Volume 114, No. 22 November 6, 2017

Chicago police warn dealers against growing cases of ID thefts

Area dealerships should increase their scrutiny of customer identification and other documents, as forgeries and other misrepresentations are leading to another spate of stolen vehicles.

In one recent instance, a customer trying to buy a high-end car presented fraudulent identification indicating he was from far downstate Sparta, Ill. Sgt. Keith Blair, the commanding officer of the Chicago Police Department's Major Auto Theft Unit, posed the logical question:

"Why is a guy from Sparta driving all the way up here to buy a $100,000 vehicle?" Blair asked.

In another instance, a customer attempted to trade in a $16,000 car with a clean title. However, the National Insurance Crime Bureau indicated there remained a lien on the car. Blair said the man had submitted a false lien release letter, which the state did not verify before issuing the clean title.

Blair said the dealership generated a check for the trade-in but managed to stop payment before it was cashed. He said dealerships should protect themselves by contacting the last known lienholder to confirm whether or not a lien remains on a trade-in.

Thieves are gathering personal information from people online and then producing fake identification. One way to check authenticity: When using a copier machine to make duplicates of driver's licenses and credit cards, the holograms embedded on them should not be visible.

Ultraviolet lights also can uncover forged identification.

Blair noted that forged Illinois driver's licenses tend to be of the previous version of the license, not the current version. He said, "They haven't quite gotten that one down yet."

"We're seeing a whole array of everything related to ID theft," said the police ser-

See **ID**, Page 4

New bond requirements part of annual Illinois dealer license

With mailed notices to renew their Illinois licenses now arriving, Illinois dealers are finding that the new surety bond requirement for 2018 increases from $20,000 to $50,000. The bond is required for each location at which a business operates.

Under the amended law, which takes effect Jan. 1, all new- and used-vehicle dealers also must comply with conditions of the bond requirement for a period of 60 consecutive months before they shall be exempt from any further bond requirements under the provisions. The current period is 36 consecutive months.

The legislation, Senate Bill 1556, was introduced in February and received no "nay" votes on its way to Gov. Bruce Rauner's signature in August.

For dealers getting licensed and bonded before the end of 2017, it is recommended that they request the higher bond amount, to avoid having to obtain a bond rider after Jan. 1.

Even though dealers must obtain a higher bond amount, the bond premium doesn't necessarily need to be much greater than a dealer's current premium; better credit scores and few outstanding payments can present a dealer as a more stable bond applicant and significantly decrease the price to pay to get bonded.

Because the premium for vehicle dealer bonds and remittance agent bonds is determined as a rate and not an exact figure, it most likely will increase along with the amount of the bond. Therefore, for a dealership that currently pays a 1 percent rate on its $20,000 bond, its $200 premium likely will become a $500 premium for a $50,000 bond, because the rate on the bond remains 1 percent.

2017 NADA Workforce study: Dealership salaries still on the rise

Employee compensation at new-car dealerships increased about 1 percent across all job positions in 2016, according to the National Automobile Dealers Association's 2017 Dealership Workforce Study. Other key findings from the sixth annual study include:

• Dealership turnover (with the exception of the sales consultant position) remains slightly below that of the overall private sector, and is relatively unchanged from 2016.

• Median weekly earnings at new-car and -truck dealerships was 24 percent higher than other non-farm, private sector jobs last year.

• Women comprised 19.4 percent of new-car dealership employees last year, up from 18.6 percent in the previous year's report.

• Millennials comprised 61 percent of new-car dealership new hires last year, up 1 percent from the previous report.

The study highlights key trends in compensation, benefits, retention, and demographics of more than 451,000 payroll records from 2,350 new car and truck dealerships that participated in last year's survey.

In addition, each dealership completed a questionnaire that identified franchises, and supplied information on sales volume, weekend work schedules and employee benefits.

Each participant in the NADA study was sent a complimentary "Trends Report," as well as a custom report that compares their own dealership to the nation, region, state and brand.

Non-participating NADA dealer members can purchase the "Trends Report" for $499 at https://www.nada.org/workforcestudy or by calling NADA Customer Service at (800) 557-6232.

Employee or Independent Contractor? It's vital to know the rules

The Internal Revenue Service encourages all businesses and business owners to know the rules when it comes to classifying a worker as an employee or an independent contractor.

An employer must withhold income taxes and pay Social Security, Medicare taxes and unemployment tax on wages paid to an employee. Employers normally do not have to withhold or pay any taxes on payments to independent contractors.

