

>> Robin Thurston: Okay, I think we'll get started. This is panel 4, Military Consumers, Title Problems, and Repossessions. My name's Robin Thurston. I'm an attorney with the Federal Trade Commission. We have a great panel here today. To my right is Machel Morris, who is General Counsel for American Lenders Service Co. Her right is Rob Rice, an attorney with the Texas Department of Motor Vehicles. Next is Rosemary Shahan, President of CARS, which is Consumers for Auto Reliability and Safety. To her right is John Van Alst, who's an attorney with the National Consumer Law Center. And at the end of the table is Keith Whann, General Counsel for the National Independent Automobile Dealers Association. As I mentioned to the panelists before, when you'd like to speak, just turn your name tag vertically, and we'll take turns. Okay, to get going, I thought I'd like to ask you all about what some common title problems are for consumers, both military and nonmilitary. Like to get us started on that. Machel, go ahead.

>> Machel Morris: I would reference that to a comment that was made earlier about salvage titles. In our industry, we deal with a lot of repossessed or off-lease vehicles. And what we find is that in some states, flood cars are required to have salvage titles, and in some states, flood cars are allowed to be repaired and not salvaged, so that if a consumer isn't very careful, they could get a flood car and not know it. Also, in some states, an individual can revive a salvage title by repairing a unit and then having the problem fixed. And the U.S. Department of Justice actually looked into the scope of this problem and commissioned a study regarding the National Motor Vehicle Title Information system, which is aimed at reducing title-washing problems. And the study found that completion of NMVTIS would result in savings to the American public between \$4.7 billion and \$11.3 billion a year. And that was quite a while ago, so I would imagine it's probably somewhat more, as the price of vehicles has gone up since then. So it's a very expensive form of fraud for the public, and it also involves serious safety problems. Could I mention one case we're involved in?

>> Robin Thurston: Maybe a very brief summary.

>> Rosemary Shahan: Okay, we filed an amicus along with the Military Officers of America Association in a case involving a Virginia Beach petty officer and his spouse, who purchased a flood car just before he was deployed to Iraq. And the car was so badly rusted that while the wife and their children were driving in it, the wheel fell off, and USAA inspected it and said this is too rusted to fix. And long story short, they rescinded the deal. And the lender and dealer countersued against them and won because they didn't have legal counsel. And they never got to present their case. So their wages were garnished for this horrendous car. And we are hoping to avoid that sort of thing.

>> Robin Thurston: Keith, I think you...

>> Keith Whann: Just before we started this group, Rosemary and I were kind of walking down

or how you get a title or how it happens, then obviously, I think the military probably face more challenges

licensed, known as curbstoning, to simply never transfer the title. And they keep the money that they charge for the tax, title,

>> Robin Thurston: To focus more on the military more specifically, I know we've been talking about often a group of service members being relatively young, perhaps not as savvy as other consumers. Are they able to understand when titling goes wrong and when problems exist? And are they able to remedy it? Rosemary.

>> Rosemary Shahan: I think the short answer is no. You know, the problem with the unpaid liens is the consumers are not expecting that the dealers are selling cars that they don't own and that they're not paying off the trade-ins, and consumers are led, including members of the military, are led to believe that of course the dealer owns the car, or they couldn't be selling it. And consumers at both ends of that equation end up being harmed. For instance, in San Diego, there were dealers selling cars and not paying off the liens, and military members were really suffering. And Congressman Duncan Hunter got involved in those cases because they were getting so much publicity. And in those cases, both the service members who traded in the cars, they gave equity that wasn't paid off, and the consumers who purchased those were being harmed. Sometimes both ended up with repos because they couldn't afford to make multiple payments on the cars. Service members who fall into this trap are especially vulnerable 'cause they don't have discretionary income. You know, they can't make up the difference and pay multiple payments when they're not expecting to have to do that. And according to J.D. Power, as of last June, just a couple months ago, 22% of car purchasers for both new and used cars had negative equity. And that was down only a couple percent from a year or two ago. That's according to J.D. Power in a recent issue of "Automotive News."

>> Robin Thurston: Rob.

>> Rob Rice: Again, I would say the short answer is no, service members and members of the general public are not able to remedy their own title problems. We at the Department of Motor Vehicles will assist them with that if they bother to contact us. But I can't recall a single case that involved a service member purchaser that I've handled in the last -- certainly in the last year. And I think part of that reason is that there's just a total lack of understanding of what a car title is, what it's about. They only find out that there's a problem when they don't get their plates. And after several months, they happen to get stopped by local police, who knows that that temporary tag is

expired. Then they try to maybe fix it by going back to the dealer, if the dealer's still there. And even then, the dealer will give them a run around or the dealer will issue, illegally, will issue another temporary tag and send the consumer on his way. There are ways -- In Texas, you can get a bonded title, but that costs money. Most consumers have no idea that that's available. So it's a real problem. There's no doubt about it.

>> Robin Thurston: Keith.

