



FEDERAL TRADE COMMISSION

Consumer Protection in Automobile Transactions

November 19, 2014

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

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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



The FTC's Law Enforcement Tools

- Recent deceptive advertising enforcement actions brought under several statutes and rules:
 - FTC Act, which prohibits unfair and deceptive trade practices
 - Broad law that can applied to many different situations, entities and technologies
 - Truth in Lending Act (TILA) and its implementing Regulation Z
 - Consumer Leasing Act (CLA) and its implementing Regulation M



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



Additional Information

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THE ROAD AHEAD

Selling, Financing & Leasing Motor Vehicles

A Roundtable

The Federal Trade Commission is holding a series of roundtable events and requesting public comment to gather information on possible consumer protection issues that may arise in the sale, financing or lease of motor vehicles. The first event took place in

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Issues in Auto Finance

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



Subprime Lending

US v. Consumer Portfolio Services, Inc.

May 2014

- \$5.5M (including \$2M civil penalty)
- Issues in complaint:
 - Collecting unsubstantiated amounts
 - Fee-related misrepresentations
 - Debt collection violations
 - Credit reporting: furnisher violations



Privacy and Data Security

FTC v. Franklin's Budget Car Sales, Inc.

June 2012

- Issues in complaint:
 - Failed to implement reasonable security measures to protect consumers' personal information: P2P software on company's network → sensitive financial information uploaded to a P2P network
 - Info. for 95,000 consumers was made available on the P2P network, including names, addresses, Social Security Numbers, dates of birth, and driver's license numbers



Privacy and Data Security



A tool for
inclusion or exclusion?

FTC Workshop
September 15, 2014



Advertising Enforcement Actions

- 2014: Deceptive purchase price, finance and leasing cases (Operation Steer Clear)
- 2013: Deceptive price, discount & rebate cases
- 2012: Deceptive “pay-off your trade” cases (negative equity)



Deceptive “Pay Off Your Trade” Cases

- Four Administrative Complaints Filed Against Dealerships (2012)
 - *Key Hyundai of Manchester & Hyundai of Milford; Frank Myers AutoMaxx; Ramey Motors; Billion Auto*
- Alleged FTC Act violations (deception):
 - “We’ll pay off your trade, no matter what you owe” (implied consumer would have no further obligation on prior loan)
 - 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)
 - Used “trigger terms” (specific payment, rate)
 - No disclosure of APR, balloon payments, etc.



Example: Deceptive “Pay Off Your Trade” Claim

**THE GREAT
BILLION
PAYOFF!**

We will pay off your trade NO MATTER how much you owe!




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



GANLEY FORD
FINAL YEAR END
COUNTDOWN



NOW THROUGH DEC. 31ST!
THE DISCOUNTS HAVE NEVER BEEN BIGGER AT GANLEY FORD AND TIME IS RUNNING OUT TO GET THE BEST FORD DEALS OF THE YEAR!

\$2,000 OVER BOOK VALUE FOR YOUR TRADE!

 <p>NEW 2013 FORD EDGE</p>	 <p>NEW 2013 FORD F-150</p>
LEASE FOR \$240 PER MONTH	LEASE FOR \$330 PER MONTH
OR 20% OFF MSRP!	OR \$12,000 OFF MSRP!
<small>DEALER RETAINS FACTORY REBATES AND INCENTIVES. ALL OFFERS 24 MONTH LEASE, 10,000 MILES PER YEAR, \$3000 CASH OR TRADE, DUE AT SIGNING, WITH APPROVED CREDIT, PLUS TAX, TITLE, AND LICENSE. NO SECURITY DEPOSIT REQUIRED. BASED ON BLACK BOOK AVERAGE VALUE.</small>	<small>DEALER RETAINS FACTORY REBATES AND INCENTIVES. ALL OFFERS 24 MONTH LEASE, 10,000 MILES PER YEAR, \$3000 CASH OR TRADE, DUE AT SIGNING, WITH APPROVED CREDIT, PLUS TAX, TITLE, AND LICENSE. NO SECURITY DEPOSIT REQUIRED. BASED ON BLACK BOOK AVERAGE VALUE.</small>



