



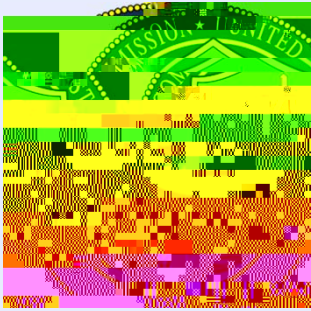
# **FEDERAL TRADE COMMISSION**

## **Consumer Protection in Automobile Transactions**

**November 19, 2014**

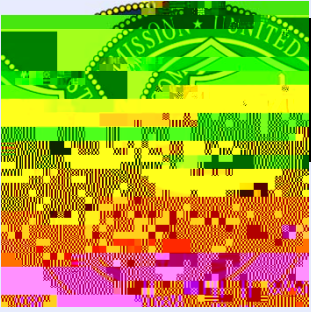
**Division of Financial Practices  
Bureau of Consumer Protection**

**Dan Dwyer  
Staff Attorney**



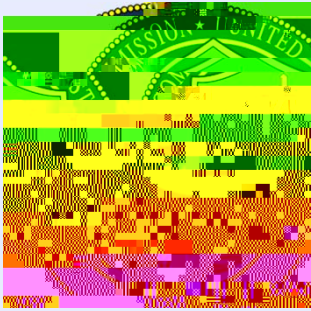
## Disclaimer

The views expressed in this presentation are my own, and do not necessarily reflect the views of the Commission or any individual Commissioner.



## FTC's Auto Mission

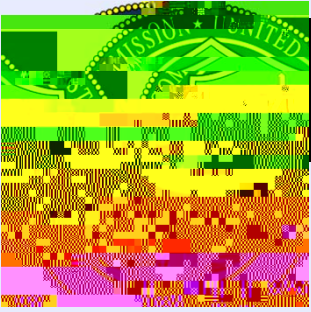
- Auto transactions are increasingly important to the FTC's consumer protection mission
  - Autos are the second biggest financial transaction for many consumers
  - Dodd Frank Wall Street Reform and Consumer Protection Act (July 2011) enhanced the FTC's authority over auto dealers
  - In response, the FTC ramped up its auto related work



## FTC v. CFPB Jurisdiction – Auto Dealers

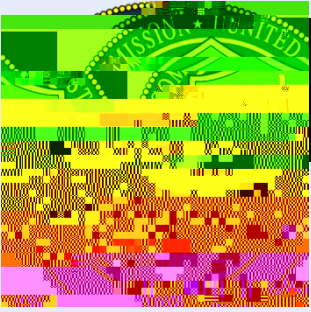
- Under the Dodd Frank Act, the FTC has:
  - Exclusive jurisdiction over many dealers – dealers that routinely assign financing or leasing to unaffiliated third parties
  - Concurrent jurisdiction with CFPB over non bank lenders and buy here, pay here dealers
  - Broad enforcement authority over auto dealers
  - APA rulemaking authority in auto finance area





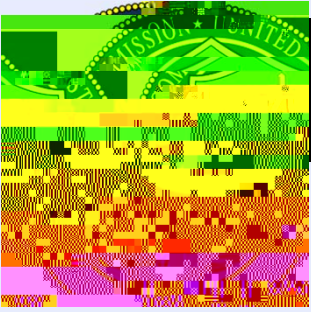
## Auto Roundtables

- Purpose was to gather information on auto sales, finance, and leasing issues and consider possible initiatives, such as areas for enforcement, business and consumer education, or other appropriate measures
- Roundtables held in
  - Washington, D.C. (November 2011)
  - Detroit (April 2011)
  - San Antonio (August 2011)



## Examples of Roundtable Attendees

- Consumer protection agencies (FTC, CFPB, state consumer protection offices)
- Consumer advocacy groups (CRL, NCLC)
- Industry groups (NADA, NIADA, NAFA)
- Lending companies
- Dealers
- Private law firms (business and consumer)
- Auto Finance News
- Other interested groups

