CATA to push for contributions to NADA political action committee

Board members of the CATA will be calling their fellow dealers in the next months in a push to increase contributions to the National Automobile Dealers Association's political action committee, NADA PAC.

NADA PAC, formerly named the Dealers Election Action Committee, or DEAC, represents the interests of all franchised dealers of new cars and trucks by supporting pro-dealer congressional candidates of both parties.

Only individuals from NADA member dealerships are eligible to contribute to NADA PAC, and only personal checks or credit cards can be used to submit donations. Dealers and their employees must sign a NADA PAC permission form before they can contribute to the committee. To obtain the form, call the CATA at (630) 495-2282.

The CATA's 2016 fundraising goal is $40,000. Individuals can contribute up to $5,000 annually to NADA PAC.

The top issue currently before NADA PAC is actions by the Consumer Financial Protection Bureau. A 2013 CFPB directive has impacted the auto loan market, yet it was issued without prior notice, public comment or a hearing. Based on its actions, many dealers say they don't think the CFPB even understands their business.

Texas dealer Robert Turner recently asked CFPB official Patrice 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 at a wholesale price and sells them at a retail price — that is where the disparity lies.

The U.S. House in late 2015 passed legislation that requires the CFPB to follow a transparent process when issuing auto finance guidance. That bill has not been considered by the Senate.

Auto safety chief implores motorists to get their recalled cars fixed

Under a blazing sun in a Florida college parking lot, employees of the U.S. government’s auto safety regulator, Toyota Motor Corporation and a tire industry trade group checked vehicles for recall notices, under-inflated tires and improperly installed child safety seats.

Frustrated by the failure of many American motorists to take cars with safety defects to dealerships for repairs, National Highway Transportation Safety Administration chief Mark Rosekind on Aug. 9 began a political campaign-style swing through southern states to push for better vehicle maintenance.

“Shaking hands and kissing babies: our version is checking VINS, tires and car seats,” Rosekind said in an interview at the tour’s second event in Orlando.

The first-of-its-kind tour — a nearly 1,500 miles, nine-stop trip over five days in a rented bus wrapped in NHTSA logos and safety messages — will take Rosekind from Miami to Fort Worth, Texas, during the hottest time of the year.

Heat and humidity elevate the risk that vehicle airbags equipped with aging inflators made by Takata Corp could rupture and injure or kill occupants, the agency has found.

Automakers have recalled more than 100 million vehicles in the last two years in the U.S. Consumers, however, have
2 area dealerships fall victim to email wire fraud scams

A CPA firm reported that a second area dealer this year lost thousands of dollars in a fraudulent email scheme. The first loss totaled about $50,000; the latest, $14,000.

The controller at the recent dealership reportedly received what appeared to be an email from the dealer principal’s address which instructed the controller to wire funds. The CPA firm said accounting personnel should never initiate any wire, ACH debits or other payments requested by email.

In today’s digital age of Facebook and LinkedIn, wire fraud schemes that rely on targeted email phishing have become increasingly common and sophisticated. By finding individuals who haven’t enabled privacy features on their social media accounts and then using that publicly available data to craft believable, fraudulent emails, criminals trick businesses into quickly sending funds by creating fake, urgent situations. Frequently, victims don’t realize they’ve been duped until they confirm the transfer of funds with a vendor or manager — when the money is already long-gone.

According to the Association for Financial Professionals’ Payments Fraud and Control Survey, the number of businesses reporting wire fraud more than doubled, from 5 to 11 percent in 2013, with wire transfer listed as the preferred method of payment for fraudsters. This is largely due to the quick payment clearing timeline, which is much faster than ACH or check.

As the numbers of victims continue to rise, businesses are fighting back by setting up internal controls and procedures for employees who process payment instructions via email. Ravin Yadav, Vice President for J.P. Morgan Transaction Services and Fraud Expert, says, “Rigorous application of simple procedures such as callbacks and validations go a long way in detecting and preventing a fraud loss.”

Businesses can protect themselves by ensuring all employees handling payments for the company always take precautions:

• Validate new payment instructions received via email — even if the email is internal.
• Pick up the phone, whenever possible, and speak directly with the individual requesting a funds transfer.
• Contact the vendor or client directly to confirm any requests for payment method changes, validating the changes are legitimate before processing.
• Carefully review all payments before they are sent and ensure all correspondence is validated and documented in a unified way across your business.

