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The annual F&I Workshop
May 24
WANADA headquarters

NADA's Paul Taylor sees two problems for the industry by summer: \$4.60 gas & shortage of small cars

NADA's chief economist sees shortages of small, fuel efficient cars this summer stemming from the tsunami tragedy in Japan and rising gasoline prices here. "It's an unfortunate combination of events," he says in his quarterly economic outlook, "but just as rising gas prices increase demand for fuel efficient cars, the tragedy in Japan cuts off the critical supply of components to build those vehicles."

Taylor says the Detroit Three and European automakers will likely not be able to offset the losses in production the major Japanese automakers will endure over the summer, some as high as 63 percent. As a result, he says NADA's new vehicle sales forecast of 12.9 million for the year will have to be revised downward.

"The shift in the mix of sales during the summer that results from gasoline prices soaring through the \$4.50 per gallon barrier will cause a mismatch between consumer wants and available inventory. That can't be offset by a binge of retail and fleet selling in the fourth quarter, even if all manufacturers, including the Japanese brands, could somehow get back on line by then," he says.

"Too bad," Taylor concludes, "because the economy appears fully capable of supporting the 12.9 million unit new light vehicle sales rate NADA forecast."

Reminder on lease advertising requirements under federal Regulation M

WANADA dealers are reminded of the necessity to comply with federal regulation M on vehicle leasing. Now that leasing is once again becoming popular, it has resulted in complaints to the Federal Trade Commission (FTC) that dealers (and even some manufacturers) are failing to include proper lease disclosures in vehicle advertisements.

Lease advertising, like finance advertising, is all about trigger terms. If a dealer advertises price, either a monthly payment or anything about the “drive-off price” (e.g., cap. cost reduction, security deposit, “no down payment”, etc.), then this triggers the need for the following additional disclosures:

1. Clearly identify the transaction as a *lease* (e.g., “Lease for”);
2. State the number, amounts and period of scheduled payments (e.g., “\$399 per month for 39 months.”);
3. State the total amount due on or before delivery (e.g., “\$999 total amount due at lease signing”);
4. State whether or not a security deposit is required (e.g., “no security deposit required”).

All disclosures must be clear and conspicuous. Additionally, if the leasing dealer states anything at all about any component of the “drive off,” such as “no down payment,” then under the “equal prominence rule,” the dealer **MUST** disclose, in equal print size and immediately adjacent to the statement, all the amounts that are required at time of delivery, such as first payment, tags, security deposit, etc.

It is also recommended that dealers state explicitly in the ad if they are going to require that any factory rebate be applied to the amount due at lease signing.

Dealers should not use a toll-free number in radio and television commercials in lieu of making these disclosures. Indeed, a toll-free number can only be used to disclose the amount or non-existence of a security deposit.

The Federal Reserve Board has published a consumer information brochure that may be helpful for dealers in addressing consumer concerns about leasing disclosures. The publication, “What You Need to Know: New Rules about Credit Decisions and Notices,” is available at www.federalreserve.gov under the top index tab, “Consumer Information”, and then under the “What you Need to Know Series”.

The WANADA Bulletin credits the National Association of Dealer Counsel for the background on this important update.

Senate Republicans plan to block Consumer Bureau nominee

Senate Republicans have told President Barack Obama they will block any nominee to lead the Consumer Financial Protection Bureau (CFPB) unless Democrats agree to change the agency's structure and funding.

The warning was delivered in a letter to the White House May 2, on behalf of forty-four Republican senators, led by Richard Shelby of Alabama, the top Republican on the Banking Committee. The Republican senators wrote that they want the agency's director to be replaced by a board of directors, its funding brought under congressional control and its operations subject to more oversight from other bank regulators.

"No person should have the unfettered authority presently granted to the director of the Consumer Financial Protection Bureau," the senators said in the letter signed by Republicans, including Minority Leader Mitch McConnell of Kentucky. "We believe that the Senate should not consider any nominee to be CFPB director until the CFPB is properly reformed."

The consumer bureau was conceived as part of Finance Reform to protect consumers from risky financial products that contributed to the credit crisis. NADA and dealers across the country successfully fought off a move to include dealership F&I operations under the agency's purview.

The administration hasn't formally nominated a director for the consumer agency, but Harvard University law professor Elizabeth Warren is serving as an adviser to help set up the bureau and is favored by consumer organizations to head it. Treasury Secretary Timothy F. Geithner set July 21 as the date the agency would start operations as an independent agency.

The Republican move leaves the president with the choice of missing that deadline, acceding to the demands, or going around the lawmakers by making an appointment during a congressional recess. Sen. Shelby, in a statement, said a recess appointment would undercut the Senate's authority.

"Senate confirmation is about accountability and giving the American people a voice in the process," Shelby said. "I would hope the president won't silence the people's voice."

Two Republican senators -- Scott Brown of Massachusetts and Lisa Murkowski of Alaska -- didn't sign the letter. Democrats control 53 of the 100 votes in the U.S. Senate, so the 44 Republican signatures would not be sufficient to overcome objections to any nominee chosen by the president.

NADA calls Forbes.com on the carpet

Story on "Car Dealer Scams" full of inaccuracies, says NADA

In response to a recent Forbes.com article "Car Dealer Scams to Watch Out For," NADA has sent a letter of complaint to the writer, Forbes Detroit Bureau Chief Joann Muller, for "unjustifiably maligning an entire industry." The letter outlines a litany of inaccuracies in Muller's article, which is almost devoid of any balance.

The NADA response contains some key messages, especially in support of dealer-assisted financing, that dealers can use when responding to similar negative media articles in their local markets. For example, the NADA letter cites an Associated Press article published in the Detroit News that provides an example of a car buyer who was able to get a lower interest rate on a car loan from his dealer than from his credit union. NADA says stories like these go a long way in rebutting claims that car buyers are paying too much for dealer-assisted financing.

