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CATA becomes partner of IADA-CVR vehicle registration program

The Chicago Automobile Trade Association this month announced its partnership with the Illinois Automobile Dealers Association and its longstanding IADA-CVR electronic title and registration services program.

Dealerships that participate in the program receive one-on-one training and real-time support through toll-free calling, and they create a new revenue stream by generating $15 for each vehicle they process.

CVR, backed by CDK Global and Reynolds & Reynolds, provides automotive dealers with fast, secure, certified electronic titling and registration services. The company processes millions of vehicle transfers and DMV inquiries annually across 18 states, helping dealerships to provide a seamless customer experience.

"The board of directors and staffs of both the CATA and the IADA are excited to work together to promote IADA-CVR as the premier provider of fast, secure and certified electronic vehicle titling and registration solutions for all our member dealerships," said CATA Chairman Tony Guido. "CVR processes millions of DMV transactions annually to help dealerships provide a smooth customer vehicle-buying experience."

With CVR's electronic vehicle registration software, CVR-IL, dealership employees from their desks can process full, duplicate and corrected titles and receive negotiable titles within seven days.

CVR helps centralize processing for vehicle titling and registration at dealerships and other businesses by eliminating the need to go to the DMV to pick up plates, decals and registration paperwork. The company's solutions give dealers a cost-effective alternative to

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Smaller tax refunds could hamper used-car demand

Tax refund season usually helps get early-spring auto sales rolling, especially for used cars and trucks. But smaller income tax refunds are likely to provide a smaller boost this year, analysts said.

Dealers and auto lenders say customers with shaky credit often rely on their tax refund as a down payment to get financing they couldn't afford the rest of the year. And even customers with good credit may use their refund towards a new vehicle.

"Spring is typically among the busiest times of the year for car shopping since many people wait for their tax rebate check to go out and replace their aging vehicle," according to a recent blog post from Black Book, the vehicle pricing analyst firm.

Based on reports so far this year from the Internal Revenue Service, the average refund definitely has taken a downturn. The IRS started reporting tax season statistics beginning with the week that ended Feb. 1.

At that time, the average refund was down 9 percent from the same week a year ago, to $1,901. For the week ended Feb. 8 it was down 9 percent again, to $1,949. For the week ended Feb. 15, it was down 17 percent, to $2,640.

Analysts said changes to withholding in some cases mean consumers got more take-home pay during the year, but the tradeoff is a smaller refund. And some taxpayers

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CATA matches dealer grants

Dealerships play an extremely vital role within local communities, and the CATA is aware that many of its dealer members already support local charitable organizations.

To help those contributions go a little bit further — and broadcast that message a

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Dealerships brace for possible impacts of tariffs on new vehicles

Dealers hope that President Donald Trump is bluffing with his threat to increase tariffs on imported cars.

If he's not, the auto industry, consumers and the entire U.S. economy are in for a lot of hurt.

The Commerce Department on Feb. 17 sent Trump a report, at his request, on whether to impose tariffs on autos and auto parts as a national security measure. The report hasn't been made public, but the president has 90 days to decide what to do.

A trade war over autos would raise prices for consumers and make automakers rethink their global supply chains. Brad Sowers, co-owner and general manager of Jim Butler Auto Group, in St. Louis, figures car dealers would be caught in the crossfire.

"It's one of those scenarios we hope doesn't happen," he said. "Certainly we don't think it's necessary."

The Center for Automotive Research estimates that a 25 percent tariff would raise the average new vehicle's $35,000 sale price by $2,750. The sticker shock would be greatest on imported cars, but U.S.-made vehicles could be affected if the tariff also applies to parts.

Jim Butler's eight dealerships employ 340 people and sell brands from the all-American Chevrolet and Jeep to expensive imports such as Maserati. A sudden price increase, Sowers fears, would cause customers to delay their car-buying plans or settle for a used vehicle instead of new.

"If I increase the price by $2,000 to $3,000, that's a big jump for a consumer," he said. "Obviously if we see a slowdown, there are things we would try to cut back on, including the amount of vehicles I get from the manufacturers and the number of employees I have in place."

The Center for Automotive Research study, sponsored by the National Automobile Dealers Association, estimates that tariffs would reduce U.S. vehicle sales by as many as 1.3 million units, costing dealers $43.6 billion in revenue.

That could eliminate 77,000 jobs at dealerships and as many as 366,900 throughout the economy, including at manufacturers and parts suppliers.

Not all St. Louis dealers oppose Trump's taking action against imports. "If this helps level the playing field, I'm all for having a tariff," said Dave Sinclair Ford President James Sinclair, whose late father was known for his buy-American commercials.

