THE WANADA® BULLETIN

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

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Auto loan chief at CFPB to leave; more scrutiny of dealers likely

cfpb Consumer Financial Protection Bureau

The CFPB's head of auto finance is leaving at the end of June.

The Consumer Finance Protection Bureau's assistant director overseeing auto finance, Richard Hackett, plans to leave the agency by the end of the month. The move, first reported by *Politico* and confirmed in the *CFPB Monitor*, said that Hackett's responsibilities for auto loans will be temporarily assigned to Rohit Chopra. The Bureau's Corey Stone will be permanently in charge of smaller dollar loan markets.

Speaking earlier this month at the National Automotive Finance Association's Non-Prime Auto Finance Conference, Hackett said dealer discretionary pricing of auto loans is not "*per se* illegal," but "it creates a measurable risk of discrimination," according to the *F&I Showroom*. Other speakers at the Conference recommended that dealers do rigorous training and keep careful documentation. Consumer lenders told *Automotive News* that dealers should expect much greater scrutiny of all consumer loans.

CFPB's concern is "disparate impact," where discretionary pricing could unintentionally result in higher rates on auto loans for minorities. The agency's March guidance to banks it regulates on the subject expressed a preference for dealer credit arrangers going to flat fees instead of discretionary pricing. Taking exception, NADA has said that flat fees will decrease competition among dealers, thereby causing loan prices to consumers to go up. As credit arrangers, dealers *are not* subject to the regulatory reach of CFPB; but bank lenders doing business with dealers *are*, meaning that the new super agency can, indeed, impact the retail automobile business.

NADA crafts dealer talking points on regulator claims that dealers discriminate on car loans

In response to charges by newly installed finance reform regulators from the Consumer Finance Protection Bureau (CFPB) that dealers discriminate against minorities in arranging car loans, NADA put together a talking points paper that repudiates CFPB's position and its remedy for fixing what isn't broken. CFPB's fix, of course, is to compel the lenders it regulates to move their dealer partners to a flat fee method of calculating dealer compensation instead of the existing approach grounded in good faith dealer interaction with the consumer in finalizing the financed vehicle sale.

Click here to see NADA's challenge to CFPB's "disparate impact" initiative on financed auto sales in dealerships.

Veteran Capitol Hill professional Ivette Rivera to head NADA legislative office

NADA president Peter Welch just announced that the association has filled the important position of vice president of legislative affairs with longtime Washington government relations professional and former NADA executive Ivette Rivera.

Stepping into the shoes of her former boss, David Regan, who successfully headed NADA's legislative office for many years, Ms. Rivera was a key player herself in the formulation and execution of the national new car dealer government relations agenda in Washington.

Most recently, she was in the staff leadership of the Bikes Belong Coalition, handling the Washington centered strategic planning for the advocacy group. She additionally comes to the job with a masters' degree in political science from Johns Hopkins University.

In reporting the rehiring of Ms. Rivera at NADA to the top spot for government affairs to WANADA and the other dealer association affiliates of the Automotive Trade Associations, Mr. Welch said Ms. Rivera "emerged as a clear choice to head up our legislative team," which is housed in its own offices on Capitol Hill.

WANADA senior staff, too, headquartered in Washington in close proximity to NADA Capitol Hill operations has enjoyed the best of working relationships with Ms. Rivera over the years and wish her all the best in her new position heading up NADA's legislative affairs.

New FTC guidance out on Red Flags identity theft rule

New guidance from the Federal Trade Commission on the Red Flags Rule, revised late last year, helps explain who it applies to and how to comply with it. Principally, an identity theft program should have four elements:

- Policies and procedures that identify the *red flags* of identity theft, such as an ID that looks fake.
- A program designed to detect the *red flags*.

- A program detailing the actions you will take when you encounter a *red flag*.
- A way to keep the program updated.

"Just getting something down on paper won't reduce the risk of identity theft," the FTC guidance says. "That's why the Red Flags Rule has requirements on how to incorporate your program into the daily operations of your business."

To read the FTC guidance, click here.

J.D. Power Initial Quality Study points to a role for dealers

The 2013 J.D. Power Initial Quality Study found that the problems car owners reported generally were related to *design* not defects. And some of the design problems can be helped with better explanation from the sales representative.

