PREPARED STATEMENT OF

THE FEDERAL TRADE COMMISSION

On

CONSUMER PROTECTION IN THE USED AND SUBPRIME CAR MARKET

Before the

HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION
UNITED STATES HOUSE OF REPRESENTATIVES

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Chairman Rush, Ranking Member Radanovich, and members of the Subcommittee, I am Eileen Harrington, Acting Director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate the opportunity to appear before you today to discuss consumer protection issues connected to the purchase and financing of used cars, and related subprime credit issues.

This testimony will discuss three main challenges that consumer protection agencies face in the used car market: identifying and making available to consumers important information about the car, such as its condition and history, so they can make sound purchasing decisions; preventing deception in the financing of car loans; and helping consumers avoid debt cycles that can lead to the repossession of the car. In each of these areas, federal and state consumer protection agencies share authority and responsibility. For its part, the Commission issued the Used Motor Vehicle Trade Regulation Rule[1] ("Used Car Rule" or "Rule"), which requires that certain disclosures about warranties be made to consumers. The Rule has helped consumers purchasing used vehicles to know what they are buying, and we are currently in the process of reviewing the Rule.[2] The FTC has worked cooperatively with state and local authorities to enforce the Rule's requirements. In addition to the Rule, the Commission's primary law enforcement tool is its authority under Section 5 of the Federal Trade Commission Act,[3] which the Commission has used to bring law enforcement actions against deceptive

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[1] Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455 (1984).

[2] Used Motor Vehicle Trade Regulation Rule, Request for Public Comments, 73 Fed. Reg. 42285 (July 21, 2008). *See also* Press Release, Federal Trade Commission, FTC Approves Federal Register Notice on Regulatory Review of the Used Car Rule (July 16, 2008), *available at* http://www.ftc.gov/opa/2008/07/ucr.shtm.

[3] 15 U.S.C. § 45.

advertising of car loans and deceptive lending. The Commission complements its law enforcement work with extensive consumer education and outreach to help consumers inform themselves and make better choices.

I. Getting Information About the Used Car

To make a sound decision on the purchase of a used car, a consumer should look for information about the condition and history of the car under consideration, as well as any warranty offered on the vehicle, if any, and its terms of coverage. Some necessary information is ascertainable only through an independent inspection of the car. Other helpful information about the value and safety of the car is stored in extensive databases maintained by state authorities, insurance companies, and salvage yards. The consumer also needs to know whether the car comes with a warranty to mitigate the risk of broken or damaged systems. While a great deal of information about specific cars is kept by a variety of sources, the challenge is to find efficient ways to make the information available to consumers.

A. Vehicle History Information

Information about a car's history can help consumers avoid purchasing cars that have been totaled, have sustained flood damage, have had their odometers altered, or have been bought back as "lemons" under state lemon laws. The states play an important role in collecting and putting this information into the hands of consumers. First, the states regulate car titles, and according to a recently released report from the National Association of Attorneys General ("NAAG"), "most states have laws requiring that the title be branded to show that a vehicle was previously titled as salvage, flood or rebuilt, or

with equivalent terms indicating prior damage."[4] Second, many states impose disclosure requirements on sellers, mandating the disclosure of damage history or the manufacturer's repurchase of the car pursuant to a state lemon law.[5]

Disclosure and titling requirements, however, do not necessarily ensure that consumers will receive accurate information about the history of a used car. Unscrupulous sellers can cover up a negative history by making cosmetic fixes to the car and moving the car across state lines to obtain a clean title in a different state. In some instances, insurance companies – which are well-suited to record information about the condition of cars they insure – have been charged with selling used cars that should have had their titles branded as "salvage."[6] Consumers who unwittingly purchase damaged vehicles suffer financial harm when they need to make repairs and when the value of their cars plummet as their history comes to light. Even more troubling are the safety risks to consumers who drive vehicles with damaged electrical or mechanical components. State oversight and enforcement are critical because this kind of deceptive suppression of negative, highly material information tends to be local in nature.[7]

Database services that gather information from state and local authorities, salvage yards, and insurance companies provide consumers with an independent and efficient means of checking a vehicle's history and thereby avoiding many of these problems. On

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[4] Ellen Taverna, Clearing the Road of Flood Damaged Vehicles, NAAGAZETTE, Vol. 3, No. 1, at 3 (Feb. 18, 2009), *available at* http://www.naag.org/clearing-the-road-of-flood-damaged-vehicles.php.

