

THE WANADA BULLETIN

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

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November 22, 2013

Headlines...

CFPB regulators press change to how banks pay dealers

Frank McCarthy nominated for Northwood University Dealer Education Award

Fred Bowis, formerly of Chevy Chase Cars, honored posthumously for extraordinary life

Health care law launch continues stumbling at all levels

Car sales satisfaction higher when dealers use tablets – J.D. Power

Wholesale and retail used car prices fall the most in years

Dealers need to hire women, retain millennials, says NADA

Remembering two game changers in American history that occurred this week...

Disparate views aired at CFPB forum on financing vehicles

CFPB regulators press change to how banks pay dealers

The Consumer Financial Protection Bureau (CFPB) last week held its first public forum since issuing guidance to lenders in March about potential discrimination in auto lending. Among the speakers were representatives from NADA, the National Association of Minority Automobile Dealers (NAMAD), the American Financial Services Association (AFSA), (representing the consumer credit industry), the National Consumer Law Center and several federal agencies.

CFPB Director Richard Cordray did clear up one question when he indicated that *flat fees*, from regulated banks that partnered with dealers arranging credit, are not the only approach the agency would accept. Other acceptable methods would be dealers taking “a fixed percentage of the amount financed” or using “other nondiscretionary approaches,” said Cordray. Another method would be a hybrid system based on the loan term and amount, according to news reports.

CFPB seems adamant that the preferred method should take away the dealer’s discretion to set the rate, a point also made by Stuart Rossman, an attorney at the National Consumer Law Center, according to the *Washington Post*. “Any time you have a system where someone’s compensation is based on incentivizing them to raise the interest rate, it will be fraught with problems,” said Rossman, the *Post* reported. “The elimination of discretion is imperative.”

“We recognize that auto dealers play a valuable role in auto lending that occurs in this country, and they deserve to be compensated fairly for the work they do.”

-Richard Cordray
Director, CFPB



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NADA and NAMAD said that eliminating dealer discretion would eliminate competition and so would raise the cost of lending for consumers.

“In the name of fair lending, the CFPB’s actions will deny consumers their right to negotiate better interest rates at a dealership,” said NADA President Peter Welch. An NADA statement said the CFPB “has admitted that it never studied how its ‘guidance’... would affect the cost and availability of credit.”

The AFSA has commissioned an independent review of vehicle financing in response to the CFPB’s concerns about the risk that dealer participation poses (the prospect) of “pricing disparities on the basis of race, national origin and potentially other prohibited bases.” (The quote is from the CFPB.) The AFSA study will not only assess the effectiveness of the current model of indirect lending on financed vehicle purchase, but will also evaluate the costs and benefits of alternative approaches.

Frank McCarthy of Sheehy nominated for Northwood Dealer Education Award

WANADA has nominated Frank J. McCarthy of Sheehy Ford/Nissan/Subaru in Springfield, VA for the Northwood University Dealer Education Award, to be presented at the 2014 NADA Convention in New Orleans in January.

McCarthy started his automotive career in a summer job after high school, washing cars at a Washington-area Toyota store. He returned there every summer to work in different departments until he graduated from Notre Dame University.

After graduation, McCarthy was recruited as a management trainee in Toyota Motor Sales’ office in Boston, where he worked his way into various district manager positions over the next eight years.

Returning to the retail side of the business, McCarthy joined Ourisman of Virginia in 1997, rising to general sales manager. He became the first sales manager in the U.S. to receive *Expert Certification* from the University of Toyota. In 2005, he was recruited by Sheehy Auto Stores, where he has been general manager of its Springfield Ford/Nissan/Subaru store for the past eight years.

Continuing his commitment to things educational, McCarthy became a leader in the Notre Dame Club in Washington, working to extend opportunities to worthy students wanting to attend his *alma mater*. He also heads a task force that is reestablishing WANADA’s Automobile 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, he 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.



Frank McCarthy



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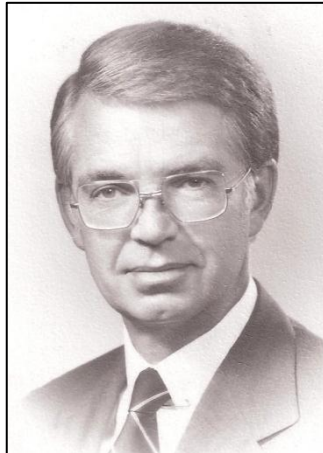
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Fred Bowis, formerly of Chevy Chase Cars, honored posthumously for his extraordinary life



Fred Bowis
1932-1993

Fred Bowis, formerly of Chevy Chase Cars, who followed his father, Art, into the family business and was succeeded by his son, John, was honored posthumously last week by the Maryland Automobile Dealers Foundation with admission to its Hall of Fame for his leadership and success in the automobile business.

