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Industry groups rally for Senate bill to preserve auto loan discounts

Congress is in the midst of its longest summer recess in at least three decades — both chambers adjourned in the first half of July and do not reconvene until after Labor Day. But don't wait till then to appeal to your U.S. senators on behalf of Senate Bill 2663.

That is the companion legislation to a House bill passed last year that would nullify the Consumer Financial Protection Bureau's directive on consumer lending arranged by dealerships.

The Senate bill, named the Reforming CFPB Indirect Auto Financing Guidance Act, would suspend the CFPB powers enumerated in an infamous 2013 Bulletin which provided auto finance guidance that could lead to limits on a consumer's ability to receive a discounted auto loan from a dealer. A broad coalition of business groups involved in the making, selling, servicing, financing and auctioning of vehicles has urged support of the legislation to preserve a consumer's ability to get discounted auto loans at the dealership.

The Senate last acted on the bill April 7. In a letter to U.S. senators, the group of nine trade associations asked for help in passing S. 2663, which was introduced by Sen. Jerry Moran, R-Kan.

"Access to affordable credit is essential to the vehicle industry and its customers, and the ability of a dealer to discount credit is often necessary to sell the vehicle," the group wrote. "Since 2013, the CFPB has pressured finance sources to limit a dealer's ability to discount credit based on a deeply flawed method for measuring lender compliance with the Equal Credit Opportunity Act.

"Industry stakeholders have tried, unsuccessfully, to work with the CFPB to preserve discounted auto loans by proposing a Department of Justice model that effectively manages fair credit risk while allowing discounts for legitimate business reasons."

Like its House counterpart — H.R. 1737, which passed on a bipartisan vote of 332-96, including 88 Democrats, on Nov. 18, 2015 — S. 2663 would require the CFPB to engage in an open and transparent process when issuing future auto finance guidance.

"The CFPB's attempt to eliminate the consumer-friendly practice of a dealer discounting credit has been sought not by rule, but by guidance and non-public enforcement actions," the letter read. "This guidance was issued without any public comment, consultation with CFPB's sister agencies (including those that Congress authorized to regulate auto dealers), or transparency. Indeed, by the CFPB's own admission, the agency

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Dealers not convinced the CFPB understands their business

Texas dealer Robert Turner gave Patrice Ficklin, fair lending director at the Consumer Financial Protection Bureau, a piece of his mind following her presentation July 19 at the annual National Association of Minority Automobile Dealers conference in Miami. She took the criticism and responded.

Turner, who owns two Chevrolet dealerships and a Subaru store, told the CFPB official: "You guys have your view of what we do; I would hope at some point you'd talk to some of us and get our view of what we do." Many dealers, such as Turner, believe the agency ... is out to get them.

As his dealer colleagues listened intently, Turner asked Ficklin whether she realizes that dealers earn their margin rates from financial institutions the same way "banks earn that discount rate that the feds give them" and that a consumer's finance rate is not the rate the dealer gets. He said every business buys goods

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In Memoriam

Elizabeth (Betty) R. Napleton, a co-founder of the Napleton Auto Group, which operates more than 80 franchises in multiple states, died July 20 at age 91.

Mrs. Napleton served in the U.S. Naval Academy in World War II as a member of the WAVES program (Women Accepted for Volunteer Emergency Service), which was created during that war in response to the need for additional military personnel. At the war's end, there were well over 8,000 female officers and some 10 times that many enlisted WAVES, about 2½ percent of the Navy's total strength.

She is survived by daughters Ellen and Mimi; sons Edward, Stephen, Gerald, Paul, William and Robert; 34 grandchildren; and 22 great-grandchildren.

Donations appreciated to Sisters of Mercy, in Omaha, Neb., and to Misericordia, in Chicago.

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did not study the impact of its guidance on consumers."

The letter also noted that S. 2663 would require the CFPB to follow an open process prior to issuing any new guidance related to indirect auto financing; and is purely a process bill, and therefore does not intrude on the CFPB's structure, jurisdiction, or authority, nor does it direct a result.

Additionally, the open and transparent process required by S. 2663 would provide a framework for the industry to adopt a DOJ fair credit model, which effectively meets the CFPB's stated objective of addressing fair lending risks without preventing consumer discounts for legitimate business reasons, the letter explained.

"When Congress created the CFPB, surely it did not intend the agency to use its power to stop vehicle retailers from offering consumers discounts," the letter continued. "Keeping auto financing competitive is not only warranted, it is essential for the vehicle industry and its customers. That is why this legislation easily passed the House, and why the Senate should pass S. 2663."

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at a wholesale price and sells them at a retail price — that is where the disparity lies.