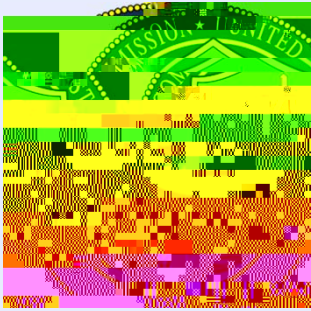


## Roundtable Topics

- Dealer Markups on Financing
- Spot Delivery/Yo-Yo Financing
- Contract Add-Ons







# Issues in Auto Finance

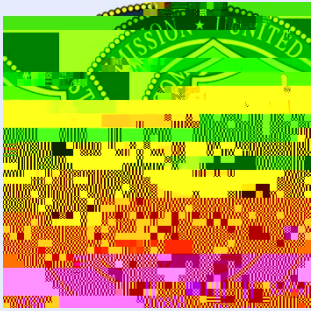
- Subprime Lending
- Privacy & Data Security
- Deceptive Auto Advertising

## US v. Consumer Portfolio Services, Inc.

May 2014

- \$5.5M (including \$2M civil penalty)
- Issues in complaint:



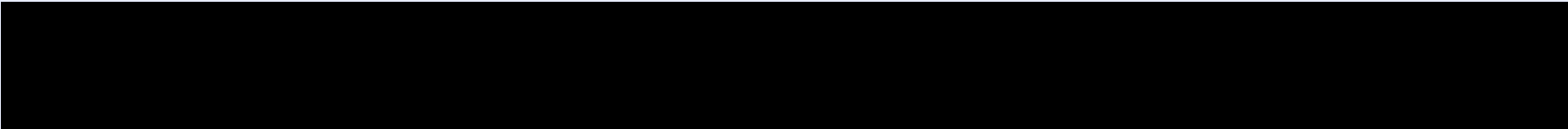


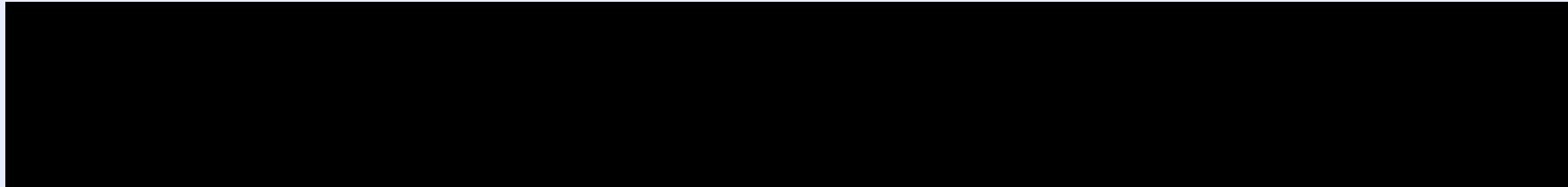
# Privacy and Data Security



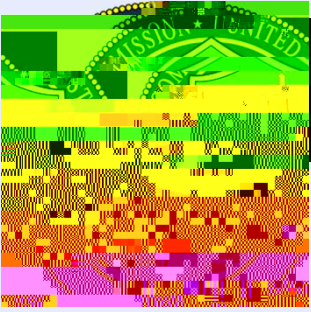
FTC Workshop  
September 15, 2014

- 2014: Deceptive purchase price, finance and leasing cases  
(Operation Steer

- 
- Four Administrative Complaints Filed Against Dealerships (2012)  
5 Key Hyundai of Manchester & Hyundai of Milford; Frank Myers AutoMaxx; Ramey Motors; Billion Auto
  - Alleged FTC Act violations (deception):
    - Å “We’ll pay off your trade, no matter what you owe” (implied consumer would have no further obligation on prior loan)
    - Å In fact, dealer rolled negative equity into new loan (or in one case made consumer pay out of pocket)
  - Alleged TILA or CLA violations (three dealers)
    - Å Used “trigger terms” (specific payment, rate)
    - Å No disclosure of APR, balloon payments, etc.