Operation Steer Clear

- Administrative complaints filed against ten dealerships
- Addressed deceptive and misleading advertising
- Complaints alleged that dealers misled consumers to believe they could:
 - Purchase vehicles for low prices
 - Finance vehicles with low monthly payments
 - Lease vehicle with no upfront payment
 - Collect a sweepstakes-like prize at the dealership



Operation Steer Clear

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



Deceptively Low Purchase Price

- *Luis Alfonso Sierra, d/b/a Casino Auto Sales*
 - Print ad prominently advertised low purchase prices
 - Inconspicuous disclaimer stated that prices were after \$5,000 down
- *Mohammad Sabha d/b/a Rainbow Auto Sales*
 - Same



Example: Deceptively Low Purchase Price

www.myautoplus.com

800-631-6871
CASINO 13025 Valley Blvd.
 La Puente, CA

08 MBZ CL550 AMG \$36,995 \$18,995
automatic, ac, cd, must see, Inmac in/out. VIN 015692

05 CHEVY CORVETTE \$18,995
automatic, full cover, fully loaded, ac, cd. VIN 661383

Mal Crédito OK No Crédito OK Matrícula OK

07 CADILLAC ESCALADE EXT \$25,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 811330</small>	07 CADILLAC ESCALADE \$27,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 811330</small>	07 CADILLAC ESCALADE EXT \$24,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 811330</small>	07 CHEVY TAHOE LS \$16,995 <small>automatic, full power, fully loaded, ac, cd. VIN 142467</small>
07 CHEVY TAHOE LTZ \$18,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 811237</small>	07 GMC YUKON \$17,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 219001</small>	07 CHEVY TAHOE \$16,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 219001</small>	08 CHEVY TAHOE LS \$17,995 <small>automatic, full power, fully loaded, ac, cd. VIN 142467</small>
07 GMC YUKON XL \$16,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 119002</small>	07 GMC YUKON XL \$15,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 119002</small>	07 CHEVY SUBURBAN LT \$18,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 112914</small>	07 CHEVY SUBURBAN LT \$15,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 112914</small>
08 CHEVY SILVERADO \$17,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 220348</small>	07 CHEVY SILVERADO \$15,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 220348</small>	07 CHEVY SILVERADO \$16,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 220348</small>	09 GMC SIERRA \$16,995 <small>automatic, ac, cd, must see, Inmac in/out. VIN 208493</small>

*Todos los precios no son en efectivo, ni la cantidad para financiar. *Prices after +\$5,000 down + Tax, Lic & Doc fees, on approved credit. Base with a FICO score of 740 & above. Special finance available! See your sales associate for more details. Presto después de \$5,000 de pago inicial + Tax, Lic. & Doc. En crédito aprobado. Basado con un mínimo FICO score de 740 puntos. Financiamiento especial disponible!! Pregunte a su vendedor por más detalles. Todos los precios son basados a 60 meses y 5.9% intereses. All expires 01/29/13. Menos especiales disponibles a costo adicional. Special rent available at additional cost.

4683EV04A



*Prices after \$5,000 down



Deceptively Low Monthly Finance Payment

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



Example: Deceptively Low Monthly Finance Payment

Southwest Kia 4th of July Sales Event - Rockwall Texas

Rockwallkia 26 videos 4 views

Published on Jun 30, 2012
<http://post.ly/84Msb>

All Comments (0)

Sign in now to post a comment!

Recommended videos:

- The Fuel Efficient RAV4 by ToyotaUSA 15,990,797 views
- Josh Reeves - Darkness Radio - The Lost Secrets of Ancient America by TGRFP 891 views
- LIBERIA INDEPENDENCE DAY FRI JULY 27 2012 PHILLY by Klosed KaplonEnt 555,128 views
- E14 Independence day-The Cosby show Season 1 by TheCOMDYSHOWS 14,241 views
- The Rock Wall. Man vs Archaeology with Aaron Judkins (XIndianaJones1), by Aaron Judkins 2,547 views
- Laos New Year at Rockwall, Texas 2012 by JohnnyVX18 2,769 views
- Visit Rockwall by blgrockwall 10,035 views
- Fresh Perspectives: FREEDOM by beckbennett 90,671 views
- Annoying Orange - vs Slender by realannoyingorange 2,637,102 views
- The Lost Secrets of Ancient America.with Josh Reeves-Promo by Josh Reeves 14,945 views
- Annoying Orange - ORANGE NYA NYA STYLE (GANGNAM STYLE Spoof) by realannoyingorange 38,803,529 views
- Annoying Orange - Monster Burger! by realannoyingorange 5,758,313 views
- Annoying Orange - Fry-day (Rebecca Black Friday Parody) by realannoyingorange