[5] *Id.*

[6] *Id.* at 4 (noting that Iowa Attorney General Tom Miller reached a settlement with Progressive Insurance Company of Ohio).

[7] *Id.* at 4 (stating that although automobile-related fraud cases are local in nature and rarely undertaken on a multi-state basis, the attorney generals share information regularly).

January 29, 2009, the Department of Justice announced the National Motor Vehicle Title Information System ("NMVTIS"), an online computer system intended to provide accurate information about a vehicle's titling, odometer data,[8] and certain damage history.[9] The information currently is gathered from 36 states, auto recyclers, junk yards and salvage yards, and insurance carriers.[10] The system went live for consumers on January 30, 2009.[11] This database will help consumers obtain information about vehicle history, and will help state authorities verify the history of a car before a new title is issued. In addition, the National Insurance Crime Bureau ("NICB")[12] maintains a database that includes flood damage and other information that consumers may access for free to investigate the history of a car by its vehicle identification number ("VIN"). Commercial providers, such as CARFAX, also provide car history reports for fees ranging from $30 to $40.[13] A consumer can also find out whether a car was subject to a

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[8] The Department of Justice enforces federal laws and regulations that prohibit altering an odometer with the intent to change the mileage on it and require odometer disclosure statements. *See* Motor Vehicle Information and Cost Savings Act, 49 U.S.C. § 32705; Odometer Dislosure Requirements, 49 C.F.R. Part 580.

[9] Press Release, U.S. Department of Justice, National Auto Fraud and Theft Prevention System Goes Live (Jan. 29, 2009), *available at* http://www.ojp.usdoj.gov/newsroom/pressreleases/2009/bja09020.htm.

[10] *Id.*

[11] *Id.* The information is available through third-party fee-for-service websites.

[12] The National Insurance Crime Bureau is a not-for-profit organization that partners with insurers and law enforcement agencies to identify, detect, and prosecute insurance fraud. https://www.nicb.org/cps/rde/xchg/nicb/hs.xsl/79.htm

[13] CARFAX offers consumers the option of purchasing one report for $29.99, 10 reports for $34.99, and unlimited reports for 30 days for $39.99. It may access different databases than NMVTIS, and therefore, provide different information in its reports. *See* http://www.carfax.com/. Some consumer groups and media reports have raised concerns that these reports do not contain complete information.

safety recall from the National Highway Traffic Safety Administration ("NHTSA"),[14] car manufacturers, or other sources through online searches.[15] These important sources of information can help educate consumers about the history and condition of the used car they are considering purchasing.

B. The Commission's Used Car Rule

Consumers also need information about whether the cars they are considering are covered by any warranties, and if so, the extent of the warranties and portion of repair costs, if any, the warranties cover. The FTC's Used Car Rule prohibits dealers from misrepresenting the mechanical condition of a used car and requires them to disclose if the car is sold without any warranty, or if a warranty is offered, the terms of the warranty. The disclosures must appear on a Buyers Guide label displayed on any used cars offered for sale. The Buyers Guide is intended to counter deceptive statements in the sale of used cars, including by warning consumers that spoken promises are difficult to enforce and by encouraging them to seek independent inspections of used cars. Such inspections can alert consumers to problems with the car's condition and, possibly, historical information about prior accidents. Between 1985 and 2000, the Commission brought more than 80 actions to enforce the Used Car Rule, and obtained civil penalty orders totaling more than $1 million.[16] In addition, hundreds of state actions have been brought to enforce

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[14] The NHTSA provides information about safety recalls on its website. *See* http://www-odi.nhtsa.dot.gov/recalls/.

[15] *See, e.g.*, http://www.ford.com/owner-services/maintenance-service/recall-information; http://www.automobilemag.com/auto_recalls/index.html.