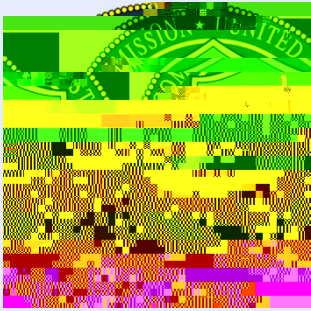


# Deceptive Price, Discount & Rebate Cases

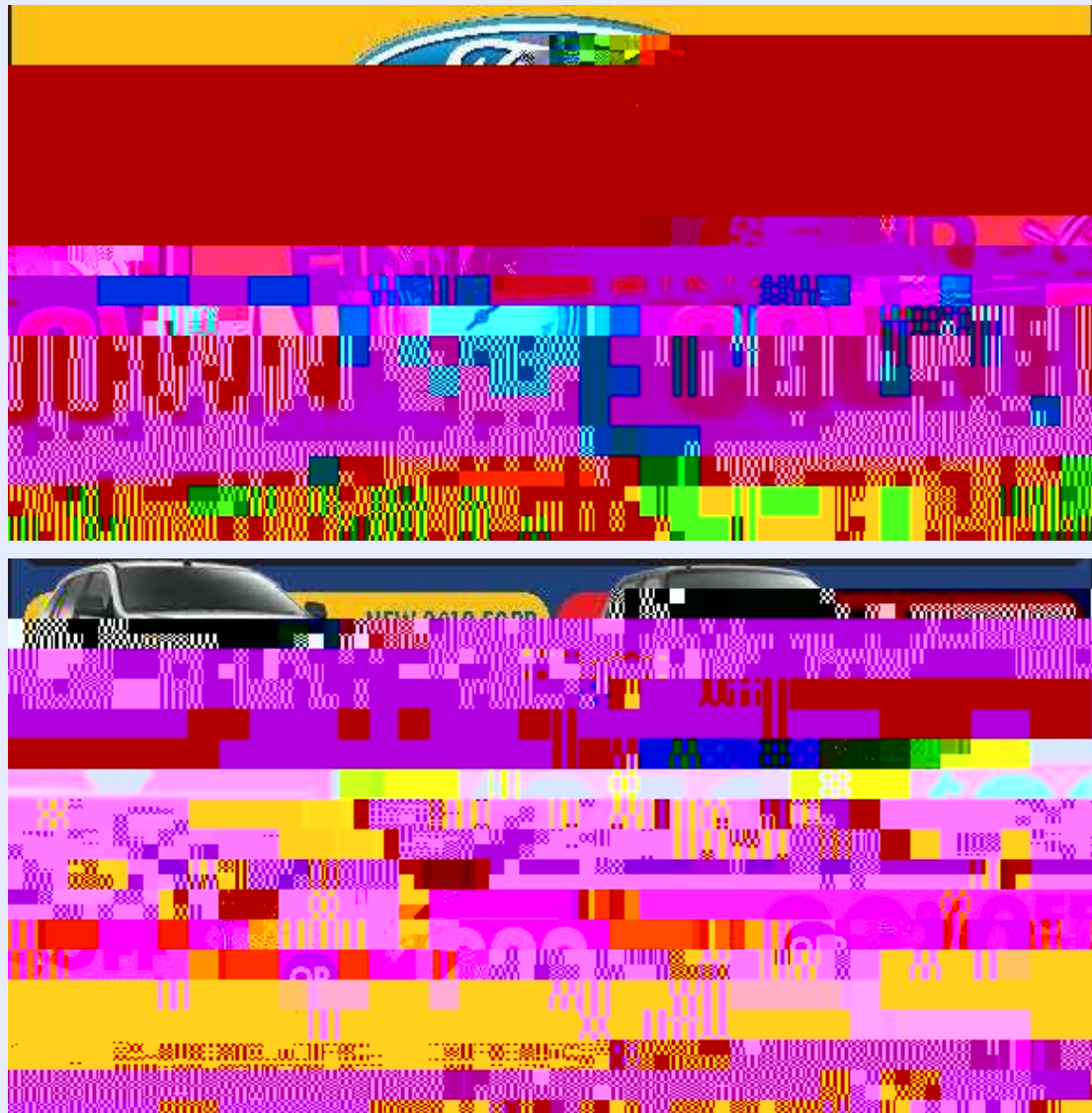
- Administrative complaints filed against two dealerships (2013)
- Complaints alleged violations of FTC Act
  - **Timonium Chrysler Inc.**
    - Touted specific “internet prices” and “dealer discounts”
    - But failed to disclose that discounts required consumer to qualify for numerous rebates not generally available to them