Deceptive “\$0 Down” Lease Claims

- *Courtesy Auto Group*
 - Video and Internet ads prominently claimed \$0 down and specific low monthly payments
 - Disclaimers stated acquisition fee due up front, and ads lacked certain CLA triggered disclosures
- *Bill Robertson & Sons d/b/a Honda of Hollywood*
 - Print ads prominently claimed \$0 due at signing, and specific low monthly payments
 - Disclaimers stated large payment due at signing (e.g., \$1,995 - \$2,499), and ads lacked certain CLA triggered disclosures
- *Infiniti of Clarendon Hills*
 - Video and Internet ads prominently claimed \$0 down and specific low monthly payments
 - 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*
 - Print ads prominently claimed \$0 due, \$0 security deposit and specific low monthly payments
 - 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*
 - Internet ads prominently claimed specific low monthly lease payments and \$27 down
 - 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... X JX35 just \$469/mo at Inf... X G37x Sedan just \$249/m... X Lease a 2013 G37 Sedan... X Lease a 2013 Infiniti JX3... X

http://www.youtube.com/watch?v=G9k6MXUq3g

Google

YouTube

GUIDE

0:00 / 0:16

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

Infiniti Clarendon Hills · 58 videos · 796 views

Subscribe 33

Like

About Share Add to

Published on Apr 12, 2013
http://www.infinitiCH.com for more details!
Spring is in the air
The Infiniti Limited Engagement Spring Event is on at Infiniti of
Show more

All Comments (0)

Sign in now to post a comment!

2013 Infiniti G37x AWD Coupe Exterior and Interior Walkaround
by artissic102390
603 views

All New 2014 Infiniti Q50 - Hands on Review by Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
1,855 views

2013 Infiniti G37 - December Lease Special
by Infiniti Clarendon Hills
1,499 views

JX35 just \$469/mo at Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
1,287 views

G37x Sedan just \$249/mo at Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
1,198 views

Only \$249 per Month with ZERO Down Payment - 2013 Infiniti G37x Sedan
by InfinitiLisle
89 views

Lease a JX35 for just \$479 a month at Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
447 views

Infiniti Lease Incentives - 2013 G37 \$299 a Month! Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
1,862 views

Buy Or Lease 2013 Infiniti G - Westmont, IL Area
by Infiniti of Clarendon Hills
No views

Infiniti Incentives - Lease a JX35 for just \$499 a month at Infiniti of Clarendon Hills
by Infiniti Clarendon Hills
1,752 views

Used 2013 Infiniti G37 for sale in Westminister CA
by UsedCarsSoCal
No views

Lease a 2013 Infiniti JX35 for just \$549 a month at Infiniti of Lisle-Naperville
by InfinitiLisle
87 views

Start PRIVATE (1) Lease a 2013 G37 Sedan... Paused... 11:59 AM



Deceptive Sweepstakes Claim

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



Example: Sweepstakes Claims

MATCH & WIN!

8 13 65 68 92

If any of the three cards below match the winning numbers above you have won!
Prizes listed to the right.*

SCRATCH OFF BELOW TO REVEAL YOUR NUMBERS

SCRATCH OFF HERE

**MATCH 5
AND WIN!**

8 16 65 67 90



\$5,000 CASH
1:30,000 ODDS

SCRATCH OFF BELOW TO REVEAL YOUR NUMBERS

SCRATCH OFF HERE

**MATCH 5
AND WIN!**

8 13 65 68 92



\$1,000 CASH
1:30,000 ODDS

SCRATCH OFF BELOW TO REVEAL YOUR NUMBERS

SCRATCH OFF HERE

**MATCH 5
AND WIN!**

6 13 65 62 94



\$25,000
29,997:30,000 ODDS WILL
RECEIVE A CHANCE AT \$25,000.
CARDS PROVIDED BY ODDS
ON PROMOTION.
ODDS OF WINNING 1:593,775



**\$25,000
IN GAS!**



PRESRT STD
US POSTAGE
PAID
HOPKINS, MN
PERMIT NO. 36

CONGRATULATIONS!



