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New sales agreement needed for many used cars beginning July 1

Illinois dealers will need to update their purchase agreements when selling used vehicles that qualify for an implied warranty, effective July 1.

The CATA is working with Reynolds Document Services to update itsLAW® Illinois F&I Library, a comprehensive library of standardized, legally reviewed F&I documents that will benefit CATA members and Illinois dealers.

The impending law, detailed in the March 13 edition of this newsletter, will require dealers to extend an implied warranty on most used vehicles for 15 days or 500 miles, whichever occurs first.

The coverage concerns power train components only, not bumper-to-bumper coverage. The law does not apply to vehicles with more than 150,000 miles at the time of sale, or to vehicles that have been branded "rebuilt" or "flood."

A dealer's maximum liability for repairs under the new law is limited to the purchase price paid for the used vehicle, to be refunded to the consumer in exchange for the vehicle.

On the Buyers Guide, the "As Is" box would be checked when selling vehicles affected by the new law, but the purchase contract must carry the following statement in boldface 10-point type or larger, set off from the body of the agreement:

"Illinois law requires that this vehicle will be free of a defect in a power train component for 15 days or 500 miles after delivery, whichever is earlier, except with regard to particular defects disclosed on the first page of this agreement. "Power train component" means the engine block, head, all internal engine parts, oil pan and gaskets, water pump, intake manifold, transmission, and all internal transmission parts, torque converter, drive shaft, universal joints, rear axle and all rear axle internal parts, and rear wheel bearings. You (the consumer) will have to pay up to $100 for each of the first 2 repairs if the warranty is violated."

The warranty does not extend to damage that occurs as a result of off-road use, racing, towing, abuse and oth-

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Auto industry to seek flexible fuel-economy standards from EPA

With the Trump administration's expected attempt to relax scheduled U.S. fuel-economy requirements, executives from automakers and suppliers who gathered this month at a conference in Dearborn, Mich., said looser fuel-economy standards might allow for sales of more trucks in areas where they're popular.

But, they added, the pursuit of fuel-efficiency technologies otherwise will proceed unabated.

Trump went to the Detroit area March 15 to announce that his Environmental Protection Agency will re-examine gas mileage requirements that were affirmed in the Obama administration's last days. Those regulations require the fleet of new cars and trucks to average 36 mpg in real-world driving by 2025, about 10 mpg over the current standard. Environmentalists warned Trump's decision could reverse years of reduced tailpipe emissions.

Executives at the Fuel Economy Detroit conference said the billions of dollars already invested in efficient vehicles makes reversing course impractical. And while the U.S. may relax rules, other countries are toughening them, leaving the industry no choice but to keep researching ways to make gas engines more efficient and develop cheaper and longer-range electric and hydrogen fuel cell vehicles.

"We're all global companies. We have to design our vehicles to be fuel efficient not only in the U.S., but in

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Justice Department finds CFPB unconstitutional, sides with Trump

The U.S. Justice Department is backing a proposal that would allow President Donald Trump to replace Consumer Financial Protection Bureau Director Richard Cordray, according to court documents filed March 17.

The filing was a departure from what the DOJ supported during the waning days of President Barack Obama's administration, and unusually pits two executive agencies against one another.

Cordray was appointed by Obama during the creation of the CFPB under the Dodd Frank Act, and can only be removed "for cause" — meaning Cordray would have to violate a rule or law to be replaced before his term is up in 2018.

A three-judge court last fall ruled that the structure is unconstitutional and that the president should have the authority to remove the CFPB director at will. In the final days of the Obama administration, the DOJ issued a friend-of-the-court brief in support of the CFPB, asking that the court rehear the case with a full panel of judges. However, that friend-of-the-court brief did not go so far as to argue for the constitutionality of the CFPB's current structure.

This month's amicus brief marks a reversal of the DOJ's previous stance but does not fully support the position taken by PHH Corp., the mortgage lender suing the CFPB over enforcements actions taken against the company.

PHH argues that the CFPB should be abolished entirely, because to take the more mild action of allowing the president to fire the director at will would turn the agency "into an entity that Congress never intended," according to a brief issued by the company earlier this month.

The Justice Department disagreed with that argument in its March 17 filing, and supported the more reserved position that the president should be allowed to replace the director at will.

"There is no evidence that Congress would have preferred no bureau at all to a bureau whose director was removable at will," Justice Department lawyers wrote in the brief.

The CFPB can represent itself in the D.C. Circuit Court, which begins hearings in May. But if the case is escalated to the Supreme Court, the Justice Department typically is supposed to represent the agency.

Now, the CFPB would need to seek another group to join the case on its behalf if it were to escalate to the high court, said Michael Landis, litigation director for the consumer advocacy group U.S. Public Interest Research Group, in talking to The Washington Post.

A new car can almost be purchased online — through a dealer

The auto dealer, around for more than a century and at times perceived almost as negatively as members of Congress, looked like a ripe target for disruption when retailing moved online. Now that startups have tried and failed to beat the car salesman, many are taking a different route: catering to them.

After watching predecessors such as TrueCar Inc. and Ford Motor Co. stumble in their attempts to bring more Amazon-like e-commerce to car shopping, a new wave of auto finance upstarts has emerged. Rather than fight a dispersed and politically connected dealer industry, they're bringing the country's 17,000 new-car dealers into the digital age, meaning consumers aren't going to be bypassing the dealership to buy new rides anytime soon.

"The market is so big that there's nothing preventing someone from creating a new dealership model, but I want to go after the biggest part of the pie, which is how consumers buy cars today," said Kevin Singerman, founder of AutoFi, a 2-year-old San Francisco-based startup that began piloting its mobile financing app with Ford dealerships this winter. "That's a much more attractive opportunity."

Almost 20 years after the internet brought price transparency to the almost $1 trillion-a-year U.S. new-car sales market, several steps of the shopping process have migrated online. But as buyers turn to Kelley Blue Book and AutoTrader.com for price comparisons, they remain unable to finish the car-buying process without a visit to the dealer. The average consumer visited about 2.8 dealerships before buying a car in 2016, compared to 3.5 in 2012, according to J.D. Power & Associates.

The portion of the buying process that's yet to be cracked — solidifying financing and insurance — remains a profit center for dealers and has become a target for startups, though most are now taking aim with dealers' blessings. The new apps replace tedious paperwork with a few taps and swipes on a smartphone, but the underlying economics are little changed.

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McLarty: President has a natural ally in car dealers

By Thomas F. "Mack" McLarty III

President Donald Trump has often been sharply critical of an auto industry that he believes is moving too many jobs overseas and is at odds with his vision of American manufacturing prowess. He used his campaign bully pulpit to scuttle Ford's plans to move small-car production to Mexico.

He threatened General Motors and Toyota on social media with a "big border tax" and for months has been vowing to rip up several free-trade agreements — moves that could wreak havoc on the global supply chains upon which every major automaker relies.

While blasting the auto industry with heat-seeking rhetoric and a barrage of tweets may garner attention, Trump might be better off embracing it as a strong partner that can help him deliver the promises he campaigned on. He has a natural political ally in the thousands of car dealers who are the public face of the auto industry, a huge engine for job creation and an influential voice in Washington.

America's car dealerships, after all, are the paragon of successful Main Street businesses on which Trump heaped praise during his campaign. They are powerful institutions in the Rust Belt and in the heartland, where his message of hope to working-class voters left behind by globalization and technological change most resonated. And they are big employers there, too — supporting tens of thousands of Americans who work as salespeople, mechanics and other critical roles and millions more through business relationships with parts suppliers and other outside vendors.

As the president works to revitalize communities around the country, the automotive retail industry is poised to play a major role in keeping American factories open and creating good-paying jobs. Indeed, dealerships are exemplars of the small businesses that form the backbone of the American economy.

America's auto retailers share the no-nonsense mindset that was a hallmark of Trump's candidacy. On the campaign trail, he touted his experience as a tough but pragmatic businessman as a key reason he would get things done in our nation's capital. America's dealers can certainly relate. Like the president, they are steely negotiators with a bias toward action and flexibility.

It's what they must do every day to make sure the four-wheeled inventory keeps moving off their lots.

In fact, as the president vows to eliminate our government's bureaucratic red tape and reshape Washington, he would be wise to look at how our nation's car dealers have successfully evolved with the times. While new technologies, shifting consumer preferences and a more diverse customer base have significantly transformed car buying, dealers have embraced meaningful change by building on a system that has largely worked, not tearing it down.

In the dealership community, the president is likely to find strong support for many of his core policy ideas. This community has long advocated for simplifying our unwieldy tax code and lowering rates. Identifying ways to eliminate or replace cumbersome regulations with common-sense rules would also provide welcome relief.

Several industry studies find that tough new rules such as overly stringent corporate average fuel economy standards would add thousands of dollars to the price of an average vehicle, crippling demand. Auto dealers, which have locations in every community and congressional district, could provide a clear and credible voice about the costs.

These issues, of course, are only part of the Trump administration's broader policy agenda and there almost certainly will be areas where America's car dealers and the president disagree. As a candidate, for example, Trump vowed to renegotiate the North American Free Trade Agreement to return jobs to the United States or slap punishing tariffs of up to 35 percent on auto imports from Mexico.

NAFTA, which I have supported, has been around for more than two decades and needs to be modernized. It does not need to be ripped up. In fact, starting anew would be replete with unintended consequences that are potentially worse. Not only would pulling out of NAFTA jeopardize the billions of dollars of U.S. automotive exports that go to Mexico and Canada each year, but it could add thousands of dollars to the prices of imported vehicles and could disrupt thousands of good-paying American jobs linked to global supply chains.

In politics, as in business, success is about dealmaking, compromise and finding common ground.

One of Trump's greatest strengths could be his ability to shake Washington out of its stupor and implement an agenda that can grow the economy and put millions of Americans back to work. But the author of "The Art of The Deal" should recognize that he will not succeed if he resorts to name-calling and veiled threats. Instead, he must find ways to work within the system and enlist the support of a wide array of political partners. America's car dealers would be a good place to start.

The author is chairman of McLarty Cos., a fourth-generation family-owned dealership business in Little Rock, Ark. He was President Bill Clinton's first White House chief of staff and an adviser to Presidents Jimmy Carter and George H.W. Bush.

CATA enlists Chicago Concierge to deliver perks to dealers

A new CATA program provides association members free concierge service and inside access to dining, nightlife and entertainment throughout the Chicago area.

Whether it is organizing a memorable staff outing, rewarding employees, thanking great customers, event catering or simply making a personal dinner reservation, Chicago Concierge will make sure Chicago's hottest spots are rolling out the red carpet for CATA allied and dealer members.

Chicago Concierge is a Reservation Service and Visitors Guide organized by local hospitality experts, in partnership with Choose Chicago. All services are offered complimentary to members of the CATA. Chicago Concierge professionals can provide online assistance. Submit a request to get recommendations, book a reservation, or plan a private event.

Among the great restaurants and experiences Chicago Concierge can provide special access:

Ditka's
Texas de Brazil
Chicago Helicopter Experience
Sunda
Paramont Events
RPM Steak
10 Pin
The Windsor
Studio Paris Night Club
House of Blues
Joe's Seafood & Prime Steak
Carnivale
The Signature Room
Blue Plate Catering
Pinstripes
Shoreline Sightseeing
Zed 451
Harry Caray's
Roka Akor
Vermilion

The best part is that the assistance is available without the need of a subscription or registration or fees. This benefit is one of many afforded to CATA members.

Explore the offerings at www.chooseconcierge.com/cata and click the "Contact A Concierge" button for help with making plans. Chicago Concierge will take things from there.

Want to suggest other places for Chicago Concierge to add to the CATA program? Contact Tim McBride (tmcbride@drivechicago.com) and he will forward requests to Chicago Concierge.

More about the CATA's Member Benefit program is on the association website, at http://www.cata.info/resources/cata_member_benefits.

MPH

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Europe and Asia," said John Juriga, director of powertrain at the Hyundai-Kia technical center near Ann Arbor.

Automakers lobbied Trump hard to get the government to reopen a "midterm review" of the standards for 2022-2025. They say the EPA under Obama rushed out the review just seven days before Trump took office, reneging on promises to get industry input. The agency also didn't place enough weight on the pronounced consumer shift to SUVs and trucks, the automakers claim.

The EPA decided the standards are flexible enough to account for the market shift, and that automakers have the technology to meet them. The agency calculated that higher standards would raise vehicle costs by $875, but that would be offset by $1,620 in savings at the gas pump.

Given Trump's promises to auto CEOs about easing regulations, it's likely the requirements will be weakened when the new review is finished by April 2018.

Warranty

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er negligence.

The legislation was spawned after an Illinois woman's used car broke down on her way home after buying it from a used-car store. She returned to the store and was offered another vehicle, which also broke down on her trip home.

Illinois Gov. Bruce Rauner signed House Bill 4377 last August. He vetoed similar legislation a year earlier because that bill affected only independent dealerships, not those that also sell new vehicles.

The Reynolds LAW Illinois F&I Library was created and is maintained by the combined legal expertise of Reynolds Director of Compliance Terry O'Loughlin, Reynolds AFIP certified compliance legal specialists, and the CATA.

"We are continually looking for products and services that help new-car dealers and their customers achieve a more efficient, effective, and pleasing end-to-end automobile retailing experience," said Dave Sloan, CATA president.

The LAW Illinois F&I Library documents are available to order. Dealers can protect their businesses today by talking to their Reynolds Document Consultant, or call (800) 344-0996 to speak to a customer service representative.

Circle Tuesday, June 13, as the date of this year's CATA golf outing at Cog Hill Golf & Country Club in Lemont.

More details coming!