Joining his father in the business in the late 1950s, after graduating from MIT and getting a law degree from American University, Fred expanded the already successful Chevrolet dealership in Bethesda, MD. He chaired WANADA's Board in 1978-79 and was a TIME Dealer of the Year in 1980. Subsequently, he served on the Board of Maryland Auto Dealers Association and represented Maryland dealers on the NADA Board in the late 1980s. An avid Rotarian, he served as president of his club in Bethesda, where Rotary International honored him with its Best Club President Award. He was honored by the Montgomery County YMCA and was an

ordained elder in the Bradley Hills Presbyterian Church, in Bethesda.

He stepped out of the business in 1991 with failing health, dying before his time in 1993 with early onset of Alzheimer's.

Sam Weaver, who chairs MADA's Foundation, presented the award to John, his mother Susan and the rest of the Bowis family at the Foundation dinner, Nov. 8. Fred is the 4th recipient of this award.

Health care law launch continues stumbling at all levels

DC Mayor fires insurance commissioner; Maryland plagued with roll out impediments

It's been another in a series of frustrating weeks for bureaucrats at all levels tasked with rolling out the besieged Affordable Care Act. Hot on the heels of the Obama Administration revealing anemically low numbers for enrollees in the state health care exchanges, President Obama

announced that individuals whose insurance plans had been canceled would be able to keep their insurance for another year. But neither the president or his operatives may be able to deliver on that promise.

Regionally, the DC insurance commissioner said the president's announcement undercut the health care exchanges, and suddenly he was out of a job. Incompetence? Politics? Difficult rollout of a complex law? Perhaps, but Mayor Gray fired him anyway.

In Maryland, the exchange portal has been plagued with so many technical problems that the exchange board decided to temporarily let insurers handle payments directly. Of particular

	<p>Enrollment figures were lower than expected for health care exchanges, whether run by the state or jurisdiction (e.g. Maryland and DC) or the feds (e.g. Virginia).</p>

importance to dealers, the opening of the small business marketplace has been delayed until April.

Here are some highlights of the current situation with health care to help dealers sort it out.

About 3,420 people signed up for private health plans in the first month of the health care exchanges in Maryland, DC and Virginia. Maryland and Virginia reached 12 percent of their first-month target. As of November 2, in Maryland 1,284 individuals had chosen a plan through the state exchange. In Virginia, where the federal government runs the exchange, the figure is 1,023. D.C. Health Link said 1,115 account holders had selected a plan. Account holders can include families, so the number for DC is likely higher.

President Obama announced that insurance companies that were canceling insurance plans because they didn't meet the requirements of the new law could keep the plans in place for another year without penalty. This response to bipartisan pressure solved little. DC Insurance Commissioner William P. White's comments on that cost him his job when he said the action "undercuts the purpose of the exchanges...by creating exceptions that make it more difficult for them to operate."

The National Association of Insurance Commissioners agreed with White, saying "this decision continues different rules for different policies and threatens to undermine the new market, and may lead to higher premiums and market disruptions in 2014 and beyond."

A *Washington Post* editorial sided with White as well saying that Gray's firing of him was inappropriate since White simply "told DC residents the truth."

The story is far from over. In the meantime, if you have questions about the health care act and how it applies to your dealership, call John O'Donnell at WANADA headquarters, 202-237-7200, or email him at jod@wanada.org.

Car Sales satisfaction higher when dealers use tablets – J.D. Power

Sales satisfaction among new-vehicle buyers is higher when their salesperson uses a tablet device, according to the J.D. Power 2013 U.S. Sales Satisfaction Index.

"Although tablet usage has increased from a year ago, dealers are still missing an opportunity to improve their sales experience by providing shoppers with sales information on a single platform that allows them to easily browse options and features with immediate commentary from their salesperson," said Chris Sutton, J.D. Power's senior director of automotive retail practice.



Dealers have a long way to go in their use of computer tablets, says J.D. Power. Photo by C. Regina.

Other findings from the study:

- Satisfaction is highest among new-vehicle users who are presented with pricing and payment options on a computer screen or tablet, followed by a computer printout, verbal price quotes and handwritten figures.
- Only 10 percent of dealership salespeople use tablets, up from 7 percent in 2012.
- New-vehicle buyers most often say that salespeople use tablets to capture buyers' personal information, display model information and search inventory.