Ficklin said the CFPB agrees that dealers provide a valuable service by matching consumers with financial services and that dealers should be compensated for the work they perform. She said the problem is the discriminatory outcomes that result.

She also noted that she has spoken directly with dealers in sessions sponsored by the National Automobile Dealers Association and the American Financial Services Association.

What is driving Generation Z?

Get ready, businesses, another generation of consumers is coming.

And to help dealers prepare, the National Automobile Dealers Association on July 27 hosted a brief webinar, "What's Driving Gen Z?"

Consumers born in this century — 23 percent of the U.S. population — are projected to have significant purchasing power, and they will want cars. Rachelle Petusky, associate manager of research and marketing intelligence for Cox Automotive, said 72 percent of them would rather have a car than a year's worth of access to social media. Indeed, one-third would rather have a car than a cell phone, and they are history's most connected generation.

But they will be cautious in how they spend their money. For Americans 17 and younger, the most important vehicle features center on safety, at 43 percent, compared to 25 percent of millennials at the same age. They also are not as materialistic as their predecessors, and are less concerned about a vehicle's "popularity," but view a car merely as something that gets them to where they want to go.

Two-thirds of them will want face-to-face interaction when they buy a car, so customer handling will be tantamount at dealerships, and more than half expect to take two or more test drives before deciding to buy.

And they expect future test drives to encompass not just how a car handles, but introductions to the vehicle's technology, such as lane departure warning systems. And they will favor fuel-efficient vehicles not so much for being environmentally friendly but because they will save the owner on gas purchases.

Petusky said dealerships will remain integral to future buyers, as in-person interactions will remain a part of the vehicle shopping experience. She said dealers should make mobile a focus in attracting shoppers and retaining customers.

Also, Petusky said dealers must be prepared to appeal to the budget-conscious mindset, highlight safety features more prominently online and offline, embrace a "Consumer Experience" model, and provide a superior test drive experience.

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College grads replace ‘grease monkeys’ at dealerships

The technology in cars becomes more complex each year. A basic compact car comes packed with electronics. Luxury models are rolling communication devices. Finding the right people to service these vehicles is an ongoing struggle for dealerships.

“There is a real shortage of automotive technicians,” said Gary Upton, supervisor of the Toyota Express Maintenance Program at Toyota of Orange in Southern California. “This business is getting very technical.”

Today’s service tech is far from the grease monkey of days past. Up to 50 computers are in one vehicle, Upton said. Technicians work with scan tools, essentially laptop computers that diagnose vehicle problems.

“Everything is electrical and electronic,” said Upton, who started working on Toyotas in 1980.

His dealership partners with Cyprus College, a local community college, to train technicians. Cyprus offers certification in Toyota’s program, Technician Training & Technical Network, or T-TEN.

The program aims to meet the “explosive” need for service techs at Toyota’s 1,500 dealerships, said Rick Lester, technician-development manager at Toyota Motor Sales U.S.A.

Collaborating schools agree to a rigorous program that includes hands-on training and internships, he said. At Toyota of Orange, students work in Upton’s Express Maintenance area, doing oil changes, tire rotations and other light maintenance. “We are teaching them good habits,” Upton said.

Most of his techs have college degrees at some level, he said. “We promote college education.”

Dealer, College Groom Tech Students

Sinclair Community College in Dayton, Ohio, has an auto technology program that offers a variety of certifications. It has been “very beneficial” for her group’s General Motors franchises, Jenell Ross, president of Bob Ross Auto Group in Dayton, told WardsAuto during the Women in Automotive conference in Orlando in late June.

But the program is focused on domestic brands, and the Bob Ross group also includes a Mercedes-Benz franchise.

Finding qualified technicians “on the Mercedes side has been a little more challenging,” said Ross. “We’re having to do more of our own training.”

There is a Mercedes technician training center in Chicago. But getting graduates to move to Dayton can be tough, she said. And even if her group does land a graduate, they need more training.

“We have to grow them,” said Ross. “That takes time.”

In California, where import brands account for 73 percent of the market, local community colleges are training techs to work on those brands. Fletcher Jones Motorcars, a big Mercedes-Benz dealerships in Newport Beach, Calif., partners with nearby Santa Ana College’s automotive technology program.

“Santa Ana instructors are just fabulous,” said Mike Swistak, shop foremen at Fletcher Jones.

The dealership works with the college to groom its own techs, he said, including having students work in the dealership while they are studying. They rotate through trainers, changing every six months during the two-year college program.

Swistak, 63, has been in the service industry 41 years. Today’s technicians have to be much more computer oriented than in the past, he said.

“They do a lot more electrical diagnosis,” he said.