## **Ganley Ford West, Inc.**

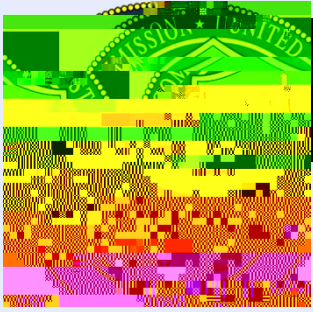
- Advertised discounts on vehicle prices
- But failed to disclose that the discounts generally only applied to more expensive models of the advertised vehicles



# Example: Deceptive Discount







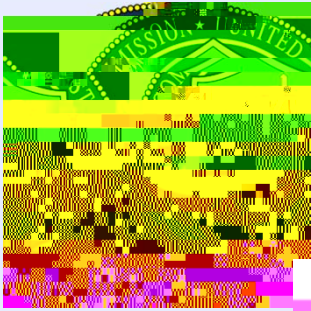
# Operation Steer Clear

- FTC alleged several types of violations:
  - 5FTC Act (deception)
  - 5Truth in Lending Act
  - 5Consumer Leasing Act

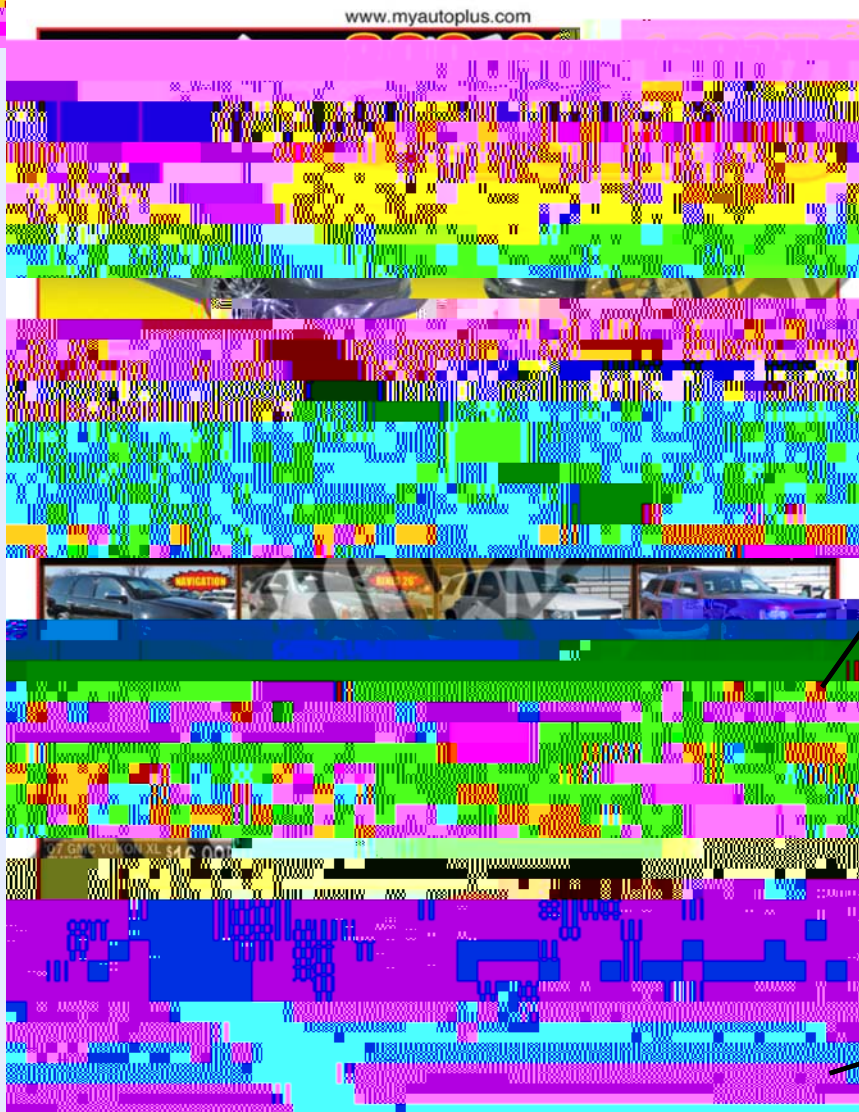
- Luis Alfonso Sierra, d/b/a Casino Auto Sales