[16] Press Release, Federal Trade Commission, Sweeping Chicago's North Shore, FTC and State Investigators Check Used Car Dealers for Required "Buyers Guides" (June 30, 2000), *available at* http://www.ftc.gov/opa/2000/06/chicagousedcars.shtm.

compliance with the Rule,[17] and the Commission assists such initiatives with training and investigative support.

The Commission is currently conducting a periodic regulatory review of the Rule.[18] Associations of automobile dealers and state law enforcers alike agree that the Buyers Guide disclosures effectively convey warranty information that is meaningful to consumers.[19] Comments filed by NAAG and the International Association of Lemon Law Administrators recommend that the Rule be broadened to require disclosure of whether cars were repurchased under state lemon laws and whether there are applicable state warranties and manufacturer warranties.[20] State agencies also advocate mandatory disclosure of vehicle history, including any branding on the title, and prior known use of the car, such as whether it was a rental car, taxi, or other commercial vehicle.[21] Consumer advocates urge more sweeping changes to the Rule that would increase

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[17] "Many states have laws or regulations that are similar to the Used Car Rule while other states incorporate the Rule by reference in their state laws. Others simply pursue violations as *per se* violations of state consumer fraud laws." Taverna, *supra* note 4, at 5.

[18] Used Motor Vehicle Trade Regulation Rule, Request for Public Comments, 73 Fed. Reg. 42285 (July 21, 2008). The Used Car Rule review is part of a continuous, comprehensive program whereby the Commission subjects each of its regulations and guides to formal scrutiny, with public comment, at least every ten years to ascertain whether the rule is still necessary and whether amendments could increase the rule's effectiveness or lessen its compliance burden on industry. Upon the request of consumer groups, the FTC extended the comment period on the Used Car Rule review by 60 days. 73 Fed. Reg. 55458 (Sept. 25, 2008). The comment period closed on November 18, 2008.

[19] Comment of NAAG, *available at* http://www.ftc.gov/os/comments/usedcarrule/536945-00013.htm; Comment of National Automobile Dealers Association, *available at* http://www.ftc.gov/os/comments/usedcarrule/536945-00016.pdf.

[20] Comment of NAAG, and Attachment A, *available at* http://www.ftc.gov/os/comments/usedcarrule/536945-00013.htm.

[21] *Id.*; Comment of Wisconsin Department of Transportation, *available at* http://www.ftc.gov/os/comments/usedcarrule/536945-00021.pdf.

penalties for non-compliance and would require dealers to conduct inspections, check VINS against the NMVTIS database, and disclose additional information.[22]

The Commission will give careful consideration to all comments and suggested amendments to the Rule as it determines next steps. Should the Commission commence a proceeding to amend the Rule, it will consider whether there are prevalent unfair or deceptive acts or practices that cause harm to consumers, whether the proposed disclosures would remedy that harm, and whether the benefits of amendments to the rule would exceed their cost.[23] It will also provide all interested parties with the opportunity to comment at each stage of the proceeding.

C. Consumer Education

The FTC creates and distributes consumer education materials to help meet the challenge of informing consumers about what information to gather when shopping for a used car. The Commission posts consumer education materials on its website and distributes materials to a network of "on-the-ground" partners, such as auto dealers, community banks, high schools, libraries, and other local organizations. Among other things, the FTC advises consumers to inspect used cars carefully for water damage, conduct a title search on the car, and check the car's history in the NICB's database of

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[22] Comment of Consumer Action, Consumers for Automobile Reliability and Safety, Consumer Federation of America, Consumer Federation of California, National Consumer Law Center, U.S. Public Interest Research Group, and Watsonville Law Center, *available at* http://www.ftc.gov/os/comments/usedcarrule/536945-00015.pdf.