The Honda Civic had the fewest initial quality problems in the J.D. Power survey.

The study, which measures problems owners experience in the first 90 days of new-vehicle ownership, found that the design problems made up nearly two-thirds of the problems reported, and are far less likely to be successfully resolved at the dealership than manufacturing defects.

It may be that a component is working as designed, but owners consider it a problem because it is hard to understand or operate. Because design problems are not the result of a breakdown or malfunction, J.D. Power says that just 9 percent are taken to a dealership in the first 90 days of ownership. But the sales representative may be able to help by explaining how to use the technology when the vehicle is sold, said David Sargent, vice president of global automotive at J.D. Power.

Porsche, GMC and Lexus owners reported the fewest problems in this study. General Motors did well, too, receiving awards for eight models, including five for Chevrolet. Honda Civic was the highest ranked compact car, and Toyota Camry the top midsize car. The Honda CR-V was the top compact crossover, the Nissan Murano, the top midsize CUV and Chevrolet Tahoe, the top large CUV.

Employers plan to cut staff hours to avoid health care mandate

A survey of nearly 900 companies nationwide found that 12 percent plan to reduce staff hours so they won't have to provide health care coverage when the Affordable Care Act (ACA) kicks in January 1, 2014. The survey by the Mercer Group found that 20 percent of retail and hospitality industry companies are looking to cut staff hours. The ACA requires employers to offer coverage to any employee working 30 or more hours a week.

Nineteen percent of the companies expect costs to rise significantly when the law takes effect, and a full 32 percent admitted knowing little about how the law will affect costs. Another 17 percent said they are budgeting for an increase in enrollment. The rest are evenly split between those who are not and those who are still undecided.

But many employers need to look ahead to higher benefits costs. Some will require a bigger paycheck deduction from employees for health coverage, especially for dependent coverage.

Even at this late date, 23 percent of employers are saying they are unsure how they will track and record the hours of employees who work variable hours, as required by the law to make sure employers are offering coverage to eligible employees.

Most of the employers (78 percent) said they are concerned about the communication requirements of the new law, such as educating employees about their choices and supporting informed decision-making.

WANADA has done and will continue to do Affordable Care Act briefings for dealer members to ensure that WANADA employers are as knowledgeable as they need to be on the controversial, complex federal law that takes wing and rolls out next year. WANADA member companies with health coverage through the association's agency get customized assistance on Affordable Care Act matters based on their own programs. For more information, contact Ed Mullaney at (202) 237-7200, ext. 31, em@wanada.org or John O'Donnell at (202) 669-8144, jod@wanada.org.

Light vehicle fuel economy stays at record level in May

Fleetwide fuel economy for light vehicles last month stayed at 24.3 mpg, the record level it reached in March and April, according to Wards. That was up 1 percent from a year ago and up 16 percent from the base rating when the Wards Fuel Economy Index was started in fourth-quarter 2007.

Robust sales of pickups, like this F150, make continuing improvement in fuel economy questionable.

Even though the numbers stayed the same, *the market continued to move away from the most fuel-efficient segments!* Cars were less than half of light vehicle sales in May, as all four car segments lost share. But the decrease from April was offset by an increase in CAFE, now 28.1 mpg.

Conversely, *all four truck segments gained share in May*, for the first time since last July. Pickup sales are robust and expected to increase as the housing and construction industry continues to improve.

Consumer Reports says higher fuel economy standards will save car buyers money

The tougher fuel economy standards mandated by the Obama administration will save consumers money in the short term and long term, says a new report by Consumer Reports.

The study estimates that more stringent CAFE requirements will increase the cost of a new vehicle by $1,800 (NADA has said it could be as high as $3,000). But the fuel savings over 15 years, the average lifetime of a vehicle, will total about $7,300. Consumers who paid cash for their new vehicle would break even in three years.

"The immediate gas savings more than offset additional monthly payments attributable to new fuel-economy technology," CR says. "In place of spending money on gasoline, consumers will have more money to spend on cars and other goods and services." CR's survey also found that fuel economy is high on the list of consumers' *wants* when they are shopping for a new vehicle.

