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## IS AUTO FINANCING DRIVING DOWN THE SAME ROAD AS HOME LENDING?

FTC hearings seem set to familiar music

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I've been reading transcripts from the Federal Trade Commission's roundtable hearings focusing on motor vehicle financing, sales, and leasing, and possible consumer protection issues surrounding that industry.

FTC has hosted roundtable meetings in Detroit, Michigan, and San Antonio, Texas, in April and August that bring together panelists of consumer groups, car dealers, car dealer associations, and vehicle financing companies. The roundtable meetings have covered a variety of auto buying consumer protection topics, such as dealer markups and dealer financing practices.

Déjà vu all over again

The roundtable was supposed to be a fact-finding exercise, an attempt to get more information about the consumer protection issues affecting consumers buying and financing or leasing new or used vehicles.

"Fact-finding"? From reading the transcripts from the first roundtable in Detroit (the second set of transcripts is not yet posted on the FTC's website), there weren't many discernible facts presented. The panelists certainly had a lot of opinions. Any facts or studies presented were generally countered with different facts or studies.

But I did learn from my reading. What I garnered from the transcripts was that the consumer groups are making some of the same arguments about vehicle financing that were made about mortgage financing.

They contended that consumers do not understand the transaction they are entering into when buying a car, and that some consumers are being induced into loans that they really cannot afford. The consumer groups advocated more disclosure and putting an end to compensation structures that benefit the car dealer and not the consumer.

Sound familiar?

A word from the Credit Department

The car dealers and financiers (banks were not among the financiers represented at the roundtables, but they were discussed nonetheless) maintain that there is plenty of information available to help the car buyer understand the transaction, the costs, and the process.

They argued that disclosures are available, but are generally not read. The dealer groups also argued that consumers are able, and usually do, negotiate the terms of the deal in the free-market environment in which car dealers exist.

Next year's model?

There are no specific conclusions to be drawn from the FTC's roundtable exercise relating to future regulatory requirements for car loan financing, except that the consumer protection red flags are being raised and waved vigorously.

It may be that in the near term or down the road we will see specific new regulations that increase the disclosures or proscribe certain practices.

In my gut, I see that it is likely to be coming.

Am I a pessimist? Maybe.

What do you think?

About Nancy Derr-Castiglione

"Lucy and Nancy's Common Sense Compliance" is blogged by both Lucy Griffin and Nancy Derr-Castiglione, both ABA Banking Journal contributing editors on compliance.

Nancy, a Certified Regulatory Compliance Manager, is owner of D-C Compliance Services, an independent regulatory compliance consulting services business that has provided expertise in compliance training, monitoring, risk assessment, and policies and procedures to financial institutions since 2002.

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In addition to serving as a Contributing Editor of ABA Banking Journal, Nancy has served on the ABA Compliance Executive Committee; National and Graduate Compliance Schools board; conference planning committees, and the Editorial Advisory Board for the ABA Bank Compliance magazine. She can be reached at [nancycastiglione@comcast.net](mailto:nancycastiglione@comcast.net)