- 5 Print ad prominently advertised low purchase prices

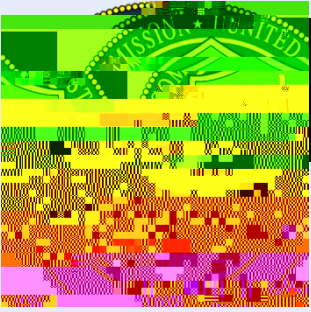
- 5 Inconspicuous disclaimer stated that prices were for Sierra, d/b/a Luis



# Example: Deceptively Low Purchase Price



\*Prices after \$5,000 down

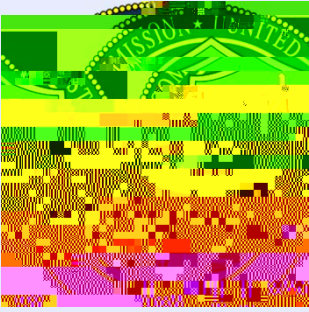


# Deceptively Low Monthly Finance Payment

- **NewWorld Auto Imports d/b/a Southwest Kia**
  - 5 Ads prominently claimed specific low monthly finance payments
  - 5 Disclaimers revealed large balloon payment
- **Paramount Kia of Hickory**
  - 5 Video ad prominently claimed finance payments of \$99/mo
  - 5 Disclaimer stated that in months 4-72, payments would be \$531
- **Nissan South of Atlanta**
  - 5 Print ad prominently claimed finance payments of \$99/mo
  - 5 Disclaimer stated \$99 was only for first two of 84 months
- **Norm Reeves Honda Superstore**
  - 5 Print ad prominently claimed 0% APR for 60 months
  - 5 Disclaimers stated that 0% applied only up to \$12,000 financed
- **Fowlerville Ford**
  - 5 Video ad prominently claimed specific low monthly finance payments
  - 5 Disclaimer failed to clearly and conspicuously disclose triggered terms, including 72 month repayment term and APR (using that term)

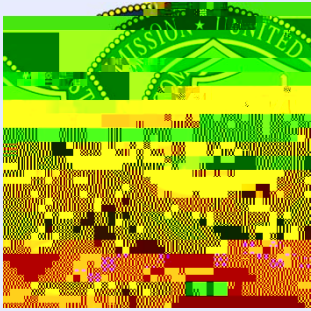






# Deceptive “\$0 Down” Lease Claims

- **CourtesyAuto Group**
  - 5 Video and Internet ads prominently claimed \$0 down and specific low monthly payments
  - 5 Disclaimers stated acquisition fee due up front, and ads lacked certain CLA triggered disclosures
- **Bill Robertson & Sons d/b/a Honda of Hollywood**
  - 5 Print ads prominently claimed \$0 due at signing, and specific low monthly payments
  - 5 Disclaimers stated large payment due at signing (e.g., \$1,995 - \$2,499), and ads lacked certain CLA triggered disclosures
- **Infiniti of Clarendon Hills**
  - 5 Video and Internet ads prominently claimed \$0 down and specific low monthly payments
  - 5 Disclaimers stated acquisition fee, first payment, and/or large downpayment (e.g., \$3,499 - \$4,999) was due upfront, and ads lacked certain CLA triggered disclosures
- **Norm Reeves Honda Superstore**
  - 5 Print ads prominently claimed \$0 due, \$0 security deposit and specific low monthly payments
  - 5 Disclaimers stated acquisition fee and security deposit due up front, and ads lacked certain CLA triggered disclosures
- **New World Auto Imports d/b/a Southwest Kia**
  - 5 Internet ads prominently claimed specific low monthly lease payments and \$27 down
  - 5 Disclaimers stated acquisition fee and first payment required, and ads lacked certain CLA triggered disclosures



# Example: Deceptive “\$0 Down” Lease Claims

Lease a 2013 G37 Sedan for just \$269 a month at Infiniti of Clarendon Hills - YouTube - Opera

