



NEWS FROM

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**Statement by the Honorable Bobby L. Rush, Chairman  
Committee on Energy and Commerce  
Subcommittee on Commerce, Trade and Consumer Protection  
Hearing on “Consumer Protection in the Used and Subprime Car Market”  
March 5, 2009**

WASHINGTON, DC — “The subcommittee will come to order. While the mortgage and home foreclosure crisis has garnered much deserved attention in Congress and in the media, there has been much less focus on similar problems in the purchase of automobiles.

“Auto repossession rates are on the rise and are only getting worse. The National Association of Attorneys General list auto issues as among its top ten in the number of consumer complaints. For poor and working class Americans who do not own a home, automobiles are usually the single biggest asset they possess; and they are essential in getting people to and from work. As such, it is extremely important that when consumers, particularly low-income consumers, purchase their vehicles that the vehicles are (1) in good working condition, and (2) affordable with reasonable financing terms.

“Unfortunately, evidence suggests that fraudulent practices with regard to both the condition and financing of used cars are on the rise. When it comes to the condition of vehicles, consumers are too often unaware of previous damage inflicted on the vehicle. Cars could have been written off as “total loss” vehicles by the insurance companies, sold to salvage yards, and then rebuilt and

– more –

re-sold to consumers without them knowing the history of the vehicle. The National Motor Vehicle Title Information System, also known as NMVTIS, will eventually be a very valuable tool to aid consumers in obtaining information about the condition of their vehicles by establishing a database in which states and other stakeholders share their title information. However, NMVTIS remains an incomplete project as only 13 states are fully participating in the system, while 14 more are providing information, but not using it as a resource.

Moreover, even when NMVTIS is fully operational, the database will only have limited benefits for consumers unless the information is made available to them at the point of purchase – that is, *at the lot itself*. Many car buyers – particularly low-income buyers – do not have a computer or Internet access to take advantage of NMVTIS. The FTC’s “Used Car Rule” requires that dealerships disclose warranty information on every car they sell with a “Buyers’ Guide” posted on the vehicle. I believe that the “Used Car Rule” and the “Buyers Guide” could be a useful tool to provide customers with branding information on an automobile at the point of purchase.

Consumers are also being increasingly fleeced by abusive financing schemes when buying cars. In most car transactions, the dealership plays a dual role: it not only sells the car, but arranges for the financing as well. This one-stop shopping can be very beneficial to consumers, and dealerships can play a valuable role in assisting customers find a creditor. However, too often the dealership and the creditor work together to needlessly saddle customers with high interest loans or exorbitant fees. Such discretionary practices known as “loan packing” and “dealer markups” have a disparate impact on people of color, particularly African American and Latino consumers. Dealerships will also charge consumers bogus “document fees” – ranging from \$400 to \$700 – for processing charges of minimal cost. Lastly, dealerships will sometimes conduct “yo-yo sales” where the dealer sends the customer off the lot with a car, only to call him or her back several days later to renegotiate the terms of the loan under coercive conditions.

While federal and state laws exist to protect consumers from such abusive practices, they arguably make up a patchwork that has proven to be largely ineffective. Section 5 of the FTC Act gives the FTC broad enforcement authority against “unfair or deceptive acts or practices”; and

Section 18 of the Act gives the Commission rulemaking authority to address specific “unfair or deceptive acts or practices.” In today’s hearing, I would like to know whether the Commission is effectively using this authority and whether Congressional action is needed to facilitate adequate Commission action.

“Finally, as Chairman of the subcommittee, I would like us to focus our consumer protection mission on matters that particularly affect poor and working class people. Too often, consumer protection issues are driven by upper middle class interests and not enough attention is given to matters that disproportionately affect low-income consumers. Today’s hearing is only one of many I hope to conduct that will focus on consumer matters affecting poor Americans.

“With that, I yield back the balance of my time.”

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