

THE WANADA BULLETIN

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

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Ally Financial settlement with U.S. on auto loan discrimination signals more regulatory reprisals

Action gives wing to CFPB charge that banks and dealers rate minorities higher

Last weekend's announcement that Ally Financial settled with the federal government for \$98 million triggered statements from the highest levels of the Obama Administration, starting with Attorney General Eric Holder who described it as the "largest settlement ever in an auto loan discrimination case," followed by CFPB Director Richard Cordray's promise to return \$80 of the \$98 million to the "hard working consumers who paid more for their cars and trucks based on their race and national origin." The remaining \$18 million of the \$98 million payout from Ally will go to the Consumer Finance Protection Bureau's civil penalty fund.

Federal investigators alleged that Ally had discriminated against 235,000 African American, Hispanic and Asian car buyers seeking loans from April, 2011 to April, 2012. The government premised its case upon an analysis of 800,000 surnames of credit customers, which it said in its complaint, is a widely accepted methodology by social scientists for determining race and ethnicity. The government said its research revealed that African Americans paid on average \$300 more over the life of an auto loan than whites, while Hispanics and Asians averaged \$200 more.



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In a statement on the settlement, Ally denied any intentional wrong doing, contending, essentially, that they underwrite loan applications they get from dealers on the basis of credit history or credit-worthiness, with no knowledge of any applicant's race, ethnicity or national origin.

Settling this case with the government likely reflects the state of the law on discrimination being a matter of measured results of a commercial activity rather than any intention to discriminate by the product or service provider charged by the government.

This development, accordingly, spotlights the genesis of the position first taken last spring by the new Consumer Finance Protection Bureau that banks they regulate should fashion different compensation arrangements for dealers with whom they partner and receive loan referrals such that dealer compensation would be a *flat* amount rather than based on a sliding scale. This development also portends that additional enforcement actions are in the offing against financial institutions extending auto loans.

Ally, formerly GMAC, received \$17 million as part of the U.S. bailout of General Motors in 2009 during the great recession and reportedly still needs to repay nearly \$5 million dollars. The unmistakable irony here, of course, is that the same federal government garnering these substantial lawsuit settlement dollars from Ally is the same Ally the same federal government bailed out four years ago to keep them afloat.



The Washington Auto Show is a week earlier in 2014

Industry/Media Day on-site, Wed. Jan 22; Public Days, Jan. 23-Feb. 2

This year's Auto Show in Washington is open to the public one day longer than last year and is previewing to the media and industry a week earlier than last year, which was delayed because of Presidential Inauguration activities in Washington.

Confirmed highlights for the 2014 Washington Auto Show are these:

- Mark Fields, COO of Ford Motor Company, will keynote Industry/Media Day *onsite* at the Auto Show, Wed. morning, Jan. 22.
- Ten advanced technology finalists are competing for the Green Car Journal Award to be presented on Jan. 22, to include: the Acura sports hybrid SH-AWD powertrain; the Audi 3.0 liter TDI diesel engine; BMW i 3CFRP passenger cell; Cadillac ELR Regen on demand; Ford 1.0 litre EcoBoost engine; Honda Accord, plug-in powertrain; Hyundai fuel cell; Mazda i-ELOOP brake energy regeneration system; Porsche plug-in hybrid power train; and the Ram Truck 3.0 litre Eco Diesel. The winner will be announced by Green Car Journal publisher Ron Cogan on Industry/Media Day on site, Jan. 22.



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- At least two presidential cabinet secretaries are working out scheduling to attend Industry/Media Day, Jan. 22.
- SAE Government/Industry Conference Plenary Session, Jan. 22.
- The Sneak Peek Preview, 5-8pm, Wed., Jan. 22.
- The WANADA dealer VIP Reception at the Sneak Peek Preview, 5:45-7:15pm, Jan. 22.
- The Keith Crain Automotive News Lifetime Achievement Award Dinner honoring multistate mega dealer Rick Hendrick, Jan. 22, 7:30-10pm.

A Special Bulletin, sent electronically earlier today to all WANADA members, listing details and registration information on *Industry Evening* activities on Wed., Jan. 22, can be seen by [clicking here](#).

Nearly 200k cars a year have rolled-back odometers, Carfax finds



Digital odometers are no safer from rollback than the previous

A new study from Carfax finds that more than 190,000 cars a year have their odometers rolled back, potentially cost more than \$760 million in lost value and unexpected repairs.

“Unperformed maintenance for the true mileage may compromise the safety and performance of these cars,” said Larry Gamache of Carfax. Most rollbacks have at least 50,000 miles taken off their odometer. Cars that are 14 to 15 years old are most susceptible to a rollback.

