

THE WANADA BULLETIN

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

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Headlines...

FTC, states announce crackdown on fraud in auto sales, finance
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DECEPTIVE CAR ADS

Some auto dealers put tempting promises in their ads. But when you try to close the deal, it's another story.

Common Ads & What They Might Hide

Ad Example	What's missing?
LOW, LOW PRICE!	They require a downpayment, plus fees hidden in the fine print.
Only \$99/Month	Advertised payments are temporary and "balloon" later.
ZERO OR low-rate loans	That advertised low rate sounds great – but when you go to sign the contract, you learn it doesn't apply to you.
YOU WON!	The prize. It's just a way to get you into the showroom.

What to do

Walk away from any dealer whose up-front offer comes with a back-end surprise.
File a complaint at ftc.gov/complaint.

ftc.gov/cars Federal Trade Commission March 2015

The FTC published this chart of deceptive car ads.

FTC, states announce crackdown on fraud in auto sales, finance

The Federal Trade Commission and 32 states announced a nationwide crackdown on deception and fraud in auto sales, financing and leasing. There were 187 enforcement actions since the agency's last sweep, including one in Maryland and 41 in Virginia. Many of the Virginia enforcement actions were against independent dealers, several of them for failure to advertise as a dealer on Craigslist.

Other enforcement actions included both civil and criminal charges of deceptive advertising, automotive loan application fraud, odometer fraud, deceptive add-on fees and deceptive marketing of car title loans.

The FTC listed some examples of deceptive ads:

- The ad says, “Low, low price,” but doesn't explain that buying the car at that price requires a down payment plus fees included in the fine print.
- The ad says, “Only \$99/month,” but doesn't reveal that advertised payments are temporary and “balloon” later.
- The ad mentions a zero or low-rate loan that doesn't apply to everyone.
- The ad says, “You won!” but there's no prize.

For the first time since receiving expanded authority over auto dealers under the Dodd-Frank Act, the FTC has leveled two auto enforcement actions involving

add-ons, in which a dealer or other third party adds to the vehicle sales, lease or finance agreement charges for other products or services. Examples include extended warranties, payment programs, GAP insurance, credit life insurance, road service, theft protection and undercoating.

The FTC's two new advertising consent orders against dealers involved allegations of deceptive price advertising. The proposed orders – final in 30 days – have requirements about advertising rebates and other matters that are consistent with the position that the Virginia Motor Vehicle Dealer Board staff adopted in its special meeting March 9. That meeting was reported in last week's WANADA Bulletin and is available by clicking [here](#). The FTC's actions provide further reasons for the Virginia Board to adopt the position developed in the special meeting as its final policy.

The consent order states that any discount, rebate, bonus, incentive or price advertised by the dealership must be available for all consumers, for all vehicles advertised, or that the ad must “clearly and conspicuously disclose all qualifications or restrictions on: (a) a consumer's ability to obtain the discount, rebate, bonus, incentive or price and (b) the vehicles available at the discount, rebate, bonus, incentive or price.”

NADA/ AIADA press CFPB to justify its position on car loan discrimination

CFPB's regulation of banks on car loans will cost consumers millions

NADA and AIADA are pressuring the Consumer Financial Protection Bureau to respond to a study released last fall faulting the methodology used by the CFPB that found discrimination against minorities applying for auto loans.

The study of CFPB's methodology was done by Charles River Associates and commissioned by the American Financial Services Association. But as AIADA Chairman Bradley Hoffman pointed out in a blog post, because auto loan applications are not permitted to ask the applicant's race, the CFPB had to use a proxy method that used names and addresses to guess the applicant's race.

“Incredibly, it managed to correctly identify African-American borrowers only 24 percent of the time,” Hoffman wrote. He encouraged AIADA members to host Congressional representatives at dealership events to educate them about the retail auto industry.

NADA has been pushing back on the CFPB issue since the auto finance directive was issued two years ago and has seized on the Charles River study as evidence that the CFPB's action is unjustified. “Given that the CFPB's guidance will cost American consumers millions of dollars every year and bring economic harm to the very people it intends to help, you would think the agency would actually examine a rigorous peer-reviewed study that discredited its methodology,” NADA spokesman Jared Allen told *Automotive News*.

DC DMV Title Tax Calculator appears to have launched without a hitch

DC DMV's launched date this week—April 1st—of its new online Title Tax Calculator appears to have been successful.

WANADA worked closely with DC DMV to ensure a smooth roll out of the new way it has devised for dealers to compute title tax on vehicle sales to DC residence.

A copy of WANADA's Special Bulletin on the DC Tax Calculator with specifics for dealer compliance can be accessed by clicking [here](#).

Maryland Senate bill kills "rain tax"; House to consider it

The Maryland Senate unanimously passed a bill repealing the stormwater remediation fee, which Gov. Larry Hogan (R) calls the "rain tax." The measure must now be taken up by the House of Delegates, where its fate is uncertain. Some members of the House have said that repeal is unnecessary because the original legislation gives counties the flexibility to cut back their fee or eliminate it altogether.



The bill passed by the MD Senate repeals the rain tax, but requires big counties to present their Chesapeake cleanup programs.