>> Keith Whann: Considering the demographics that Holly and Michael said earlier in our first panel, I think we're dealing with largely kids, young adults, and, therefore, I would say, financially, most of them are not capable of dealing with this issue. And, in fact, most consumers aren't able to deal with this issue. And to take it a step further, most dealers are not equipped to deal with this issue. And what you see oftentimes is when a dealer goes out of business because he or she is not able to afford to pay bills, whatever happens, it's frequently not that dealer who's experiencing the problems. You've got other dealers who have purchased these cars in the stream of commerce. They may have purchased it at auction. And now they're sitting here in a situation where they a [(a s)-/55 [(auy)1

>> Machel Morris: I don't disagree that consumers and military consumers in particular can't always remedy their own title problems. But I do believe that they can certainly understand when they have those title problems. And as was pointed out earlier, there are laws already in place to help deal with these types of issues. These military members have access to the title-servicing companies that I mentioned earlier. They have access to their Judge Advocate General that if they don't know how to handle it, can either find out or find somebody that can help. In addition, (b)(7) 0 Tc 0 Tw 3.

the repo industry. I've had conversations with a guy who was in prison and wanted to learn how to

whole process? And are there additional remedies that are in the contract? You could go through a whole number of gyrations there.

while they're in theater, their communications with whoever's handling their payment may not be the best. And sometimes, their car ends up being repossessed simply because they were redeployed, and, you know, things fell through the cracks, and then their credit is harmed.

>> Robin Thurston: We're gonna go to Machel to talk about repossessions generally, and then everyone to talk about how it affects service members.

>> Machel Morris: Again, I think it's a matter of using the resources out there. I know that there is repossession abuse out there. Those cases make all repossessioners cringe, because they are the worst of the worst scenarios. A professional repossessioner will always go to the military look-up database to find out if the debtor he's looking for is deployed or is in active service and then go back to the lender and ask, "Have you checked to make sure that this service member's Civil Relief Act applies or does not apply?" We've assisted lenders in that way many times over. I think we want to be real careful about talking about a situation where we completely do away with self-help repossession, because then the cost of buying a car is passed on and the cost of interest is passed on to all consumers everywhere. And the price would just be astounding. Also -- excuse me -- the repossession abuses, of course, are great made-for-TV stuff. But I don't think that the statistics bear out the fact that they're a norm. As I said, we've been doing this for 30 years, and over that time,

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the military locator database to find out where service members are is a very good thing. But we -- Sort of turning it back to our department, we don't work the area of repossessions directly, but we do get complaints about wrongful repossessions. And that's the one area where we have heard from military members about their vehicles being repossessed, in their view, wrongfully. You know, we'll do an investigation, and if -- Normally, we turn over the results of our investigation to the Office of the Consumer Credit Commissioner in Texas, because that's the office that licenses the financing end of the business. But what we find very often is the repossessions that are alleged to be wrongful are wrongful because there was no security interest. Why was thenteons t. muol

credit decision themselves.

itself. There are a number of repossession agents who want more regulation of the industry because they're seeing forwarders who are sending out repo orders to more than one agent and there are confrontations between repo

case involving Omni Lending. But as far as car dealers, they couldn't name a single case. And so I think it's important to keep in mind that military members -- Someone mentioned that JAG officers can represent them. I was married to a Navy JAG for 20 years. I know that JAGs do a really great job as far as they can, but usually, they are not licensed to practice in the state in which they are stationed, and they don't have that authority to represent service members in court. They rely on the civ()T3e cirey reat

have a serious number of people, a substantial number of people who have financial problems --
and many units do --

repossess the car. But it's the sort of looming threat of the repossession is so dangerous. And I think just a few things that can be done, in terms of providing a right to cure before the repossession takes place -- You talk to folks within the industry, agents who are upset that the current fee structure only means they get paid if a repossession actually takes place. If they go out and talk to the person and they get current on their payments and get back to speed, the repo agent doesn't get paid, so they certainly have no incentive to encour

And just going to that online site, that will tell you whether the person's on active duty or not. That's it. That won't tell you when he got on active duty or whether the loan was preservice or not.

>> Robin Thurston: Anyone care to comment? I think there's one more question, and then we'll have to move on to the next panel.

>> Male Speaker: Yes. Rosemary identified auto sales and financing issues as being the number-one consumer protection issue for service members, I believe. My question for the panel is, do you have any thoughts on why the 2006 Department of Defense report on predatory lending practices directed at service members and their families did not identify auto issues at all? The targets that were identified by the Department of Defense were pay-day loans, Internet lending, car-title lending, rent-to-own, refund anticipation loans, and overdraft-protection fees.