Most of the industry, however, would rather stay out of this fight. Groups representing both domestic and foreign-owned automakers oppose the tariffs, as does the dealer group.

Peter Nagle, senior automotive researcher at IHS Markit, thinks dealers are right to be worried. "The industry employs a lot of people in the distribution and service sectors, and lower sales at dealerships is where the pain would be concentrated," he said.

Given the opposition of most of the industry, it's puzzling why the tariffs are even being considered. The national security justification looks spurious.

"It really didn't seem to have a lot of buy-in from the Defense Department, so I don't think that is the primary reason the tariffs might be undertaken," Nagle said.

It's not even clear whether tariffs would reduce the trade deficit, which Trump seems to use as a policy guide. Imports would fall, but so would exports if other nations retaliate. More than half of the vehicles built by BMW in South Carolina and Mercedes-Benz in Alabama are sold abroad.

The president has emphasized that he's a "tariff man," which may be all the explanation we need for his policy trial balloon.

Donate

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little bit wider — the CATA is again accepting applications for its Chicagoland Dealers Care program.

The CATA began the Chicagoland Dealers Care program in 2008 to build upon the charitable efforts of Chicagoland's metropolitan dealers who graciously donate to causes year-round. The program matches up to $1,500 per dealership and charitable organization.

The CATA has been a longtime supporter of local non-profit organizations. Since its inception in 2008, the Chicagoland Dealers Care program has donated more than $100,000 to local charitable organizations supported by new-car dealers. Additionally, since 1992, the association has raised more than $53 million for significant Chicago-area charities during the annual First Look for Charity black-tie event, held the evening before the Chicago Auto Show opens to the public.

To apply for a contribution from the Chicago Automobile Trade Association, please contact the CATA's Director of PR and Social Media Jennifer Morand at jmorand@drivechicago.com. Learn more about the Chicagoland Dealers Care program at ChicagolandDealersCare.com.

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NADA: Sky's not falling over auto loan delinquencies

By Patrick Manzi
NADA Senior Economist

A recent article by employees of the New York Federal Reserve Bank's Research and Statistics Group provided an update (of sorts) on the state of auto lending at the end of 2018. Much of the news coverage of this update focused on two Fed data points: 1) At the end of 2018, more than 7 million Americans with an auto loan were 90 days or more delinquent on their payments; and 2) This 7 million number represents more than 1 million additional troubled borrowers than there were at the end of 2010, when the auto loan delinquency rate peaked.

Regrettably, however, almost all of the immediate media coverage failed to place these statistics in the proper context. As a result, the emerging media narrative about what the Fed data actually showed was entirely wrong.

Here are the relevant facts that were missed by many. First, annual new-vehicle sales increased steadily from 2010 through 2016 and fell only slightly in 2017 and 2018. As new-vehicle sales have grown, so too have used-vehicle sales. With growth in vehicle sales comes growth in new auto loans. In other words, while the number of loan delinquencies has gone up, so too have the number of loan originations.

As the authors of the report themselves note, "The level of loan originations has been commensurate with auto sales, with a steady 50 to 60 percent financing share of combined new and used vehicle purchases — a percentage surprisingly stable in our sample period, which suggests that car loans have been tracking the growth seen in motor vehicle sales."

Second, the authors provide historical data on the total number of borrowers with an auto loan and the number of borrowers 90 or more days delinquent on their payment. The data show that at the end of 2010, 8.8 percent of borrowers were 90 days or more delinquent. Compare that to the end of 2018, when the share of delinquent borrowers was **a full percentage point lower** at 7.8 percent of borrowers. Again, context is important and it is important to consider the entire market when examining changes in segments of it.

Third, the authors note that the increase in delinquent borrowers has primarily come from younger and less creditworthy sectors of the population. This makes sense, as these buyers are more likely to be offered loans with higher rates because they tend to have less credit history. These buyers are also more likely to be dealing with other additional debt such as student loan debt. The total student loan debt balance has grown at roughly the same rate as the auto debt balance from 2010 to 2018 and represents a significant chunk of the debt portfolios of these younger groups.

As interest rates have risen over the past few years, we at the NADA have seen lenders become more selective, and the authors also note this trend. Throughout 2018, auto loan growth was driven primarily by loan originations to the most creditworthy individuals, and the share of loan originations to subprime borrowers fell by 22 percent.

Additionally, the authors state that the overall auto loan stock "is the highest quality that we have observed since our data began in 2000."