The fly in the ointment with this 15 year/life of the vehicle savings claim is the fact that the average new car buyer keeps his/her car for six years, with used car buyers only keeping their vehicles four, according to R.L. Polk. Accordingly, few original buyers will see the 15 year savings touted by CR.

In the composite, CR believes the new CAFE standards should save about 30 billion gallons of gasoline a year by 2025, with an estimated net benefit to consumers of $326 billion to $451 billion over the vehicles' lifetime.

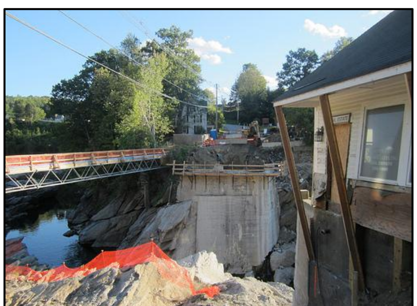
Reminder! No more plastic bags for Maryland dealer plates

Coming up July 1, the Maryland Motor Vehicle Administration will stop issuing plastic bags for temporary plates. The rationale: no bags will be needed for new plates printed on Teflon-coated paper.

Maryland dealers should take care that the store has the new paper Teflon-coated stock available for use no later than June 28. Dealers without the Teflon-coated paper by July 1 will not be able to process temporary plates!

Dealers needing to order the new paper should contact Maryland Correctional Enterprises by phone at 410-799-1240 or by fax at 410-799-1370. For questions, email mvablcsd@mva.maryland.gov.

Md. Congressman John Delaney presents infrastructure bill



Rep. Delaney's bill would raise money for bridge and road repair and distribute it to localities. Photo by Christina

Many talk about the need to fix America's infrastructure, but nobody seems to step forward to change anything. Rep. John Delaney, Maryland's newest Democrat Congressman from District 6, wants to reverse that trend. Delaney points to his suitability for the task citing his extensive business experience before joining Congress. He recently introduced the Partnership to Build America Act (H.R. 2084) and gave a presentation on the bill to the Metropolitan Washington Council of Governments.

The bill would create a national fund for large-scale infrastructure financing. The $750 billion that would be given to localities over several decades would come not from federal funds, but from new Infrastructure Bonds. The bonds would have a 50-year term, a fixed interest rate of 1 percent and no federal government guarantee. At least 25 percent of the projects financed through the infrastructure fund would have to be public-private partnerships, for which at least 20 percent of the financing would come from private capital. The fund would be a nonprofit entity.

The House bill has 14 Democrat and 14 Republican supporters.

Driving not keeping pace with population growth in our region

Between 2005 and 2011, the region's population grew by 7.3 percent, adding nearly 350,000 residents. But total daily driving on area roadways barely changed, says a report by the National Capital Region Transportation Planning Board (TPB). As a result, average daily driving per person fell from 22.9 miles a day in 2005 to 21.5 miles a day in 2011, reversing a decades-long trend.

The biggest declines were in the outer suburbs of Frederick, Charles, Loudoun and Prince William counties, where daily averages fell by 10.6 percent, from 24.5 miles a day to 22 miles a day. The next biggest declines were with the close-in localities of DC, Arlington and Alexandria (24.6 to 22 miles a day). The smallest changes were in Fairfax, Montgomery and Prince George's counties. So why are area roads still so congested? (See previous article on infrastructure.)

TPB notes that the decline in driving started before the recession, so the economy alone cannot explain it. Other factors it cites: more sensitivity to fuel prices, widespread use of e-commerce and electronic communications, and increased telecommuting. And as has been widely reported, many of the new residents are younger people for whom driving holds limited appeal – at least so far.

As a result of the changes, TPB has lowered its forecast of total driving in 2040 by 4 percent from last year's forecast. TPB noted, however, that "whether the downward trend in driving per person observed over the last several years continues, especially after the national economy recovers, remains to be seen."

Thought for the Week…

you can't always get what you want
you can't always get what you want
you can't always get what you want
but if you try sometime you just might find you get what you need

--Mick Jagger
Stones 50 & Counting Tour
DC, 6/24/13