>> Rosemary Shahan: I guess this is directed mostly at me. I would just say this, that for a long time, the military has been looking at what its readiness issues are, and, for instance, in 2000, each branch of the armed forces worked with UC Riverside on a major study into what financial-readiness issues the military faced. And they concluded, and I quote -- For instance, with the Marine Corps, 'We found widespread agreement that, when the Marines have pressing financial problems, their performance in the field can be significantly compromised, even to the point of endangering themselves, their unit, and the mission themselves. Buying cars causes more problems than any other single financial factor.' And when the Department of Defense was asked to respond to an inquiry from Congress regarding financial-readiness issues that they face when the Consumer Financial Protection Bureau legislation, the Dodd-Frank bill, was being debated before Congress, agency, as they did before Congress, the Department of Defense did a data call, and they said that they questioned 841 officers who do financial counseling for each of the four main branches of the armed forces, and they found out that the vast majority, 79%, of military counselors are seeing clients with auto-financing problems. Only 21% of respondents had not seen a client in the past six months who had a problem with auto financing. Nearly half of the counselors said that half or more of their clients are concerned that they cannot make their car payments. They cited loan packing and yo-yo financing as the most frequent auto-lending abuses, and they identified loan packing as being a problem. 32% said loan packing is a problem about half the time or more

frequently. 20% said yo-yo financing is a

our military, and that's very important. He oversees many programs, including those that pertain to financial readiness and Army emergency relief. He has a very active background in personal and family finance. He has a B.A. with honors in in psychology from Saint Leo University, and an M.S. in counseling and psychology from Troy State. So we welcome all of you. I'm Carole Reynolds

>> Carole Reynolds: Alberto?

>> Alberto Mesta Jr.: In my experience, what they're looking for is a fast car and a fast bike. Part of the situation I have encountered when I go to Fort Bliss, which is the largest military base, I think, now in the United States and the world, is that many soldiers have been deployed for a year, and they're sitting -- I don't th(o)]TJ p,

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their families. And you see Holly's recognition and service with the Better

dedicated to getting military financing. And, yes, financing is a commodity, but it's a commodity that's based on relationships and risk-based commodity. And they put their reputation on the line. His model over 25 years was, he got 75 basis points on the loan. That's after his cost of money, or the buy rate. So he invests considerable time in the community to get that. But they do other things, like donate a Hummer to MacDill's Family Readiness Center, to get the information out there. So, these are civic leaders, and it's been uniform throughout my time as a dependent, throughout my time as a commander, and that

expression. And get that education as close to the point of sale as possible. And there are a wide variety. The AWARE coalition has information. We've heard about other programs that provide that information. But there's no lack of data and information out there. There's some great sources,

6%.” So I think if we just are clear and open and transparent about what the decision is, they still may make the bad decisio

>> Carole Reynolds: Do the ways that militar

with direct deposits and being able to electronic bill-pay and those kind of things, I don't know if that has as much impact as it used to.

>> Alberto Mesta Jr: Well, I've seen in the [inaudible] here, a dealer would actually have convinced some soldiers to actually use credit cards to purchase the vehicle simply because they already have a credit card -- a Visa -- with a limit \$5,000, \$6,000. They convince them it's actually easier to try to get the financing or continue making the payments every month if they just simply charge it to their credit card. The dealer already has their payment with them, and the consumer just takes the car with them. So those are other ways of trying to get the soldier to try to pay off and try to convince them to buy there.

>> David Snyder: I think the way that military people and their families pay for automobiles does affect that. And it affects it in a positive way, in most cases. Whether it's the Pentagon Federal Credit Union or McGill Federal Credit Union or USAA, if you buy a car and loan through them, you get a better rate if you have your pay direct-deposited and then a better rate, even, if you do direct deposit for the payment. So it is a way to use some of those tools, just like insurance payments of taking out a direct deposit. Or after you retire, you know elect to take survivor benefits. So you what's going in there. It's being paid automatically. And that community-based dealer can help the loan agency identify the credit risk, but also has a way that both the consumer -- the military consumer -- and the dealer and the finance company knows that they're getting their money and knows how much it is, so I think it does affect it in a positive way.

>> Carole Reynolds: Let's go back to the topic of tools for a moment. What are some of the tools that can be used to spur increased understanding by military consumers?

>> Pam McClelland: One tool -- and the Army has done some really good work with this -- is we're finding that our younger demographic, they don't even go to Websites anymore. It's all about their phone. So we are constantly looking at ways that we can create apps that will also do a teachable moment. You're walking into a car dealer, punch up this app. These are the five questions you need to get theseoup4.86 -1.<</MCIDi ()Tj(phi)w -18.7>>

that. So we're looking closer at those and trying to use that technology and also push technology on Facebook. You know, sending the little bit of information that gets folks' attention, with always having the connected link to get more if you want it.

>> Carole Reynolds: Mike?

>> Michael Wood: And just to add to what Pam had said, yes, over the last, oh, three years or so, we've gotten a lot into gaming. We have a game out now, it's scenario-

>> Carole Reynolds: All right, any questions from the audience?

>> Male Speaker: We've talked about the U.S. military as a...

need to make this deal today. It's only good today.” So, any time that we can turn -- 'cause that turns that into a teachable moment, as well, with the family center, going over