[23] The standard of review was set out in the Commission's Credit Practices Rule, 49 FR 7740, 7742 (Mar. 1, 1984), and is based on Section 18(d)(2)(B) of the FTC Act, 15 U.S.C. 57a(d)(2)(B), which states that "[a] substantive amendment to, or repeal of, a rule promulgated under subsection (a)(1)(B) shall be prescribed, and subject to judicial review, in the same manner as a rule prescribed under such subsection."

vehicles.[24] In its 14-page *Buying a Used Car* guide,[25] the agency encourages consumers to seek an independent pre-purchase inspection of the car; explains what it means to buy a car "as is" or without a warranty; describes warranties and their limitations; and suggests options consumers may pursue if they experience problems after the purchase. Because the inspection is such an important part of the purchase, the guide advises consumers on the difference between a safety inspection and a mechanical inspection, describes how to find certified inspectors, and suggests options if a dealer will not allow the consumer to remove the car from the lot.[26] Since 2004, the Commission has distributed more than 175,000 guides in English or Spanish, and, in addition, the information was accessed online approximately 144,000 times.

II. Financing the Purchase of the Car

Consumer evaluations of what they can afford to purchase are guided in large part by the payment and financing terms of available loans. Deceptive practices in the sale or marketing of loans can cost consumers thousands of dollars, and in some cases, threaten their ability to repay the loans. Deceptive loan practices can take many forms, including misrepresentations about the terms of the loans, concealment of interest rates, fees, and other charges, and "packing" loans with unwanted products. Because loan terms and paperwork are often opaque to consumers, the challenge for consumer protection law

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[24] Federal Trade Commission, Hurricane Recovery: Automobiles, *available at* http://www.ftc.gov/bcp/edu/microsites/recovery/hurricane/consumer_info.html#auto.

[25] Federal Trade Commission, Buying a Used Car (June 2008), *available at* http://www.ftc.gov/bcp/edu/pubs/consumer/autos/aut03.pdf.

[26] The agency also engages in business education, and several years ago, formed a partnership with the National Independent Automobile Dealers Association to print and distribute *A Dealer's Guide to the Used Car Rule*.

enforcement agencies is to identify deceptive or otherwise unlawful lending practices, and to use multiple strategies to combat them.

The Commission brought 29 cases challenging deception in the advertising of finance or lease terms for cars between 1990 and 2000.[27] These cases involved car manufacturers, dealerships, and advertising agencies, and the FTC alleged that these entities made bold promotions of low costs or terms that omitted or buried key costs, or that misrepresented the terms available to consumers.[28]

According to the Commission's complaints, in some instances advertisements emphasized low monthly payments, and omitted or failed to conspicuously disclose huge