An odometer correction tool is easily found online and can be used to illegally alter digital odometers. Many rolled-back cars are sold through online classifieds and private sales, but some criminals try to trade them in at dealerships. With digital parts, there’s no evidence on the odometer that it has been tampered with.

In 2014, look for continued slow growth, low interest rates

Economists interviewed by WalletHub predict that the economy will continue its slow growth in 2014, with GDP rising to 3 percent and unemployment dropping below 7 percent. Other predictions:

The stock market will be solid, but volatile. Some experts forecast continued growth next year, but others expect a significant correction.

“I am pretty confident that we are going to see a drop in the averages,” Thomas Smith, assistant professor of finance at Emory University, told WalletHub. “If this happens, we could see a drop in other sectors and the start of a little recession.”

Interest rates for mortgages, car loans and credit cards will stay low. Rates should remain low because of both record-low credit losses and the Federal Reserve Board’s commitment to continue current policies until the economy is on more solid



The natural gas revolution should keep prices at the pump low in 2014.

footing.

Gas will cost less. The U.S. Energy Information Administration projects that retail gasoline will average \$3.37 per gallon in 2014, down from \$3.50 this year and \$3.63 in 2012. The main reason is the huge increase in natural gas drilling.

“There is an estimate that this increase in new production added \$1,200 to the average household income last year,” said Shawkat Hammoudeh, professor of economics and international business at Drexel University.

Congress will be on better behavior, but won’t learn its lesson. Both parties are anxious to avoid another government shutdown, experts say. An election year could make members slightly more willing to cooperate, but there are still many extremists on both sides.

The health care law will continue to be a major point of contention. “Health care reform, energy regulation and financial market regulation are negative value propositions, making productivity lower and limiting investment,” John Garen, professor of economics at the University of Kentucky, told WalletHub. “This is unlikely to change for 2014.”

Christmas had fewest car thefts in 2012, New Year’s had the most

Christmas had the smallest number of thefts not just of any holiday in 2012, but of any day all year, says the National Crime Information Center. Although New Year’s Day was the *holiday* with the most reported thefts, there were 64 other dates that recorded more thefts, especially in the summer.

Last year 2,228 thefts were reported on New Year’s Day. Christmas Eve came in sixth at 2,034 and Christmas Day was 11th at 1,432.

Nearly half of all drivers say speeding is a problem on U.S. roads

Nearly half of drivers surveyed by the National Highway Traffic Safety Administration say speeding is a problem on the nation’s roads, and one in five admits, “I try to get where I am going as fast as I can.”

Almost half of all drivers said it was very important that something be done to reduce speeding. But more than a quarter admitted “speeding is something I do without thinking” and “I enjoy the feeling of driving fast.” And 16 percent agreed that “driving over the speed limit is not dangerous for skilled drivers.”

Drivers with the least experience behind the wheel, those ages 16 to 20, admitted to speeding more frequently than any other age group. Eleven percent of that group reported at least one speeding-related crash in the past five years versus 4 percent for the population as a whole.

Fuel economy of new vehicles sets record high

MY 2012 vehicles achieved an all-time high fuel economy of 23.6 miles per gallon, according to a new report from the EPA. This number represents a 1.2 mpg increase from the previous year, making it the second largest annual increase in the past 30 years. Fuel economy has increased in seven of the past eight years.

“Each year new technologies are coming on line to keep driving these positive trends toward greater and greater efficiency,” said Janet McCabe, acting assistant administrator for EPA’s Office of Air and Radiation.

EPA attributes much of the recent improvement to the rapid adoption of more efficient technologies such as gasoline direct injection engines, turbochargers and advanced transmissions. Consumers can choose from five times more car models with a combined city/highway fuel economy of 30 mpg or more, and from twice as many SUVs that get 25 mpg or more, compared with just five years ago.



Cars such as the Volvo S40 turbo helped boost MY 2012 fleet fuel economy.



The survey found that 44 percent of consumers are familiar with the Chevy Volt as an EV option.

Carfax reports to be available on Edmunds.com listings

Starting in early 2014, dealers who use Carfax can provide potential buyers with free access to Carfax Vehicle History Reports for used cars listed on Edmunds.com. More than 27,000 franchised and independent dealers use Carfax. Edmunds.com has about 18 million visitors a month. When dealers provide free Carfax reports, online shoppers are twice as likely to look at those cars and five times more likely to submit a lead, according to an independent study.

House bill would raise gas tax 15 cents a gallon

A new bill in the House of Representatives would raise the gas tax 15 cents a gallon as a way to deal with badly needed infrastructure investment. The bill by Rep. Earl Blumenauer (D-Ore.) would raise the tax to 33.4 cents a gallon for gas and 42.8 cents per gallon for diesel. The increase would be phased in over three years.