NADA is asking its members to send it dealership examples of similar successful efforts to provide lower interest rates on auto loans to customers than they could have gotten at their bank or credit union. It is creating a *Story Bank* with these kinds of examples for rapid-response use as needed. NADA believes negative articles, like the Muller story in Forbes.com, appear to be timed to coincide with the start of a series of FTC roundtable discussions on dealer practices. Dealers can send their stories to David Hyatt, NADA, vp of public affairs, at dhyatt@nada.org.

Administration takes a first look on taxing cars by the mile

The Obama administration is looking for funding to study and possibly implement a plan to tax automobile drivers based on how many miles they drive, according to the trade publication Transportation Weekly.

The White House, however, has now denied any such plan, but does admit the notion had been informally discussed by the administration. White House spokeswoman Jennifer Psaki, said. "The proposal was never formally circulated within the administration, does not take into account the advice of the president's senior advisers, economic team or Cabinet officials, and does not represent the views of the president."

News of the draft follows a March Congressional Budget Office report that supported the idea of taxing drivers based on miles driven by installing electronic equipment on each vehicle to determine how many miles were driven; payment could take place electronically at filling stations.

The CBO report was requested by Senate Budget Committee Chairman Kent Conrad (D-N.D.), who has proposed taxing cars by the mile as a way to increase federal highway revenues. Highway funding is now provided via taxes on gasoline, but as cars become more fuel efficient and/or all electric, tax collection has not kept up with need and has actually fallen over the past ten years.

The administration draft plan anticipates the need to prepare the public for what would likely be a controversial change to the way highway funds are collected and would create an office to "increase public awareness regarding the need for an alternative funding source for surface transportation programs and provide information on possible approaches."

The office would also be required to study the capability of states to enforce payment, the reliability of technology, administrative costs of such a plan and "user acceptance." The effort would be funded a total of \$200 million through fiscal 2017.

2011 WANADA OPEN - Only a few golf slots remain!

Lakewood Country Club- May 16

WANADA members and friends who play golf and enjoy networking with business associates are reminded to register for *the 2011 WANADA Open* without delay as there are only a few golf slots remaining for the tournament scheduled Monday, May 16 at Lakewood Country Club in Rockville. And, if past is prologue, the WANADA Open will be a second to none right-of-spring celebration out on the links at a great golf course! There will be several new tournament competitions this year that recognize different skill sets of players, along with the next chapter of the Maryland/Virginia Ryder Cup style competition that was started last year.

The registration fee for the 2011 WANADA Open is \$250 per golfer and \$100 for those coming only for cocktails and dinner. Bear in mind that even if you don't golf, you'll have a great evening reconnecting with scores of business friends and associates from across the region.

Register now by calling or e-mailing Kristina Henry at (202) 237-7200, ext. 18 or kh@wanada.org. The registration form can also be downloaded at www.wanada.org



Annual WANADA F&I Certification Workshop **Legal/regulatory roadmap for dealership F&I professionals – May 24**

Once again, WANADA has scheduled the popular Finance and Insurance Certification Workshop for dealership professionals put on by JM&A. With the ever increasing regulatory focus of regulators on dealership F&I practices, this workshop is as important as ever. The topics covered include the following:

- ✚ Unfair and Deceptive Trade Practices
- ✚ The Tax Reform Act 1984 and FinCen Form 8300
- ✚ The Truth in Lending Act - Regulation Z
- ✚ Consumer Leasing - Regulation M
- ✚ Rate Spread Issues
- ✚ Equal Credit Opportunity - Regulation B
- ✚ Fair Credit Reporting & FACT Act

Date: Tuesday – May 24, 2011
Time: 9:00am – 5:00pm (Registration begins at 8:30am)
Where: WANADA Headquarters
 5301 Wisconsin Avenue, NW, Suite 210
 Washington, DC 20015
Cost: \$199.00 per Person

- ✚ The Gramm-Leach - Bliley Act
- ✚ The Magnusson-Moss Warranty Act
- ✚ The USA Patriot Act & OFAC

Workshop participants will take an exam at the conclusion of the workshop to ensure they have received a working knowledge of the information. Certificates will be distributed to all who pass.

For more information contact, Kristina Henry at 202-237-7200, ext. 18 or: kh@wanada.org. Register here by downloading the form: http://www.wanada.org/2011-events/F&I-Certification-Workshop-Registration-Form_05-24-11.pdf.

MADA post 2011 Maryland legislature legal/regulatory briefing

May 25, Gaithersburg Holiday Inn

MADA will present a special briefing on May 25, 2011 covering the new legislation passed during the 2011 Maryland General Assembly. Dealers will also be updated on the variety of complex legal/compliance issues they must face in their day-to-day operations.

Topics covered include:

- Dealer processing fees
- Issuance of temp tag with pending insurance violation
- Advertising compliance
- Prior use disclosure
- Protecting against liability from class action lawsuits

Dealer lawyer Mike Charapp of Charapp & Weiss, LLP, will join Peter Kitzmiller, MADA CEO, in rolling out the presentation. With the Gaithersburg locale of the state association session WANADA senior staff will be on hand as well.

The cost is \$99 per person. Click to download the MADA registration form [Registration Form](#)

Glad tidings from the Royal Wedding...

The more we give of self, the richer we become in soul; the more we go beyond ourselves in love, the more we become our true selves and our spiritual beauty is more fully revealed.

--The Right Reverend John Chartres, Bishop of London, officiating at the wedding of Prince William to Catherine, newly installed Duchess of Cambridge.