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[27] *See In re Simmons Rockwell Ford Mercury, Inc ("Simmons Rockwell")*, FTC Docket No. C-3950 (Apr. 27, 2000); *In re R.N. Motors, Inc. ("R.N. Motors")*, FTC Docket No. C-3947 (Apr. 27, 2000); *In re Dunphy Nissan, Inc. ("Dunphy")*, FTC Docket No. C-3924 (Feb. 7, 2000); *In re Northeast Auto Outlet, Inc. ("Northeast")*, FTC Docket No. C-3925 (Feb. 7, 2000); *In re Marty Sussman Organization, Inc.*, FTC Docket No. C-3923 (Feb. 7, 2000); *In re Norristown Automobile Co., Inc.*, FTC Docket No. C-3922 (Feb. 7, 2000); *In re Pacifico Ardmore, Inc.*, FTC Docket No. C-3920 (Feb. 7, 2000); *In re Pacifico Ford, Inc.*, FTC Docket No. C-3921 (Feb. 7, 2000); *In re Chrysler Corp. ("Chrysler")*, FTC Docket No. C-3847 (Jan. 4, 1999); *In re Bozell Worldwide Inc. ("Bozell")*, FTC Docket No. 3845 (Jan. 4, 1999); *In re Martin Advertising, Inc. ("Martin")*, FTC Docket No. C-3846 (Jan. 4, 1999); *In re Grey Advertising, Inc. ("Grey")*, FTC Docket No. C-3793 (Apr. 6, 1998); *In re Foote, Cone, and Belding Advertising, Inc. ("Foote Cone")*, FTC Docket No. C-3792 (Apr. 6, 1998); *In re Rubin Postaer and Associates, Inc. ("Rubin Postaer")*, FTC Docket No. C-3794 (Apr. 6, 1998); *In re Toyota Motor Sales, U.S.A., Inc.*, FTC Docket No. C-3776 (Jan. 5, 1998); *In re Volkswagen of America, Inc.*, FTC Docket No. C-3778 (Jan. 5, 1998); *In re Bommarito Oldsmobile, Inc. ("Bommarito")*, FTC Docket No. C-3774 (Jan. 5, 1998); *In re Beuckman Ford, Inc.*, FTC Docket No. C-3777 (Jan. 5, 1998); *In re Suntrup Ford, Inc. ("Suntrup")*, FTC Docket No. C-3779 (Jan. 5, 1998); *In re Lou Fusz Automotive Network, Inc. ("Lou Fusz")*, FTC Docket No. C-3780 (Jan. 5, 1998); *In re Herb Gordon Auto World, Inc. ("Herb Gordon")*, FTC Docket No. C-3734 (Apr. 15, 1997; corrected Apr. 18, 1997); *In re Huling Bros. Chevrolet, Inc. ("Huling")*, FTC Docket No. C-3732 (Apr. 14, 1997); *In re General Motors Corp. ("General Motors")*, FTC Docket No. C-3710 (Feb. 6, 1997); *In re American Honda Motor Co. ("Honda")*, FTC Docket No. C-3711 (Feb. 6, 1997); *In re Mazda Motor of America, Inc. ("Mazda")*, FTC Docket No. C-3714 (Feb. 6, 1997); *In re Mitsubishi Motor Sales of America, Inc. ("Mitsubishi")*, FTC Docket No. C-3713 (Feb. 6, 1997); *In re American Isuzu Motors, Inc. ("Isuzu")*, FTC Docket No. C-3712 (Feb. 6, 1997); *In re Jerry's Ford Sales, Inc. ("Jerry's Ford")*, FTC Docket No. C-3612 (Aug. 29, 1995; corrected Sept. 15, 1995); *In re Collins Buick, Inc. ("Collins")*, FTC Docket No. C-3426 (May 10, 1993). These cases were resolved by consent agreements.

[28] The Commission has also obtained civil penalties for violations of certain lease or credit advertising orders. *See United States v. Mazda Motor of America, Inc.*, No. SACV- 99-1213 AHS (C.D. Cal. Oct. 7, 1999) (Consent Decree); *United States v. Suntrup Buick-Pontiac-GMC Truck, Inc.*, No. 4:99CV01746CEJ (E.D. Mo. Nov. 22, 1999) (Consent Decree).

balloon payments or additional monthly payments in much higher amounts.[29] In others, ads highlighted specific financing rates, when the true rates were much higher.[30] Certain ads either did not disclose other key cost terms or hid them in fine or virtually illegible print, in inaudible audio, or obscured by music, or images.[31] Some ads misrepresented that consumers could purchase a vehicle by making low monthly payments or other terms, when, in fact, the offers were for leases.[32] The Commission also charged advertising agencies that created and disseminated the challenged lease or credit advertisements.[33] On the national level, car manufacturers' advertisements appear to have improved as a result of these efforts.

Some consumer advocates have warned of emerging problems in the financing of used cars.[34] Dealers may raise customer interest rates on the pretext that the previously agreed upon terms are no longer available, a practice known as "yo-yo financing." Dealers may falsify loan documents, or sell and finance vehicles but then fail to pay off the dealers' existing debt on the vehicle, leaving consumers in debt and in danger of having their newly purchased cars repossessed. These reported practices are troubling and some may indicate criminal fraud. The Commission will continue to gather

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[29] *General Motors*; *Mitsubishi*; *Jerry's Ford*; *Herb Gordon*; *Collins*, *supra* note 27.

[30] *Jerry's Ford*; *Huling*, *supra* note 27.

[31] *See e.g.*, *Mazda*; *General Motors*; *Honda*; *Mitsubishi*; *Isuzu*; *Lous Fusz*; *Bommarito*; *Suntrup*; *Dunphy*, *supra* note 27.

[32] *Dunphy*; *Northeast*, *supra* note 27.

[33] *See Grey*; *Foote Cone*; *Rubin Postaer*; *Bozell*; *Martin*, *supra* note 27.