YOU COULD BE THE GRAND PRIZE WINNER OF \$25,000 IN GAS!
SCAN AT THE DEALERSHIP

14963-135



*****CRWSS**R001

Postmaster: Please Deliver 1/30/5/3



SCRATCH OFF ALL 3 LOTTERY TICKETS ABOVE TO SEE IF YOU
HAVE WON!* ONLY ONE CARD NEEDS TO MATCH TO WIN!

* SCAN BARCODE AT EVENT LOCATION TO DETERMINE WHICH PRIZE TO REDEEM.

BRING THIS INVITATION TO FOWLerville FORD TO CLAIM YOUR PRIZE!



Auto Dealer Order Provisions

- Dealers barred from misrepresenting the types of terms they allegedly misrepresented
- If violated TILA or CLA, they were barred from violating the applicable law
- Dealers must:
 - Maintain and produce records upon request (5 years)
 - File initial compliance report and follow-up reports upon request
 - Notify FTC about changes in business
- Order effective for 20 years



Educational Materials

Visit consumer.ftc.gov

FEDERAL TRADE COMMISSION ESPAÑOL

CONSUMER INFORMATION

Search

MONEY & CREDIT HOMES & MORTGAGES HEALTH & FITNESS JOBS & MAKING MONEY PRIVACY & IDENTITY BLOG VIDEO & MEDIA

Hacked Email?

Here's what to do

SCAM ALERTS

STAY CONNECTED

- Get Email Updates
- Blog Feed
- Facebook
- YouTube
- Twitter

JUST FOR YOU...

Looking for a Refund?
Financial Educators
Consumer Advocates
Military Families

New on the Blog

- A Text Twist on Debt Collection
- Common Sense Protections for Your Financial Information
- You Can't Win
- Hispanic Heritage Month: Protecting Your Wallet

[More >](#)

Take Action

- File a Consumer Complaint
- Register for Do Not Call
- Report Identity Theft
- Get Your Free Credit Report
- Order Free Resources



Educational Materials

“Money & Credit” → “Buying & Owning a Car”

FEDERAL TRADE COMMISSION ESPAÑOL

CONSUMER INFORMATION

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Money & Credit

- Shopping & Saving
- Buying & Owning a Car
- Credit & Loans
- Dealing with Debt
- Resolving Consumer Problems

HOMES & MORTGAGES

HEALTH & FITNESS

JOB & MAKING MONEY

PRIVACY & IDENTITY

BLOG

VIDEO & MEDIA

SCAM ALERTS

Buying & Owning a Car

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

Sort By: **Subject** Most Recent Most Popular

Buying, Leasing, or Renting
Auto Loan Modification Scams
Should you trust companies that promise to negotiate lower payments for your car loan if you pay them a fee in advance?

Auto Trade-ins and Negative Equity
What can you expect at trade-in when you owe more on your car than it's worth?

Buying a New Car
Get tips about pricing terms, financing options, trade-ins, and service contracts.

Buying a Used Car
The Buyers Guide is required on all used cars sold by dealers. Read about payment options, private sales, warranties, service contracts and spoken promises.

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.

Renting a Car
This guide to common terms and fees can make renting a car easier and less expensive.

Understanding Vehicle Financing
Before you lease or financing a new or used vehicle, learn more about your options and what to expect at the dealership.

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?

Related Items

WHAT SHOULD YOU DO?
Paying Your Car Loan

- Free Credit Reports
- Co-signing a Loan
- Going Green
- Coping with Debt

Recent Blog Posts

- A Text Twist on Debt Collection
September 26, 2013
- Common Sense Protections for Your Financial Information
September 24, 2013
- You Can't Win
September 23, 2013



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.
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