The need to raise funds for infrastructure investment is indisputable. The federal gas tax has not been raised in 20 years, and the American Society of Civil Engineers said recently that “the U.S. faces a \$1.6 trillion infrastructure investment need by 2020.” Three years ago, the Federal Highway Administration said that \$70.9 billion was needed for repairs to keep our infrastructure safe.

“The country desperately needs additional funding for infrastructure and for the moment there is no better means than the fuel tax,” says Kathleen Bower, AAA’s vice president of public affairs. “The proposed increase is well overdue and in line with what most experts suggest would be appropriate.”

Blumenauer also introduced a bill to study a tax for vehicle miles traveled (VMT), where drivers would be taxed based on how many miles they drove. Although the idea is opposed by conservatives and privacy advocates, proponents see it as a more sustainable way of funding infrastructure over the long term. A 2011 Congressional Budget Office report on the subject said

that devices that record mileage could be fitted onto cars and read at gas stations. The CBO called the tax a “viable option.” A pilot project is being run in Oregon.

Prices above \$25k limit consumers' interest in EVs

Although consumers rate electric vehicles and hybrids favorably, the fact that prices are above \$25,000 limits interest in buying one, according to a new survey by Navigant Research.

Most consumers surveyed say they plan to spend less than \$25,000 on their next vehicle, and most EVs cost more than that. Nearly 50 percent of consumers said high fuel economy was the most important feature in a vehicle. But more than half of those surveyed said they also want high performance, including acceleration and handling, plus all-wheel drive capabilities. Environmental benefits, such as zero emissions, were lower priorities, according to the report.

Sixty percent of respondents agreed that EVs are much cheaper to own in the long run than gasoline cars.

Nearly half of richest counties in U.S. are in Washington area

Recent Census Bureau data confirms what many area residents suspected: Nearly half of the nation's 20 wealthiest counties are in the Washington area. Five of the top 10 are in Northern Virginia.

The Census Bureau's Small Area Income and Poverty Estimates puts Falls Church City at the top of the list, with a median household income of \$121,500. (It is considered a county equivalent.)

Also in the top 20: Loudoun County, Va. (2nd), Howard County, Md. (4th), Fairfax County, Va. (5th), Arlington County, Va. (6th), Stafford County, Va. (9th), Montgomery County, Md. (12th), Prince William County, Va. (13th), and Charles County, Md. (18th).

Volvo to put 100 self-driving cars on the road in Sweden

Starting next year, Volvo will put 100 autonomous cars on public roads in everyday driving conditions around Gothenberg, Sweden. The project is a joint initiative among Volvo, the Swedish Transport Administration, the Swedish Transport Agency, Lindholmen Science Park and the City of Gothenberg. It is endorsed by the Swedish government.

“Autonomous vehicles are an integrated part of Volvo Cars' as well as the Swedish government's vision of zero traffic fatalities,” said Hakan Samuelsson, president and CEO of Volvo Car Group. “This public pilot represents an important step towards this goal.”

Adds Erick Coelingh, technical specialist at Volvo, “Our aim is for the car to be able to handle all possible traffic scenarios by itself, including leaving the traffic flow and finding a safe ‘harbor’ if the driver for any reason is unable to regain control.”

The project will focus on several areas, such as: improvements in traffic efficiency, the traffic environment and road safety brought about by autonomous vehicles; infrastructure requirements for autonomous driving; typical traffic situations suitable for autonomous vehicles; customers' confidence in autonomous vehicles; and the way surrounding drivers interact with a self-driving car.

WANADA dealer sales reps exhibiting at the WAS must register with DC

All are reminded that *all* dealership sales representatives from Maryland and Virginia stores who will be plying their trade in exhibit display areas at The Washington Auto Show must be listed with the District of Columbia in advance of the show's opening.

In a package of instructions that will be going to all WANADA dealers this week is the registration form that we ask be returned to the WANADA office by January 16.

For everyone's convenience, a form can be downloaded by clicking [here](#).

Christmas at Chinon Castle, 1194...

(Henry II, King of England, and wife Eleanor of Aquitaine)

Henry: *Whatever are you giving me for Christmas?*

Eleanor: *You're such a child! You always ask.*

Henry: *Let's see... (examining the wrapped package) To Henry... it's heavy (he's puzzled)... My tombstone! Eleanor, you spoil me...*

-- From *The Lion in Winter*

(Act I, Scene 4), 1967

Katherine Hepburn and Peter O'Toole

The legendary actor died, Dec. 14 in London at 81