[34] *See* Letter from Consumers for Auto Reliability and Safety, the National Consumers League, the National Association of Consumer Advocates, and Consumer Action to the Honorable Nancy Pelosi (December 3, 2008).

information about such practices and evaluate whether specific instances of fraud merit the attention of our state partners or independent federal action.

In addition to its enforcement work, the Commission has created materials to help educate consumers on how to shop for loans on cars, most notably a guide entitled *Understanding Vehicle Financing.*[35] The FTC makes this guide available in English and Spanish on the FTC's website.

III. Keeping the Car

In troubled financial times, consumers may find themselves in need of emergency loans that they secure with their cars. Others may find themselves owing more on their car loans than their cars are actually worth. These circumstances can lead to a cycle of debt that jeopardizes consumers' ability to keep their cars.

A. Car Title Loans

Consumers in the subprime credit market who own cars and need emergency cash may resort to car title loans. Like payday loans, car title loans are short-term, high-interest loans -- in this case, secured by title to the borrower's car.[36] Although the loans are made for relatively small amounts -- often a few hundred dollars -- the car that secures the loan typically has a much greater value. Because the loans are fully secured, title lenders can make loans without evaluating the borrower's ability to repay the debt. Annualized interest rates are extremely high. For example, a 2005 study of Illinois title

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[35] Federal Trade Commission, Understanding Vehicle Financing (March 2007), *available at* http://www.ftc.gov/bcp/edu/pubs/consumer/autos/aut04.pdf.

[36] Title lenders may also refer to such loans as "sales and leasebacks," "title pawns," or "motor vehicle equity lines of credit" in an effort to evade usury laws. Amanda Quester & Jean Ann Fox, The Center for Responsible Lending and The Consumer Federal of America, Car Title Lending: Driving Borrowers to Financial Ruin, at 11 - 12 (April 14, 2005).

lenders found annual percentage rates averaging a troubling 256 percent.[37] Furthermore, according to a report released by the Tennessee Department of Financial Institutions, some lenders charge interest rates well in excess of what applicable state law allows and charge fees that are not permitted under applicable state law, such as late fees, lien recording fees, repossession fees, application fees, renewal fees, trip charges, and storage fees.[38]

The high interest and fee charges can make full repayment by the due dates of the loans unaffordable. A borrower in these circumstances has little choice but to make interest payments and roll-over (or renew) the balance of the loan into a new loan with, of course, additional fees.[39] As the fees mount, it becomes increasingly difficult to pay off the principal balance. By the time their loans are ultimately repaid, some borrowers have paid several times the original loan amounts.[40] Other borrowers find that they simply cannot reduce their principal balances, and end up having their cars repossessed even after making payments in excess of the original loan amounts.[41]

Because some state laws limit interest rates or certain fees and charges, state agencies play a key role in protecting consumers by examining loan documentation for unauthorized charges. In addition, the Commission has used its authority under the FTC

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[37] Woodstock Institute and The Public Auction Foundation, Debt Detour: The Automobile Title Lending Industry In Illinois, at 2 (Sept. 2007), *available at* http://www.responsiblelending.org/pdfs/debt-detour.pdf. The report was based on a study of loans in default, not all loans made.

[38] Tennessee Department of Financial Institutions, Report to the Tennessee General Assembly, Pursuant to Public Chapter 440, Acts of 2005, Section 7(e), at 6 (Feb. 1, 2006).

[39] *Id.* at 6 (compiling survey results showing that Tennessee car title lenders on average renewed loans 7 times); Quester & Fox, *supra* note 36, at 6.

[40] Quester & Fox, *supra* note 36, at 6 – 7.

[41] *Id.*

Act to challenge deception in the sale of small-money loans secured by car titles.[42] The Commission remains alert to allegations that title loan companies use deception to victimize borrowers, and as always, welcomes information from consumers, state agencies, and consumer advocates to help identify law breakers.

B. Negative Equity and Repossession

According to some consumer groups with expertise in this area,[43] consumers are facing a credit crunch on their car loans. Simply put, some consumers owe more money on their loans than their cars are worth.[44] This negative equity problem means that consumers who trade in used cars are rolling their debt into their next vehicle purchases, thus digging themselves deeper and deeper into debt.