If a business falls victim to phishing or wire transfer fraud, use the event as an opportunity to assess the company’s internal controls. Training staff on the ways that fraud is evolving is critical. In the fight against fraud, a little knowledge goes a long way.

NADA PAC

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and similar legislation introduced by the upper chamber also has stalled.

The Obama administration reportedly opposes the House bill, which impacts auto financing arranged by auto dealers, because it would “revoke important guidance designed to prevent discriminatory pricing of auto loans.”

“The bill would create confusion about the existing protections in place to prevent discriminatory auto loan pricing, and effectively block the CFPB from issuing related guidance in the near-term,” the White House said in a 2015 statement.

House Resolution 1737 won bipartisan support in the 332-96 vote, with 88 Democratic representatives joining 244 Republicans.

Most car buyers choose to finance their purchases through indirect financing at dealerships. Dealers often discount an interest rate to “meet or beat” a competitor’s rate or meet a consumer’s budget needs. The CFPB’s 2013 guidance pressures finance sources to change the way they compensate dealers in a way that would eliminate or limit a dealer’s ability to discount credit for consumers.

The CFPB’s new policy would limit market competition and needlessly deny many consumers a better interest rate.
More and more people seem to be questioning the value of car ownership, and millennials and seniors appear to be at the forefront of this trend.

More new vehicles were leased in the first half of 2016 than during the first half of any other year, according to the latest Lease Market Report from Edmunds.com. And lease volume has doubled over the past five years.

The millennial generation has a higher rate of lease penetration than any other generation (34.2 percent), but the strongest growth has come from shoppers over age 75. During the first six months of 2016, more than 32 percent of cars sold to this age group were leased — a growth rate of 74 percent compared to five years ago when lease penetration this group was just 19 percent.

“Millennials and seniors actually have more in common that one might think, since both experienced deep economic recessions during their formative years that helped to shape their worldviews and made them more value-oriented,” Jessica Caldwell, Edmunds’ executive director of industry analysis, said in a news release.

“Both millennials and seniors crave the highest-quality product for the best possible price, and considering these groups are both at a place in their lives where they likely have limited monthly cash flow, leasing can seem like the most viable option,” she said.

Monthly lease payments are 23 percent lower on average than monthly financing payments. The biggest difference between monthly lease and financing payments can be found with compact cars (30 percent), full-size pickup trucks (29 percent) and midsize cars (28 percent).

While the majority of vehicles leased continue to be in the luxury segment, the most significant growth has been seen in large vehicles, with compact trucks (214 percent), large trucks (142 percent) and large crossover SUVs (96 percent) leading the way.

“Whether or not it makes financial sense to lease vs. buy depends on a number of personal factors, but it seems many consumers have resigned themselves to the fact that they’ll always have a monthly car payment,” Caldwell said.

“Younger car buyers in particular are so conditioned to having monthly fees for things like their smartphone and streaming entertainment services that they don’t necessarily expect monthly payments to result in eventual outright ownership.”

For automakers, the shift in consumer behavior necessitates meeting the demand for attractive lease deals while protecting residual values against a flood of used cars hitting the market at once. As such, OEMs have been working to lower the allotted mileage of leased vehicles to ensure they are returned in better condition and allow for a greater certified pre-owned opportunity. The average allotted miles has declined from 13,060 in 2005 to 11,999 today.

OEMs also have pushed leases on vehicles with the most desirable options in an effort to pique the interest of future owners.

“While the continued expansion of the ‘lease culture’ could present a challenge for OEMs and their dealers in the future, they seem to be managing it well so far,” Caldwell said. “We don’t see this trend slowing anytime soon.”

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2017 NADA convention registration underway

Online registration and hotel selection for the 2017 NADA Convention and Expo in New Orleans is underway, and NADA members and their managers who register by Sept. 9 will receive a $100 discount from the on-site rate.

The National Automobile Dealers Association, founded in 1917, will kick off yearlong events commemorating its 100-year anniversary beginning with the NADA 100 Carnival in New Orleans. The exclusive event for NADA members, international affiliates and guests will be at Mardi Gras World 7-10 p.m. Thursday, Jan. 26. The Carnival will feature cuisine from top New Orleans restaurants as well as entertainment from the headlining band Foreigner, and Cowboy Mouth and local jazz musicians. The NADA member and manager registration fee includes admission to the NADA 100 Carnival.

Convention speakers include comedian Jim Gaffigan and NADA Chairman Jeff Carlson on Friday, Jan. 27; and inspirational speaker Amy Purdy and NADA Vice Chairman Mark Scarpelli on Sunday, Jan. 29. A fifth speaker will be announced in the coming weeks.