Here are two key points for small business owners to keep in mind when it comes to classifying workers:

1. **Control.** The relationship between a worker and a business is important. If the business controls what work is accomplished and directs how it is done, it exerts behavioral control. If the business directs or controls financial and certain relevant aspects of a worker's job, it exercises financial control. This includes:

• the extent of the worker's investment in the facilities or tools used in performing services;

• the extent to which the worker makes his or her services available to the relevant market;

• how the business pays the worker; and

• the extent to which the worker can realize a profit or incur a loss.

2. **Relationship.** How the employer and worker perceive their relationship is also important for determining worker status. Key topics to think about include:

• written contracts describing the relationship the parties intended to create;

• whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation or sick pay;

• the permanency of the relationship; and

• the extent to which services performed by the worker are a key aspect of the regular business of the company; and

• the extent to which the worker has unreimbursed business expenses.

The IRS can help employers determine the status of their workers by using form Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding. IRS Publication 15-A, Employer's Supplemental Tax Guide, is also an excellent resource.

2018 NADA Show registration open

Online registration and hotel selection for NADA Show 2018 in Las Vegas, March 22-25, is now open. NADA member dealers and their managers who register by Nov. 17 will get an early-bird discount of $100 from the onsite registration rate. Keynote speakers include Nick Saban, head football coach at the University of Alabama; John Krafcik, CEO of Waymo Inc.; and Robert O'Neill, former SEAL Team Six Leader. The show also includes educational programs, an expo and numerous networking opportunities. Register at www.nadashow.org.

The CATA Bulletin is produced by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.
Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.
Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

David E. Sloan President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

Chairman's Column

An update from CATA Chairman Ray Scarpelli Jr.

Compliance. The veritable 800-pound gorilla that dealerships face in every facet of their operations. We like to say that we dealers are in the business of selling and servicing vehicles, but abiding by the thicket of federal laws, rules and regulations can be a full-time endeavor. And the potential per-violation penalties for many of them can be steep.

Consider these 20 federal laws, rules and regulations with which dealerships must comply — a list that is NOT all-encompassing:

The **Gramm-Leach-Bliley Act**, also known as the Financial Modernization Act of 1999, includes provisions to protect consumers' personal financial information held by financial institutions. There are three principal parts to the privacy requirements: the Financial Privacy Rule, Safeguards Rule, and pretexting provisions.

The **Financial Privacy Rule** applies to car dealers who (a) extend credit to someone in connection with the purchase of a car for personal, family or household use; (b) arrange for someone to finance or lease said car; or (c) provide financial advice or counseling to individuals.

The **Safeguards Rule** requires dealers to have a written security plan to protect sensitive information. It is illegal under **Pretexting Provisions** to use false statements to obtain consumers' personal financial information.

The **Red Flags Rule** requires dealers and other creditors to have a written Identity Theft Prevention Program designed to detect, prevent, and mitigate identity theft.

The FTC's **Truth-in-Advertising** rule requires ads to be truthful and not deceptive or unfair. Advertisers must have evidence to back up their claims. The **Telemarketing Sales Rule** prohibits telemarketers from calling consumers on the National Do Not Call Registry, among other limits.

Fuel Economy Advertising for New Vehicles stipulates, among other restrictions, that any mileage estimates must match the exact make/model advertised. For example, the estimates for a Toyota Camry Hybrid cannot be advertised for a Toyota Camry.

The **Magnuson-Moss Warranty Act** requires manufacturers and sellers of consumer products to provide consumers with detailed information about warranty coverage. The related **Used-Car Rule** requires clear disclosure through a window sticker, called the Buyers Guide, of any warranty coverage and the terms and conditions of any dealer-offered warranty.

Regulation M implements the consumer leasing provisions of the Truth in Lending Act. **Regulation Z** ensures that credit terms are disclosed in a meaningful way so that consumers can compare credit terms more readily and more knowledgably.

The **Fair Credit Reporting Act** is designed to protect the privacy of credit report information and guarantee that information is as accurate as possible.

The **Equal Credit Opportunity Act** promotes the availability of credit to all creditworthy applicants without regard to race, color, religion, and other characteristics. **Adverse Action Notices** are defined in the ECOA as "a refusal to grant credit in substantially the amount or on substantially the terms requested." Adverse action includes more than just a simple denial of credit.

Form 8300 is used to report cash payments of more than $10,000 from one buyer as a result of a single transaction or two or more related transactions.

The **Office of Foreign Assets Control** requires retailers to check all customers' names against the Specially Designated Nationals List. Failure to comply with OFAC requirements are harsh: up to 30 years in prison, fines of up to $10 million against corporations and $5 million against individuals, and civil penalties of up to $1 million per incident.

