for which the dealer has received a safety recall notice from a vehicle manufacturer it represents. NADA suggests that, before the sale, dealers check the recall status of all used vehicles, using the NHTSA recall website identified above or a manufacturer's VIN-specific lookup. If the results show that an unremedied federal safety recall applies, a copy of those results should be provided to prospective buyers, both consumers and commercial customers.

When the sale is completed, NADA also suggests that the dealer obtain an acknowledgement from the buyer that a written recall notice has been provided.

Michael Charapp, WANADA Kindred Line member and partner, Charapp & Weiss, LLP, advises dealers not to “certify” a used vehicle with an open recall – particularly because some automaker CPO programs specifically prohibit the practice.

Dealers should consult their legal counsel concerning their specific legal obligations.

Per-dealership sales rise for fourth straight year

Average sales per dealership has reached another all-time record of 966 units, based on total vehicle sales of 17.5 million, according to Urban Science's 2015 year-end Automotive Franchise Activity Report. This marks the fourth straight year of increases.

The report shows a slight rise in the number of dealerships, to 18,087 rooftops, up 0.7 percent from December 2014. The number of franchises also saw a slight increase, to 31,776.

“Sales throughput for dealers has achieved another record level due to a record sales year and a stable dealer count,” said Mitchell Phillips, global data director at Urban Science. He added that the current selling rate indicates that dealers may not break the record again this year.

Toyota drops Scion; youth brand no longer needed

Young buyers were very different in 2002 when Toyota started the Scion brand in 2002 to appeal to the youth market. Quirky cars and unusual ads seemed like a good strategy to reach consumers who wanted to distinguish themselves from their parents by not buying mainstream brands, like Toyota.

Today's young buyers, analysts say, consider Toyota an aspirational brand. They want SUVs and crossovers as much as other auto buyers do, and Scion's lack of an offering in those segments became a problem for the brand.

"It's hard being a small car brand when shoppers opt for SUVs and trucks whenever gas prices aren't sky high," said Edmunds.com Senior Analyst Jessica Caldwell.

Toyota described the phasing out of Scion as a transition. "Scion has allowed us to fast track ideas that would have been challenging to test through the Toyota network," said Jim Lentz, founding vice president of Scion and now CEO, Toyota Motor North America.

Scion's 1,004 dealerships, all housed in Toyota dealerships, will continue to sell and service Scion models, though some will be rebadged as Toyotas.



60-day delinquencies up on auto loans

More consumers are falling behind on their auto loans, a new report from Experian finds. Though 30-day delinquencies are down, 60-day delinquencies grew from 0.72 percent to 0.77 percent in the past year.

Finance companies hold nearly 45 percent of the loan balances, followed by banks, captives and credit unions.

"Given that we've seen an increase in loans to subprime and deep subprime consumers, it's natural to see a slight uptick," said Melinda Zabritski, senior director of automotive finance for Experian. "Although not yet a cause for concern, the industry should keep an eye on this metric to see how it trends in the quarters to come."

NADA Dealership Workforce Study now open for participation

The NADA Dealership Workforce Study, now open to dealers, provides the industry's only authoritative analysis of employee compensation, retention and turnover, employee benefits, work schedules and demographics.



Dealerships that complete a questionnaire and submit their payroll data will receive two (2) complimentary reports, including comparisons of their dealerships to their peers nationally, regionally and by state and brand.

The participation period is open through April 29. To begin, visit www.nadaworkforcestudy.com. If you have questions, email WorkforceStudy@nada.org or call (800) 557-6232.

Gas to average below \$2 in 2016, \$2.21 in 2017

The U.S. Department of Energy forecasts that the price of gas will average \$1.98/gallon in 2016 and \$2.21 in 2017, down substantially from \$2.43 in 2015.

In January, the average retail regular gasoline price was \$1.95/gallon, the first time monthly gas prices were below \$2/gallon since March 2009. The Energy Department expects the monthly average retail price of regular gas to reach a seven-year low of \$1.82/gallon in February before rising this spring.

Traffic death rate up sharply in first 9 months of 2015

Continuing a theme that NHTSA Administrator Mark Rosekind addressed in his U.S keynote address at The Washington Auto Show, the agency announced a steep 9.3 percent increase in traffic deaths for the first nine months of 2015.

NHTSA estimates that more than 26,000 people died in traffic crashes in the first nine months of 2015, compared with 23,796 deaths in the first nine months of 2014. Different regions across the country showed increases ranging from 2 percent to 20 percent. The region that includes Maryland, Virginia and DC (also Delaware, Kentucky, North Carolina and West Virginia) saw a 12 percent increase.

“It’s time to drive behavioral changes in traffic safety, and that means taking on new initiatives and addressing persistent issues like drunk driving and failure to wear seat belts,” said Rosekind.

Staying Ahead...

Politicians, like diapers need to be changed often, and for the same reason.

--Bumper sticker wisdom

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION