



Volume 113, No. 23

November 21, 2016

## FTC approves final changes to Used Car Rule

The Federal Trade Commission on Nov. 10 announced final amendments to its Used Car Rule that include changing the description of an “As Is” sale.

The amended Rule, passed 3-0 by FTC commissioners, **permits dealers to use their remaining stock** of Buyers Guides for one year after the effective date of the amended Rule.

The FTC in 2012 sought public comments on a series of proposed changes to the Rule (formally known as the Used Motor Vehicle Trade Regulation Rule), which requires car dealers to display a window sticker, or “Buyers Guide,” on used cars offered for sale. The Guide discloses whether the dealer is offering to sell a used car with a warranty or “as is” (without a warranty).

If the sale is with a warranty, the Guide discloses the terms and condi-

tions, including the duration of coverage, the percentage of total repair costs the dealer will pay, and the vehicle systems the warranty covers. In states that do not permit “as is” used-car sales, dealers must use an alternative Guide that discloses whether the sale is with a warranty or with implied warranties only.

As announced this month, the Commission is revising the Buyers Guide by:

- changing the description of an “As Is” sale;
- placing boxes on the face of the Buyers Guide that dealers can check to indicate whether a vehicle is covered by a third-party warranty and whether a service contract may be available;
- providing a box that dealers can

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## ‘Quiet cars’ rules to prevent injuries finalized

The U.S. government on Nov. 14 finalized long-delayed rules that will require “quiet cars” such as electric vehicles and hybrids to emit alert sounds when they are moving at speeds of up to 18.6 mph, to help prevent injuries among pedestrians, cyclists and the blind.

The rules, which were required by Congress, will require automakers to

add the sounds to all vehicles by September 2019. The U.S. Transportation Department said it expects the rules would prevent 2,400 injuries a year by 2020 and require the addition of alert sounds to about 530,000 2020 model vehicles.

The National Highway Transportation Safety Administration said the

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## Ill. dealers get relief from ST-556 penalty for late filing

Tax returns for tax-exempt motor vehicle transactions must be filed with the Illinois Revenue Department within the statutory 20-day period for filing the returns, just as with transactions involving tax. But some dealers in recent years failed to meet the 20-day deadline with tax-exempts.

The department moved this month — holiday season benevolence? — to eliminate the \$100 penalty for late filings for all late motor vehicle tax returns, regardless of whether they were taxable, for all transactions from Aug. 16, 2013, to Aug. 9, 2015.

Also, the department will waive the \$100 penalty for all late or non-filers on transactions between Aug. 10, 2015, and Nov. 10, 2016 — provided the returns are submitted by Jan. 31, 2017. All ST-556 and ST-556 LSE returns for transaction after Nov. 10, 2016, must be filed within 20 days of the date of delivery, to avoid the \$100 penalty.

The revenue department noted that any penalties that have already been paid will not be refunded.

The late filing assessment has been in effect since Aug. 16, 2013, under the Illinois Uniform Penalty and Interest Act.

## Curtains rise on '16 LA Auto Show

This is the year of calculated risks for the automakers at the Los Angeles Auto Show. Manufacturers are doubling down on what's been working — investing in the compact crossover and SUV segments — but the recent strong market has freed them up to also develop halo products and variants that attract more of a niche audience.

And while LA used to be known as the “green show,” alternative fuel vehicles are scant, which isn't a complete surprise given that it's a crowded playing field with low levels of demand.

Among the highlights of the 10-day public show, which closes Nov. 27:

- Automakers see just how hot the compact crossover market has become and they can't push out new products fast enough to meet the surging demand. With strong fuel economy, plenty of cargo space, surprising technology, and — most important — low starting prices, these vehicles check off some of the most important features that today's car shoppers value most.

- Performance and high-end luxury cars are still considered a niche market, but it's a niche market with more potential than perhaps ever before. Even as auto sales level off, if gas prices stay low and the economy stays strong there's certainly room in the market for growth in these smaller volume segments. And as long as cars continue to be a hot status symbol in LA, this show is a popular launching pad for high-end automakers.

- California has long set the standard for alternative fuel vehicles, and there's no indication Golden State car shoppers will cede that reputation anytime soon. After all, California has accounted for 35.2 percent of all EV and hybrid sales this year. (The next closest state is Florida, at 5.5 percent.) But while these cars have found a sweet spot here on the West Coast, their sales have stalled in the rest of the country.

Better nationwide infrastructure is needed if plug-in cars have any chance of succeeding.

## GOP, business groups launch campaign to constrain CFPB

In the wake of Donald Trump's presidential victory, Republican lawmakers and business groups are crafting plans to rein in the federal government's consumer-finance watchdog.

The trade group for credit unions has demanded that the Consumer Financial Protection Bureau immediately “cease its pending rulemaking” affecting its members, seeking to give the new administration a chance to cast a more skeptical eye on the proposals than the current Democratic White House would provide. The agency has “stifled” the industry's ability to serve its customers, Jim Nussle, head of the Credit Union National Association, said Nov. 11.

“I am encouraged that the Trump administration seems eager to combat this regulatory overreach, and I look forward to working with them in those efforts,” Texas GOP Rep. John Ratcliffe said Nov. 14. Ratcliffe last year sponsored legislation jointly with a fellow Texas Republican, Sen. Ted Cruz, to abolish the agency, which was created by

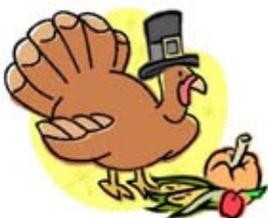
the 2010 Dodd-Frank Act and championed by Massachusetts Democratic Sen. Elizabeth Warren.

President-elect Trump hasn't said specifically what he would do with the CFPB, but his transition team has issued a statement saying it plans to “dismantle” Dodd-Frank. And the agency — tasked with ramping up federal oversight of lightly regulated corners of finance, such as debt collection and small-dollar-high-interest payday loans — has long been a main target of Dodd-Frank critics, who say it epitomizes regulatory overreach stifling growth.

President Barack Obama has been able to shield the agency from such attacks with his veto threats. But soon that protection will disappear, throwing the young agency's future into disarray.

Industry experts say it could be a year or so until a significant structural change could be made to the CFPB. Bureau director Richard Corday, whose term runs until 2018, can't be forced out by Trump without cause.

## Happy Thanksgiving!



The office of the Chicago Automobile Trade Association in Oakbrook Terrace will be closed Thursday and Friday, Nov. 24-25, to mark the holiday. Business hours resume Monday, Nov. 28.

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

The CATA Bulletin is distributed via blast e-mail 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.

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## Dealer relationships critical for lenders in competitive market: study

The relationships auto finance providers develop with dealerships are critical to dealer satisfaction and to remaining competitive in the market, especially as the new-vehicle sales market tightens, according to a recent study.

A combination of slowing new-vehicle sales and an uncertain used-car market is contributing to an already contested auto-lending environment. Technology has eliminated disparity of speed in financing, leaving lenders to differentiate themselves by the relationship they are able to form with the dealership.

“Speed has been king and the area lenders have traditionally focused on, but as the market gets tougher, lenders need to center their attention on their relationships with dealers, or they are going to lose business,” said J.D. Power’s Jim Houston, as part of the company’s 2016 U.S. Dealer Financing Satisfaction Study.

“Lenders,” Houston said, “need to move beyond a transactional relationship with dealers to a richer consultative partnership. Lenders with a dealer-centric culture across their organization — not just in various pockets of the business — are the ones that are most likely to excel.”

Houston noted that in building a dealer-centric culture, lenders must understand their dealers’ businesses and goals, which helps establish them in the eyes of dealers as their business partner and problem solver. That starts with communication with the dealer.

The study finds that fewer than half of dealers receive consistent sales rep calls or visits, both of which can boost overall satisfaction by as much as 68 points and 75 points, respectively, on a 1,000-point scale. But it’s more than just the frequency of the contact, it’s the nature of those touch

points that adds value to the relationship.

“Dealers value a lender that can help them handle the tough issues and solve those ‘outside-the-box’ situations,” said Houston. “This is where having the right people focused on their dealers and helping them execute their strategic plan is essential.”

The study identifies three areas of opportunity for lenders that will help them enhance their dealer relationships: 1) Consistent performance among their dealer relationship managers; 2) Identification of their best dealers and a prioritization of those relationships; and 3) Efforts that focus on areas most important to dealers.

“These are the things dealers say they want from their lenders, but are not necessarily getting on a consistent basis,” said Houston. “When the market gets tough, lenders that meet dealer expectations are going to get a greater share of the business.”

Findings of the study show that high satisfaction with lenders leads dealers to increase the amount business they send to those respective lenders over the next year. Falloff is swift when satisfaction declines: When satisfaction scores are 900 points or higher, 62 percent of dealers say they are likely to increase the amount of business they send to the lender over the next year.

When satisfaction falls to between 800 and 889, only 37 percent of dealers indicate they intend to send more business to that lender. When satisfaction dips to 700-799, only 22 percent of dealers intend to increase business with that lender.

Other key findings of the study include:

- **Speed Still Matters:** Speed still plays a significant role when dealers are choosing lending partners. When lenders fund error-free contracts on the

same day as they are submitted, dealer satisfaction increases by as much as 64 points. When lenders notify dealers of contract issues or errors within four hours after they are submitted, satisfaction increases by as much as 60 points.

- **Exceptions to the Rule:** Dealers want their lending partners to value the total relationship. In some cases, this means providing exceptions when warranted. A well-managed exception process can increase overall satisfaction by up to 79 points.

### Dealer Financing Satisfaction Rankings

#### Prime Retail Credit

Mercedes-Benz Financial Services ranks highest among lenders in the prime retail credit segment for a second consecutive year, with a score of 961. Following in the rankings are BMW Financial Services (959); Alpha Financial Services (941); Lincoln Automotive Financial Services (936); and Infiniti Financial Services (930).

#### Retail Leasing

Mercedes-Benz Financial Services ranks highest among lenders in the retail leasing segment for a second consecutive year, with a score of 982. Following in the rankings are BMW Financial Services (958); Ford Credit (913); Volvo Car Financial Services (912); and Subaru Motors Finance (911).

#### Floor Planning

Mercedes-Benz Financial Services ranks highest among floor planning lenders for a sixth consecutive year, with a score of 986. Following in the rankings are BMW Financial Services (975); Huntington National Bank (969); Hyundai Motor Finance (945); and Kia Motors Finance (945).

Satisfaction is measured across three factors in the prime and non-prime retail credit segments.

## Chrysler Museum to close Dec. 18

The Walter P. Chrysler Museum in Auburn Hills, Mich., will close permanently next month, officials said Nov. 10. The museum, which first closed in 2012 after not being able to cover costs, was reopened in June to the public on alternating weekends. But Chrysler made the decision to shutter it altogether after its final day of operation on Dec. 18.

FCA reportedly needs more office space, and the company decided to convert the museum for that purpose. The cars will be moved to

storage after the closure, and they'll be shown at various events. However, they'll only be able to be seen together for two more days: Dec. 17 and 18. The museum will be open from 10 a.m. to 4 p.m. on those days.

The museum has some fantastic cars including concepts from the 1950s to the 2000s, oddball performance vehicles such as the Omni GLH-S, and of course plenty of fascinating history. There's even a purple Plymouth Prowler that visitors can sit in.

## Quiet

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rules will cost the auto industry about \$39 million annually because automakers will need to add an external waterproof speaker to comply. But the benefits of the reduced injuries are estimated at \$250 million to \$320 million annually.

The NHTSA estimates the odds of a hybrid vehicle being involved in a pedestrian crash are 19 percent higher compared with a traditional gas-powered vehicle. About 125,000 pedestrians and bicyclists are injured annually.

The rules also will help the blind and visually impaired.

"This is a common-sense tool to help pedestrians, especially folks who are blind or have low vision, make their way safely," NHTSA Administrator Mark Rosekind said in a statement.

The rules apply to hybrid and electric cars, SUVs, trucks and buses weighing up to 10,000 pounds; and

seek to prevent crashes at intersections or when electric vehicles are backing up.

NHTSA officials originally proposed extending the sound requirements to all vehicles, including motorcycles and larger trucks and buses.

At higher speeds, the alert is not required because other factors like tire and wind noise adequately warn pedestrians, NHTSA said.

Advocates for blind people have pushed for the rules and praised the announcement.

Automakers had raised concerns about the alerts, saying they are too loud and complicated. The rules set minimum sound requirements but do not specify what sounds must be emitted.

The Alliance of Automobile Manufacturers, a trade group, said in a statement: "It's important that automakers have the flexibility to equip vehicles with sounds that are sufficiently detectable yet pleasant to hear.

## FTC's updated Protecting Personal Information guide — with a twist

The Federal Trade Commission has released its updated "Protecting Personal Information: A Guide for Business," which includes the latest tips about technologies that have emerged since the last published guide.

The updated version relies on the same bedrock principles: (1) Take stock, (2) Scale down, (3) Lock it, (4) Pitch it, and (5) Plan ahead. So what's the new twist? Glimpses of some of the updated advice:

- If your company is developing a mobile app, "scale down" by ensuring the app accesses only the data and functionality it needs. And don't collect and retain personal information unless it's integral to your product or

service.

- If implementing the principle of "lock it," consider using a multi-factor authentication, such as requiring the use of a password and a code sent by different methods.

- If sending information over your wireless network, encrypt it so that nearby attackers can't eavesdrop. Look for a wireless router that has Wi-Fi Protected Access 2 (WPA2) capability and devices that support WPA2.

For additional advice on cybersecurity, see the FTC's Start with Security guide and videos. Additional compliance resources also are available from the FTC Business Center's Privacy and Security portal.

## Buyer's guide

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check to indicate that an unexpired manufacturer's warranty applies;

- adding air bags and catalytic converters to the Buyers Guide's list of major defects that may occur in used vehicles;

- adding a statement that directs consumers to obtain a vehicle history report and to check for open recalls. The statement also instructs consumers to:

- o visit [ftc.gov/usedcars](http://ftc.gov/usedcars) for information on how to obtain a vehicle history report; and

- o visit [safercar.gov](http://safercar.gov) to check for open safety recalls;

- adding a statement, in Spanish, to the English-lan-

guage Buyers Guide, advising Spanish-speaking consumers to ask for the Buyers Guide in Spanish if the dealer is conducting the sale in Spanish; and

- providing a Spanish translation of the statement that dealers may use to obtain a consumer's acknowledgement of receipt of the Buyers Guide.

For more information about the Used Car Rule, read *Buying a Used Car*. For used-car dealers, the FTC offers *A Dealer's Guide to the Used Car Rule*.

"Fillable" versions of the Buyers Guide in English and Spanish are available at [FTC.gov](http://FTC.gov).

The Used Car Rule has been in effect since 1985.