Statistics are at best meaningless and at worst misleading if they are not viewed in the correct context. In this case, the proper context was there, but it was unfortunately overlooked by many reporters. The resulting headlines were certainly attention-grabbing, but they weren't at all accurate.

And in the days following the release of the report, the majority of Wall Street analysts took note of this and have come to the same conclusion that this economist has: If you examine the data, not only does it not suggest that there is an impending "subprime auto lending bubble," but it actually suggests that the auto lending market is arguably as strong as it's been in quite some time.

CVR-IL

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in-person registrations and third-party processors.

Among the benefits of using CVR:

- Faster DMV record inquiries on trade-in vehicles
- Automation of the title and registration process, helping to reduce costly paperwork errors
- An integrated F&I interface to help save you time by reducing rekeying of customer and vehicle information
- Better profitability by recovering the total cost of title and registration processing
- The ability to be a one-stop shop, leading to more satisfied customers who'll never have to set foot in the DMV or need temporary tags

For more information about the program and to enroll, call the IADA at (217) 753-0220.

Guido said, "With 1,800 Illinois clients, 15 years of Illinois experience, and the partnership of the CATA and the IADA, CVR is a great option for title and license processing and support."

Tesla closing retail stores in favor of online-only

Tesla CEO Elon Musk announced Feb. 28 that the company would eliminate many of its retail stores and move to online-only vehicle sales.

In response to media inquiries on the topic, the National Automobile Dealers Association issued the following response:

"We still believe that the franchised dealer model is by far the best way to sell, distribute and service new vehicles. Go online right now and you'll see that there is hardly a franchised dealer in the country that isn't offering online sales and financing through their websites.

"But the reality is the vast majority of consumers want to do some combination of both online and traditional shopping for new vehicles. Those are our customers, and we're going to continue meeting their expectations and catering to their needs."

In its statement, the NADA said it would not fight Tesla's online sales.

"Franchised dealers conduct online sales now to the degree allowable by federal and state laws (a number of laws and regulations still require wet signatures for vehicle purchases, and even more so for financing).

"If the question is do we oppose direct sales: The issue there is, and has always been, whether or not direct sales violate state licensing and franchising statutes and consumer-protection laws. That answer will vary based on each state's law.

"Nothing in Tesla's announcement has changed the landscape. In fact, from our perspective nothing material at all has changed as a result of Tesla's announcement — other than the fact that Tesla will be closing stores and conducting layoffs."

NADA Workplace Study

Participation in the 2019 Dealer Workforce Study, one of the automotive industry's largest workforce studies, continues until April 12 at nadaworkforcestudy.com.

Dealer participation in the NADA report is vital and allows the NADA to analyze and provide such valuable information.

Refunds

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who are used to getting a refund may owe now.

Black Book said tax refunds helped produce a substantial boost in demand last spring. In fact, the effect contributed to better-than expected used-car values for 2018 overall, the company said.

According to Black Book, vehicles depreciated an average of just under 12.7 percent in 2018, compared with minus-14.5 percent in 2017. For context, the average pre-recession annual depreciation on vehicles was minus-15 percent to minus-18 percent.

"Last year, the spring tax refund season was a catalyst that led to some of the strongest demand for used vehicles since the recession ended in 2010," the Black Book blog reported.

Other factors also supported used-vehicle demand and therefore used-vehicle prices, including longer-lasting vehicles overall, demand for light trucks, and the popularity of certified pre-owned vehicles, which are reconditioned and come with a factory-based warranty.

Cox Automotive said separately that dealers were "euphoric" last year over spring sales fueled in part by tax refunds, but dealers were measurably more pessimistic going into 2019.

Sedgwick deflects Q4 2018 jobless claims

Seventy-eight CATA dealer members reported a combined 256 unemployment claims during the fourth quarter of 2018 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of $538,157 in benefit charges by contesting the claims.

Sedgwick, Inc. monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 237 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.475 percent and 6.4 percent of each employee's first $12,960 in earnings.

The 2019 average unemployment tax rate & new employer rate for Illinois employers is 3.175 percent, or about $411.50 annually per employee ($418 in 2018). The rate has inched down each year from 2007, as the Illinois economy continues to improve.

"The unemployment tax is really the only controllable tax in business, in that it's experience-driven," said Bruce Kijewski of Sedgwick. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, Sedgwick client fees amount to $2.85 per employee, per fiscal quarter. For the fee, Sedgwick monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

For more information and information on how to retain Sedgwick's unemployment services, contact Kijewski at (773) 824-4322 or Bruce.Kijewski@Sedgwick.com.