The Commission uses all the tools at its disposal to increase its protection of consumers who fall into debt. The FTC brings law enforcement actions against those who engage in unfair or deceptive acts and practices in violation of Section 5 of the FTC Act,[45] as well as against violators of specific credit statutes, such as the Fair Debt

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[42] For example, the Commission sued Stewart Finance Company in 2003, charging it with (1) deceptively packing costly products, such as auto club memberships, into loans secured by the borrower's car; (2) deceiving consumers into taking out costly renewal loans; and (3) failing to make accurate disclosures under the Truth In Lending Act. *FTC v. Stewart Finance Company*, No. 1:03 CV 2648-JTC (N.D. Ga. Sept. 2003), http://www.ftc.gov/opa/2003/09/stewart.shtm. Similar charges, alleged in an administrative complaint against The Money Tree, were settled in 1997. *In Re The Money Tree*, FTC Docket No. C-3735 (April 28, 1997), http://www.ftc.gov/opa/1997/02/tree3.shtm.

[43] *See* Letter from Consumers for Auto Reliability and Safety, et al., *supra* note 34 (citing a report from J.D. Power and Associates Power Information Network, and articles in the Los Angeles Times and Automotive News).

[44] *Id.*

[45] For example, in the past year, the Commission has brought six cases targeting mortgage foreclosure rescue scams, including a case filed in February. *FTC v. National Foreclosure Relief, Inc.*, No. SACV09-117 (C.D. Cal. Feb. 2, 2009); *FTC v. National Hometeam Solutions, LLC*, No. 4:08-5 cv-00067 (E.D. Tex. Feb. 26, 2008); *FTC v. Mortgage Foreclosure Solutions, Inc.*, No. 8:08-cv-00388 (M.D. Fla. Feb. 5, 2008); *FTC v. Foreclosure Solutions, LLC*, No. 1:08-cv-01075 (N.D. Ohio Apr. 28, 2008); *FTC v. United Home*

Collection Practices Act and the Credit Repair Organizations Act. Since 1999, the FTC has brought 21 lawsuits for illegal debt collection practices and 42 cases against defendants that allegedly misrepresented the credit-related services they would provide. Most recently, in October 2008, the Commission and 24 state agencies announced a crackdown on 33 credit repair operations – entities that allegedly made deceptive claims that they could remove negative information from consumers' credit reports, even if that information was accurate and timely. The agency also distributes extensive consumer education materials about debt collection, debt relief services, credit repair, and related topics to help consumers in financial distress take steps to protect themselves.[46] Most notably, the Commission distributes a guide on vehicle repossession that explains how repossessions work and the rights of creditors and consumers.[47] Since fiscal year 2004, we have distributed more than 173,000 guides to local organizations, such as schools, legal services offices, credit counseling agencies, among others, and during this period, this information has been accessed on our website more than 300,000 times.

CONCLUSION

Consumers in the market for used cars face challenges as they try to make sound purchasing and financing decisions. They need access to reliable information about the condition and history of the car, as well as financing packages that contain all required

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Savers, LLP, No. 8:08-cv-01735 (M.D. Fla. Sept. 3, 2008); *FTC v. Safe Harbour Foundation of Florida, Inc.*, 08 C 1185 (N.D. Ill. Feb. 27, 2008).

[46] Numerous consumer education publications for consumers are posted on the FTC website on a page labeled "In Debt" and are available in print from a variety of sources. *See* http://www.ftc.gov/bcp/menus/consumer/credit/debt.shtm.

[47] Federal Trade Commission, Vehicle Repossession: Understanding the Rules of the Road (Nov. 2008), *available at* http://www.ftc.gov/bcp/edu/pubs/consumer/autos/aut14.pdf.

disclosures and are free of deception. Equally important, consumers in need of emergency loans who are considering borrowing against their cars need accurate information about the costs and terms of offered loans, so that they can make fully informed decisions about the risks of the debt. Through targeted law enforcement, partnerships with state and federal law enforcement authorities, increased vigilance on emerging practices, and consumer education, the Commission will work with the Committee to continue to help consumers avoid the pitfalls in the used car marketplace.