Gov. Hogan made repeal of the "rain tax" a centerpiece of his campaign, and he quickly introduced a bill to do so. That bill failed, but a similar bill introduced by Senate President Mike Miller (D) did pass, and environmentalists did not oppose it. Miller's bill repeals the fee that last year's legislation set in Baltimore City and the state's nine largest counties. Instead, Miller's bill requires the state's largest jurisdictions to document the cost and funding source for their anti-pollution programs.

The original legislation, passed under Gov. Martin O'Malley, was in response to a federal

program requiring states to come up with a way to pay for cleanup of the Chesapeake Bay. In Maryland, the biggest source of pollution in the Bay is stormwater runoff.

Montgomery County, which had already started charging stormwater fees, would be mostly exempt from the new bill, according to *The Washington Post*.

Compact SUV sales growing at the expense of cars – Edmunds

It's not news that compact utility sales are growing steadily. What's interesting is that they are not additional sales – even though overall sales are growing – but are cutting into midsize and compact car sales, according to Edmunds.com. Those segments' market share has hit an eight-year low.

At dealerships, midsize and compact cars have the longest days-to-turn numbers on record for those segments. Many compact SUVs sell much faster than their brands' compact car counterparts – for example, 31 days for the Toyota RAV4 vs. 48 days for the Corolla.

Compact SUVs, says Edmunds, are a desirable size but are still efficient and comparably priced with other popular models. Their mpg has risen 21 percent in the past decade to a combined 25.6 mpg for 2015 models.

Many buyers trade in another model for a compact SUV. Only 14 percent of those buying a compact SUV with a trade-in had a compact SUV as their trade-in. Most trade-ins for compact SUVs come from midsize SUVs or compact or midsize cars.

Buyers want to see their finance options online beforehand

Most car buyers would like to see their financing and rate options online ahead of time, according to a new survey by Swapalease.com. But more men (45 percent) than women (27 percent) would like to have lenders bidding for their finance business beforehand.

Nearly two-thirds of those surveyed would prefer to pick up their car at the dealership. Despite all the talk of drones, just 6 percent of car shoppers said they would like their car delivered by one.

If they are leasing, about half prefer to select their lease package from a menu with various options such as mileage and upfront money. Just over half of men would like to get out of any lease with 90 days' notice, and just over half of women would like to lease month-to-month with no extended terms.

Shoppers said that rear backup cameras and in-car WiFi are the tech features that will most influence their shopping decision in the future. Just over half of men said lane departure warning systems would be an influential technology, but less than one-third of women did.

Ignition interlock in all cars would save \$343 billion in 15 years

Installing alcohol ignition interlock devices in all new cars bought over a 15-year period would prevent 59,000 deaths and 1.25 million injuries, according to new research by the University of Michigan. In total, the devices would save \$343 billion in 15 years. The cost of installing them would be recouped after just three years.

Researchers were surprised by the extent of their findings. "Our analysis clearly demonstrates the significant public health benefit and societal cost savings associated with including alcohol ignition interlock devices as standard equipment in all new cars," said lead author Dr. Patrick Carter, assistant professor in the Department of Emergency Medicine at the U-M Medical School.

Nearly 35 percent of deaths and injuries that would be prevented would be among drivers ages 21 to 29. Drivers under 21 would also see a big drop in deaths and injuries. "By applying such technology more broadly to all newly built vehicles, we can actually have a substantial injury prevention impact among traditionally hard-to-reach high-risk populations," Carter said.



Mandatory alcohol ignition interlock devices could prevent accidents like this one.

Driver Privacy Act passes out of Senate committee to full Senate

The Driver Privacy Act has passed unanimously out of the Senate Transportation Committee to the full Senate. The bill, sponsored by John Hoeven (R-ND) and Amy Klobuchar (D-Minn.), aims to protect the privacy of a driver's personal data.

The bill makes clear that the owner of a vehicle also owns any information collected by an Event Data Recorder (EDR). An EDR is an onboard electronic device that can continuously collect information about a vehicle's operation, such as direction, speed and seat belt usage.

The National Highway Traffic Safety Administration estimates that more than 96 percent of new 2013 car models are equipped with an EDR, but in December 2012 the agency proposed rules that would mandate the installation of EDRs in all light-duty vehicles. The proposal raised widespread questions and concerns about the ownership of the data. NHTSA has said it lacks the regulatory authority to address privacy concerns about EDR data. Senators Hoeven and Klobuchar wrote their bill in response.

Drivers over 50 at new peak level

The auto industry's continuing effort to appeal to younger drivers may be misguided. Not only are the young poorer and less likely to own a car, but people over 50 now make up nearly half of U.S. drivers. That's a higher proportion than ever before, according to the Federal Highway Administration (FHWA). The number of older drivers has increased 22 percent since 2003.

Drivers over 85 remain the fastest growing demographic group, nearly doubling from 1998 to 3.48 million in 2013 – the second highest amount ever recorded. FHWA predicts that the number of drivers 65 and older will jump 77 percent by 2045. The agency has safety measures in mind for this group.

“From brighter, more visible highway signs and lane markings to pedestrian countdown signals, our research has done much to keep America's aging population safe,” said Deputy FHWA Administrator Gregory Nadeau.

Thought for the first days of April...

Do any of these six things and you may be a *fool*:

1. Get angry without justification
2. Speak senselessly
3. Change course without progress in mind
4. Investigate without direction
5. Trust a stranger
6. Mistake an enemy for a friend

--An Arabian proverb