The **Americans with Disabilities Act** requires businesses that serve the public to remove physical barriers, based on the "size and resources of the business," meaning larger businesses with more resources are expected to take a more active role in removing barriers than small businesses.

The **CAN-SPAM Act** (Controlling the Assault of non-Solicited Pornography and Marketing) covers all commercial email messages and gives the recipients the right to tell a business to stop contacting them.

The **Disposal Rule** requires the proper disposal of information in consumer reports and records.

That's a sampling of federal directives; don't get me started on state regulations.

Yet somehow along the way, we manage to sell and service a few vehicles!

Police, dealer group equip distracted drivers with hands-free holders

Arlington Heights police in late October spared drivers in breach of Illinois's distracted driving law from being charged with a moving violation. Instead, as part of the department's "Cradle Your Distraction" program, the drivers were given hands-free phone holders.

The Napleton Auto Group donated 2,000 of the holders to support the program. The devices include a plastic base that adheres to the back of a standard-sized cellphone, plus a magnet and rubber attachment that can be clipped onto the dashboard heating vents of most vehicles, allowing drivers to talk hands-free.

During the past two years, Arlington Heights police have issued 3,102 citations to drivers young and old for cellphone violations. Nationwide, 3,179 people were killed and 431,000 were injured in car crashes that involved distracted drivers in 2014.

"Our officers do a great job with enforcement," said Arlington Heights Police Cmdr. Rick Boyle, "but we need to change drivers' behavior because using cellphones behind the wheel causes accidents."

The department's "Cradle Your Distraction" program coincided with a Halloween traffic safety campaign. Drivers in the northwest suburban village caught texting or holding a phone while behind the wheel will be treated similarly during the upcoming holiday season, Boyle said.

"We want to make people understand that many of these accidents would never have happened if not for distracted driving involving mobile phones," he said. "We're hoping people get out the word about the program. It's all about raising awareness."

Technology can draw millennials to dealership jobs, survey finds

Employing modern technology may be the key to attracting more millennial talent, a new survey indicates, as staff turnover continues to plague dealerships.

Survey results released Oct. 24 by Roadster, an online retail startup, examine millennial job satisfaction — revealing which industries are more likely to pique a millennial's interest, and which careers they are more likely to sidestep. The respondents' views of auto retailing were mixed to negative.

The results: 59 percent of respondents said they would avoid a career at a car dealership while 64 percent said they would avoid a career as a politician. The two industries that millennials found most appealing were information technology and health care.

Yet despite the general aversion to working at a dealership, 70 percent of respondents said they would be willing to work at a car dealership if it had access to modern technology such as iPads, kiosks and shared screens, much like an Apple Store. And 37 percent of respondents said if they could model a car dealership after another retailer, it would be Amazon, followed by Apple at 23 percent.

'Born digital'

"This generation is born digital [and] everything that they experience in life is really based in that type of environment," said Michelle Denogean, chief marketing officer at Roadster. "We live in a convenience economy where you can open your phone and have it delivered the next day. And if that's the world you grew up in, not only do you want your buying process within the car arena to be that way, but you also want to sell that way from an employee's perspective."

The survey was conducted Oct. 11 and 12.

CFPB excludes most vehicle credit contracts from 'ability to repay' requirements

The Consumer Financial Protection Bureau in October finalized its long anticipated rule that, among other features, requires lenders to make "ability to repay" determinations when extending certain payday, vehicle title, and other loans to consumers.

Although the proposed rule would have covered certain "high cost" vehicle finance contracts, the final rule generally excludes those contracts unless they have a balloon payment feature, which is defined as at least one payment that is more than twice as large as any other payment.

The changes that the CFPB made between the proposed rule and the final rule are significant. Although the CFPB generally lacks authority over franchised dealers who engage in indirect vehicle financing, the CFPB still possesses authority over the dealers' finance sources. Had the CFPB imposed the ability to repay requirements on those finance sources, they were expected to pass them along to dealers in the form of new contractual duties.

For this reason, the National Automobile Dealers Association and other trade associations filed written comments with the CFPB in October 2016, urging it to exclude standard vehicle credit contracts from the final rule, which the CFPB ultimately acted upon. This success prevents another expansion of the current regulatory burden on dealers.

ID

Continued from Page 1

geant.

Blair said cases of identity theft tend to increase in the evening hours and in online transactions when the purchaser wants the vehicle shipped out of state.