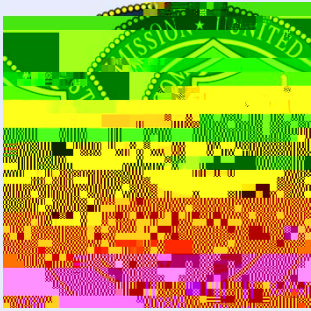
File Edit View Bookmarks Widgets Tools Help

Lease a 2013 G37 Sedan for just \$269 a month at Infiniti of Clarendon Hills - YouTube - Opera

Only \$249 per Month with ZERO Down Payment - 2013 Infiniti G37x Sedan

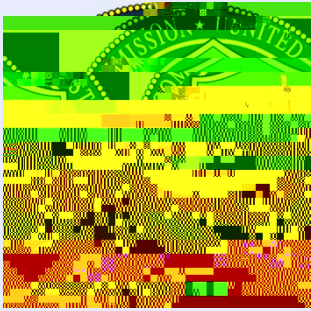
Infiniti Clarendon Hills 56 videos 796 views

Buy Or Lease 2012 Infiniti G - Westmont, IL Area

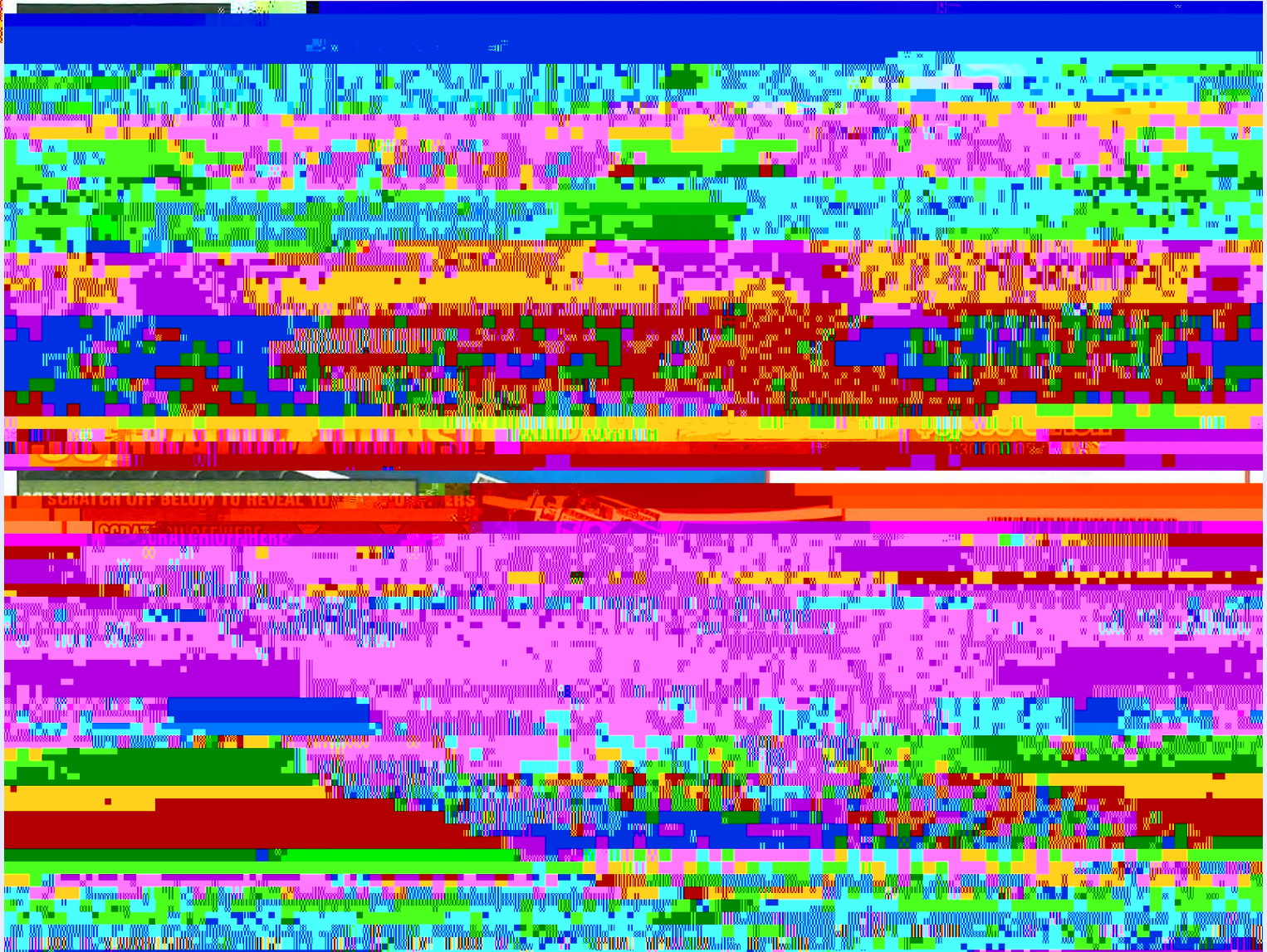


## Deceptive Sweepstakes Claim

- FowlervilleFord
  - 5 Dealer sent consumers direct mail solicitations resembling a scratch off sweepstakes entry
  - 5 Scratch off ticket always revealed a “winning” entry
  - 5 Consumers never received the advertised prize
  - 5 Instead, their “prize” was the right to enter a sweepstakes (which no consumers won)