Scarpelli, president of Raymond Chevrolet-Kia in Antioch, likely will become NADA chairman at the convention.

The four-day NADA Convention, Thursday, Jan. 26, to Sunday, Jan. 29, will be at the Ernest N. Morial Convention Center. Considered the auto industry event of the year, the NADA convention includes dealer franchise meetings, workshops, an exhibitor showcase and numerous networking events.

The American Truck Dealers (ATD) Convention and Expo is held concurrently with the NADA Convention.
Official of the Chicago Automobile Trade Association on Aug. 18 will present to the USO of Illinois a check for $157,000, the amount raised in July by 80 new-car dealerships that hosted Barbecue for the Troops events.

In four Julys, the CATA dealerships have generated about $400,000 for USO programs that support deployed troops, military families, wounded, ill and injured troops and their caregivers, and families of the fallen.

In each of the past four summers, dealers throughout Chicagoland hosted barbecue fundraisers on the same day in July. In its first year, the dealers generated $37,500. 2014’s fundraiser more than doubled the initial campaign, raising $90,000, and efforts in 2015 raised $121,000. The goal this year was to top $150,000.

“I feel very proud and honored to lead this association of dealers,” said John Hennessy, CATA chairman. “As a dealer myself, I have a huge sense of pride as I know firsthand the hard work that goes into coordinating these events. We had 80 dealers leading the charge and rallying their individual communities to raise funds and awareness for Illinios troops.

“It does not at all surprise me that CATA dealers keep surpassing previous fundraising totals. What some might not recognize is that dealers are already deeply rooted within their communities and constantly strive to make a difference. The CATA’s partnership with the USO of Illinois is a natural fit and a cause that dealers can appreciate and, demonstrably, fully support.”

Alison Ruble, the president and chief executive of USO of Illinois, said the money raised by the dealerships will deliver care and comfort to the more than 330,000 military and military families that the agency serves annually.

To help raise awareness of the dealership fundraisers, the CATA coordinated a social media contest using the hashtag #BBQ4Troops. The contest grand prize was an ultimate backyard BBQ, which includes cooking demonstrations and barbecue fare from Real Urban Barbecue's head chef; and a special visit from a Chicago Blackhawks ambassador. This year that will be Hall of Famer Tony Esposito.

More than 100 people submitted contest entries and Rebecca, from Oak Lawn, won with 415 votes. This fall, the CATA will thank her fiancé, a military veteran, by throwing him the ultimate backyard BBQ.

“Vote 4 my favorite Vet!” Rebecca wrote in her entry. “Not only did he sacrifice for our country but he sacrifices so much everyday to take care of me! So deserving!”

Recalls

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no legal obligation to get recalled vehicles fixed, and the NHTSA has estimated that 20 percent to 30 percent of recalled vehicles are not brought back to dealerships for free repairs.

About half of vehicles checked in Miami on Aug. 9 and about half of 300 vehicles checked during an event in July in Atlanta showed uncompleted recalls, Rosekind said.

Latin dance music played at an early morning safety check event on the Florida International University campus in Miami, drawing students, university employees and others.

Julian Martinez, 22, a graduate from the University of Chicago, drove in his mother’s 2008 Honda. NHTSA officials turned up an un repaired Takata air bag inflator. “I had never even heard of Takata,” Martinez said.

Ana Tronholm, 35, and her husband, Niclas Engene, 38, both biologists at FIU, brought their 8-month-old daughter and their Nissan Altima replete with several “Baby on Board” signs.

“When with her I think we are more obsessed with car safety,” Tronholm said.

Many motorists are unaware of recalls, especially owners of older used cars who rarely visit dealerships. In August 2014, the NHTSA’s safercar.gov website launched a search engine that allows motorists to check for uncompleted recalls by the Vehicle Identification Number.

Rosekind is prodding automakers to do more to track down motorists with un repaired recalls. He expects to announce new efforts this fall by automakers to alert motorists.

Owners routinely fail to properly maintain their cars. About 30 percent of tires are under inflated and are linked to 200 deaths and 11,000 crashes a year, while 60 percent of car seats are not properly installed or are the wrong seat, the NHTSA said.

Nearly 100 million Takata inflators have been declared unsafe worldwide, including 70 million in the United States from 17 automakers in the largest ever U.S. auto safety recall.

Through July 15, however, automakers have replaced only about 9.4 million Takata inflators in the country.