FTC Convenes Last Roundtable Meeting on Auto Financing Abuses in Washington, DC on November 17

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(WASHINGTON) On Thursday, November 17, the Federal Trade Commission (FTC) will hold its third and final day-long roundtable on auto lending abuses. The event will focus on motor vehicle leasing and will provide an overview of the previous meetings and possible next steps for the agency to take in increasing consumer protections. Advocates from the National Consumer Law Center (NCLC), the Center for Responsible Lending (CRL), the National Association of Consumer Advocates (NACA), and Consumers for Auto Reliability and Safety (CARS) will serve on panels at the roundtable and urge the FTC to curb unfair auto lending practices.

To view the agenda, register to attend (the public may attend as observers), or post a comment regarding a personal experience in buying, purchasing, or leasing a vehicle from a dealer, visit http://www.ftc.gov/bcp/workshops/motorvehicles.

In 2011, the FTC has convened roundtables in different areas of the country to listen to borrowers, consumer advocates, and industry representatives discuss a variety of practices in the auto financing industry. The new Dodd-Frank reform law gives the FTC more oversight and streamlined rule-making authority over auto dealers to curb unfair and deceptive practices. These roundtable meetings will help the agency determine whether additional consumer protections are needed.

Owning or financing a car will be the biggest purchase many families ever make. In 2010, more than 38 million vehicles—about 80 percent of those financed —were financed through a dealership. Too often this financing is characterized by hidden, abusive practices such as:

- Interest-rate kickbacks to the dealer,
- yo-yo sales where consumers who think their deal is final find out it isn’t and are forced to pay a higher interest rate than necessary, and,
- unnecessary and expensive add-ons.

A recent report by the Center for Responsible Lending shows that hidden interest-rate markups alone represented over $25.8 billion in unneeded, excessive charges for dealer-financed vehicles in 2009. Dealer interest-rate markups also increase the odds a buyer will default and have his or her car repossessed, the report says. Subprime borrowers are at particular risk.
Quotes from Consumer Groups

Consumers for Auto Reliability and Safety  www.carconsumers.org
“Year after year, auto sales top the list of complaints to state and local consumer protection agencies, and new and used car dealers are also the number one source of consumer complaints to the Better Business Bureau,” said Rosemary Shahan, Director of Consumers for Auto Reliability and Safety. “We urge the FTC to use the new authority it has under the Wall Street Reform Act to clean up some of the worst abuses and illegal activity in auto sales and lending.”

Center for Responsible Lending  www.responsiblelending.org
“Borrowers struggling from the current recession are hit even harder by the abuses in dealer-financed loans,” indicated Chris Kukla, Senior Counsel for Government Affairs for the Center for Responsible Lending. “Right now, the system is completely tilted in favor of the dealers. The FTC needs to take action to ensure a fair and transparent auto finance market.”

National Association of Consumer Advocates  www.naca.net
“While auto dealer profits are recovering, and many dealers report their profits have never been better, predatory auto sales and financing practices have never been worse,” according to Delicia Reynolds, Legislative Director for the National Association of Consumer Advocates. “Dealers will continue to engage in predatory practices to steer unsuspecting Americans into overpriced unsustainable auto financing deals until the FTC steps in and exercises its new authority.”

National Consumer Law Center  www.nclc.org
“The current car sales and finance model that encourages dealers to put consumers in bad cars and bad loans needs to be rebuilt,” said John Van Alst, staff attorney and director of National Consumer Law Center’s Working Cars for Working Families program. “I hope that the Federal Trade Commission takes this historic moment to ensure that auto dealers and lenders have incentives to do what is in the consumer’s best interest.”

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