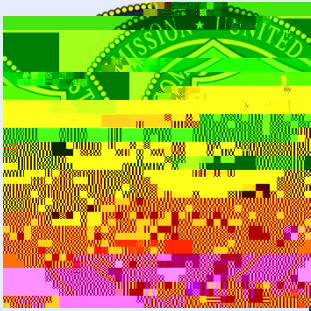


# Example: Sweepstakes Claims



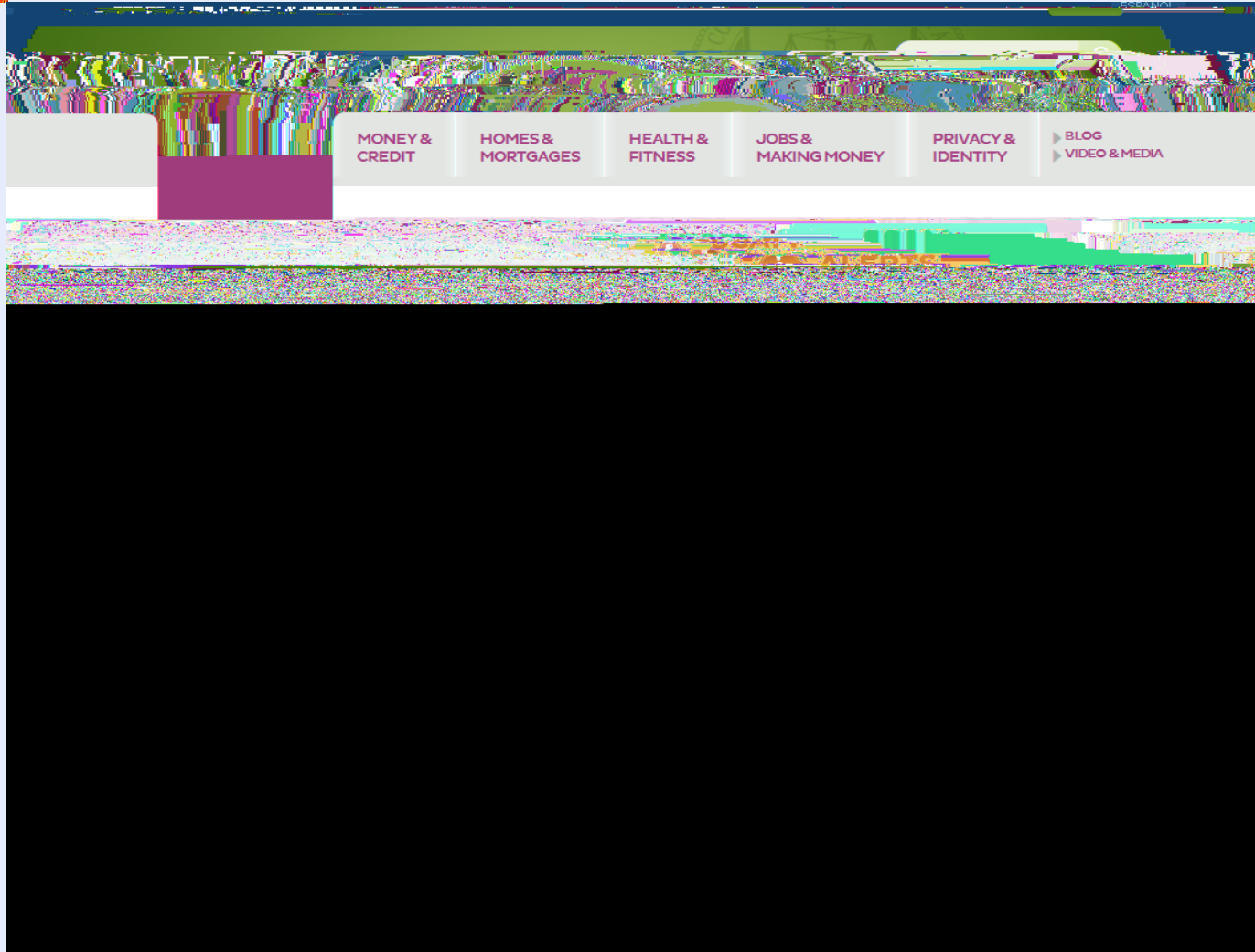
## Auto Dealer Order Provisions

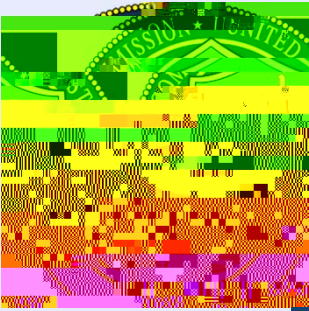
- Dealers barred from misrepresenting the types of terms they allegedly misrepresented
- If violated TILA or CLA, they were werewerewere



# Educational Materials

Visit [consumer.ftc.gov](http://consumer.ftc.gov)





# Educational Materials

## “Money & Credit” : “Buying & Owning a Car”

The screenshot shows the Federal Trade Commission's website page for "Buying & Owning a Car". The page features a search bar at the top, navigation links for "MONEY & CREDIT" and "Buying & Owning a Car", and a main content area with various articles and sections. The main content area includes a section titled "Having a car can be an expensive proposition..." and a "Car Ads" section. The page also has a sidebar with "PRIVACY & IDENTITY" and "BLOG" sections, and a "SCAM ALERTS" section at the bottom.

**Buying & Owning a Car**

Having a car can be an expensive proposition. Read tips on buying vs. leasing, negotiating for the best deal, financing, getting the most out of warranties and service contracts, using gas efficiently, and avoiding repossession.

