



Consumers for Auto Reliability and Safety

March 21, 2012

Honorable Mike Feuer
Chairman, Assembly Committee on the Judiciary
California State Assembly
Sacramento, CA 95814

RE: **AB 1534 (Wieckowski) -- Auto Sales -- Disclosure of Fair Market Value**
Position: **SUPPORT**
Hearing: **Assembly Committee on the Judiciary, March 20, 2012**

Dear Chairman Feuer:

Consumers for Auto Reliability and Safety is a national, award-winning non-profit auto safety and consumer advocacy organization dedicated to preventing motor vehicle-related fatalities, injuries and economic losses. CARS has sponsored numerous landmark laws enacted in California to improve protections for car buyers in our state.

CARS urges your AYE vote for AB 1534 (Wieckowski), which will improve protections for consumers who purchase used cars from licensed auto dealers. Specifically, AB 1534 will require the disclosure of the fair market value of the car, on the vehicle. This will enhance transparency in the auto sales transaction and make the used car market more competitive. It will also help level the playing field between the seller and purchaser.

Objective information regarding the price of a vehicle is an essential element for any fair negotiations over a car purchase. However, as the *Los Angeles Times* reported in a series of articles exposing the practices of "Buy Here Pay Here" auto dealers, it is common for shady auto dealers to charge excessive amounts for vehicles that are often worth far less than the down payment, then charge exorbitant interest rates, on top of the excessive purchase price. Typically, consumers would have fared much better if they had simply purchased a better car from a private party for the same amount of cash.

This practice particularly harms consumers who have poor credit or no history of credit, including students, recent immigrants, enlisted military personnel and their families, and other vulnerable consumers. As the *Los Angeles Times* reported in an earlier article:

"Tens of thousands of California motorists are taken in every year by scam artists and repair garages and dealerships. Anyone can become a victim, but most of the time the scams

are targeted at those who are most vulnerable: the elderly, minorities, and inexperienced consumers. But another group of victims is particularly vulnerable...military families.

Military men and women are singled out near bases all over the country for fraudulent car repairs and unfair lending practices, according to consumer groups and military assistance organizations. The problem affects many thousands of Southern California families at Navy, Marine, Air Force and joint service installations. Despite base closures over the last decade, the region continues to have a massive military presence.

Operating outside the gates of major bases, some car repair shops and dealerships prey on military families, particularly when a husband has been shipped out of the country, said Karen Varcoe, a consumer economics specialist at UC Riverside who has written academic studies on the financial problems of military personnel. The Navy-Marine Corps Relief Society, an Arlington, VA, non-profit charity that assists families in financial trouble, said the single biggest financial problem military families face involves car issues."¹

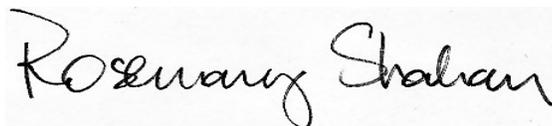
The *San Diego Union* also exposed similar practices, reporting that:

"These days at Camp Pendleton and the [32nd Street] Naval Station [in San Diego], used car dealerships are the No. 1 money pit for service members, Maj. Daniel P. Harvey, a lawyer at Camp Pendleton, said....Harvey estimated that 450 Marines a year come to his legal-assistance office seeking relief from contracts riddled with high fees and interest rates....'Marines walk into a place that advertises \$99 down and you can leave with a car...There was a Marine who bought a 1995 Neon, and between the cost of the car and the interest rate, that car was going to cost \$45,000.' The vehicle is worth \$2,000 to \$3,000, according to Web sites such as www.edmunds.com and www.consumerguide.com. Harvey said the Marine is bound to pay the \$45,000 unless the used-car dealer decides to let him off the hook."²

While AB 1534 is not the entire solution, it will provide crucial information in a timely fashion, where it is likely to be useful -- on the vehicle itself. Such pricing information has been required on new cars since the 1950's, in the form of the Monroney sticker, and has improved transparency in the sales of new cars. In short, AB 1534 is a modest, reasonable measure that is long overdue, and we strongly urge your AYE vote.

Thank you for your consideration of our views. Should you or your staff have any questions regarding our position, please do not hesitate to contact me.

Sincerely,



Rosemary Shahan
President

1 "Scamsters preying on military families," Los Angeles Times, April 2, 2003.

2 "Holidays are open season on military wallets," San Diego Union Tribune, December 12, 2005.