Wholesale and retail used car prices fall the most in years

Wholesale used vehicle prices for units up to eight years old fell 3.5 percent in October, the most in two years, according to NADA. The federal shutdown exacerbated normal seasonal softness in prices, says NADA. And *retail* used prices hit their lowest levels in four years, says Edmunds.com.

Breaking down wholesale prices, midsize vans saw the biggest monthly decline as prices fell 4.7 percent. The drop was in large part caused by rental fleets selling large quantities of similarly equipped units at auction in a short period. Luxury and compact cars also saw price drops slightly higher than market average.

Year to date, used vehicles up to eight years old had a seasonally adjusted average wholesale price of \$15,066, up slightly from 2012. NADA expects used wholesale prices will fall by an average of 1.9 percent in the next two months.

On the retail end, Edmunds.com says the used market is finally softening after years of high prices. It says the average used car retailed by franchised dealers in the third quarter was \$15,617.

“Now that the new-car market has hit its stride, buyers are no longer drawn to used cars the way they have been in recent years,” says Edmunds.com’s director of used car analysis, Joe Spina.

Dealers need to hire women, retain millennials, says NADA

Dealers need to take steps to hire more women and to retain millennials, who have a much higher turnover rate than other employees, says NADA’s second annual dealership workforce report.

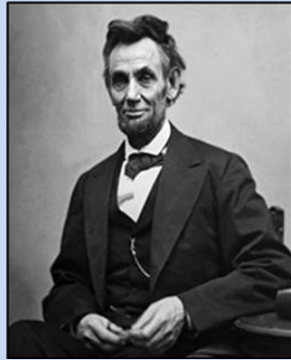
Dealers hired more women in 2012, according to the report. Women were 19 percent of new hires and 18 percent of the dealership workforce overall, up from 17 percent the year before.

No surprise: The study found that sales consultant is the highest turnover position, at 62 percent. But it’s much higher for millennials, workers in their 20s. One of their beefs: They don’t like working more than 45 hours a week. Last year, 41 percent of new dealership hires were millennials, up from 34 percent in 2011. The percentage of millennials in the dealership workforce (23 percent) is equivalent to the figure for the total U.S. workforce.

Other findings:

- On average, dealership employees earn 27 percent *more* than the average weekly earnings of all U.S. private sector employees.
- F&I managers had the highest income growth (8.4 percent), followed by service managers (8 percent) and sales consultants (7.8 percent).
- The median income of individual dealership employees is nearly equal to the 2012 U.S. median household income (\$51,017).

Remembering two game changers in American history that occurred this week...



Lincoln's Gettysburg Address
150 years ago,
November 19, 1863

and

John F. Kennedy
50 years ago,
November 22, 1963.



The sesquicentennial of Abraham Lincoln's Gettysburg Address, dedicating a cemetery to the war dead from the previous July, on both sides, on-site at the watershed battle of the Civil War, marks the occasion 150 years earlier where our greatest president expressed, and indeed confirmed for all time, the spiritual commitment all Americans have for their country and its democratic form of government. The ending of Lincoln's short 300 word speech says it all in the last sentence:

"...That we here highly resolve that these dead shall not have died in vain -- that this nation, under God, shall have a new birth of freedom -- and that government of the people, by the people, for the people, shall not perish from the earth."

The shocking, tragic and villainous assassination of John F. Kennedy in Dallas 50 years ago today is hardly the positive occasion associated with most anniversaries. But anniversary it is none the less, because like the Gettysburg Address that happened the same week 100 years earlier in 1863, it reset America's course.

President Kennedy, like President Lincoln, was one of America's all-time great orators because, like Lincoln, he tapped into America's soul, represented best by his Lincolnesque and most famous call to action: "And so my fellow Americans, ask not what your country will do for you, ask what you can do for your country..."

When Kennedy was shot dead that Friday afternoon 50 years ago, those who were alive at the time remember where they were when they got the riveting news. And for them, America would never be the same. Never would there be the blank-check trust that they had for their government institutions before November 22, 1963, evidenced dramatically in the domestic turmoil that characterized the rest of the 1960s with more assassinations and the widespread radicalization of the civil rights and anti-war movements.

Game changers though these two November events were in American politics, Lincoln's Gettysburg Address and the assassination of Kennedy each solidified the genius of America, first envisioned and organized by the Founding Fathers in 1776, where American democratic institutions were held fast as worth fully embracing and preserving for the simple reason that they and the government they create exist to serve Americans, all of us, instead of the other way around.