Service techs and tech training programs also must keep up with evolving drivetrain technology. “What used to be advanced is now part of our regular education,” said Max Serrano, an auto tech instructor at Santa Ana College.

Rather than create new programs for each new technology, which would require a complex approval process, Santa Ana College adds content to its existing classes, said Serrano.

For example, when hybrids started becoming popular, he added four hours of instruction on regenerative braking. That has expanded to 16 hours.

Dealerships have provided parts that contain new technology for students to work on and a storage unit to keep tools and training materials in.

Some dealerships also offer internships and help students pay for books and tuition. Serrano sees these kinds of partnerships as the best model for tech training going forward.

Just attending manufacturer’s tech training programs is no longer sufficient, he said, stressing the need for college. “The industry has changed so much. Our textbook is one of the highest reading levels on campus.”

7 ways to improve employee relations

There is a secret to becoming a more likable leader. It doesn't have to do with how tall and charming you are, or how often you give employees a raise. In fact, we have evidence that the majority of the behaviors displayed by the most likable leaders have to do with the way they interact with employees on a day-to-day basis. But first, does being liked by your employees even matter?

Most people assume it is possible to be an effective leader without being likable. That is technically true, however you may not like the odds: We have calculated the probability as 0.052 percent. In a study of 51,836 leaders, we identified 27 who were rated at the bottom quartile in likability but were in the top quartile for overall leadership effectiveness. That equates to approximately 1 in 2000 cases that a boss who is highly unlikable appears in the top quartile of overall effectiveness. (We measured overall effectiveness through total results in a set of 360-degree feedback reviews.)

In a recent Harvard Business Review blog we discussed our likability index, which is a broad set of likable behaviors that go far beyond the issues of smiling and having a pleasant personality. You can see these behaviors and take a self-assessment of your own likability here.

So, if you choose to be more likable, what can you do? To understand what actions most influence a person's likability, my colleague Joe Folkman and I looked at 360 data from more than 51,000 leaders. The results highlighted seven key actions that would substantially increase likability scores, as follows:

1. Increase positive emotional connections with others – Just like the flu or a cold, emotions are contagious. If a leader is angry or frustrated that emotion spreads to others.

2. Display rock solid integrity – We like those we trust, we dislike those we distrust.

3. Cooperate with others – Some leaders believe they are in competition with others in the organization; however the purpose of an organization is to unite employees to work together in a common purpose.

4. Be a coach, mentor and teacher – Ask a young adult what a leader does and often the answer you will hear is, "They are the boss, they tell people what to do!" Most leaders know very well how to drive for results.

5. Be an Inspiration – When the 85-year-old Warren Buffett found out he had Stage 1 prostate cancer in 2012, he shared the news in a letter to shareholders in April 2012, even though his sickness would likely affect the value of the company's stocks.

6. Be visionary and future-focused – When employees don't clearly understand where they are headed and how they will get there, it makes them frustrated and dissatisfied. They feel like a passenger with no control and few other options except to complain.

7. Ask for feedback and make an effort to change – The reality is that most people imagine they are more likable than they actually are. The only accurate assessment, and the one that matters most, is the perception of others.

This article was prepared by CBT News, a publication of the Car Biz Today Automotive Network.

OSHA's anti-retaliation enforcement delayed

The Occupational Safety and Health Administration has delayed until Nov. 1, 2016, the enforcement of the anti-retaliation mandates found in its recently revised injury and illness recordkeeping and reporting rules.

Those mandates require that employers discontinue certain drug testing and safety incentive policies. According to OSHA, "blanket post-injury drug testing policies deter proper reporting." Acknowledging the safety benefits of drug testing, OSHA states that the rule's anti-retaliation provision "does not ban drug testing of employees," but instead effectively requires that such policies be carefully crafted so that drug testing (or the threat of drug testing) does not serve as a form of adverse action against employees who report injuries or illnesses.

Bottom line: Such policies should only impose post-accident/incident drug or alcohol testing if and when there is a possibility that drug or alcohol use by an employee may have played a role in the accident or incident.

Note also that certain types of incentive programs may be deemed "retaliatory" if and to the extent that they deny a benefit to employees when certain injury or illness rates are exceeded. To be sure, the anti-retaliation provision does not "categorically ban all incentive programs," but requires that they be carefully structured so as to encourage safety in the workplace without discouraging the reporting of injuries and illnesses.

For example, incentive programs designed to disqualify employees for monetary bonuses or other benefits and which could discourage or deter reasonable employees from reporting work-related injuries or illnesses may violate OSHA's anti-retaliation rule.

For more information on OSHA's revised injury and illness recordkeeping rule, contact NADA Regulatory Affairs at regulatoryaffairs@nada.org.