**Car Ads**

That "special" offer by a car dealer may not be the best deal. Here's how to compare the terms of sale prices and financing in ads.

**Recent Blog Posts**

- Coping with Debt
- A Text Twist on Debt Collection  
September 25, 2013
- Common Sense Protections for Your Financial Information

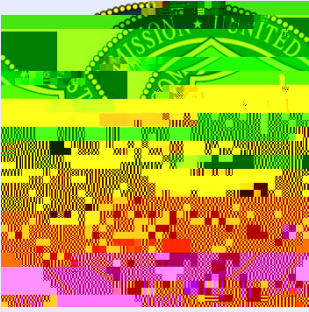
**Warranties & Service Contracts**

**Auto Service Contracts and Warranties**

What's the difference between a service contract and a warranty? Find out, and get tips on how to recognize and avoid auto warranty scams.

**Auto Warranties & Routine Maintenance**

Is it ever okay for an auto dealer to deny warranty coverage because someone else did routine maintenance on your car?



# Educational Materials

- Additional FTC Resources:
  - Order free materials from **bulkorder.ftc.gov**
  - Visit **ftc.gov/subscribe** to sign up for Consumer and Business Blog updates.
  - Visit **consumer.ftc.gov** and **business.ftc.gov** and bookmark auto resource pages Link, post, tweet, blog, adapt.
  - All FTC materials are in the public domain.





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