



**CONSUMERS CONFIRM:
AUTO DEALERS SWINDLE AMERICANS ACROSS U.S.
MAY 11, 2004**

Since the publication of our report, *Rip-Off Nation: Auto Dealers' Swindling of America*, Public Citizen has been contacted by **more than 700 consumers** who personally testify to the wide array of auto dealership scams occurring every day. The report has been downloaded thousands of times, and tens-of-thousands of people have visited the Web site.

Over 460 consumers thus far completed our 45-question online survey, available at www.autodealerscam.org. Surveys came from **consumers in 43 states** (AK, AL, AR, AZ, CA, CO, CT, DE, FL, GA, IA, IL, IN, KS, KY, LA, MA, MD, MI, MN, MO, MS, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, SC, TN, TX, UT, VA, VT, WA, WI and WV) and the District of Columbia. We have also received emails, hand written letters and phone calls from an additional **250 people**. Below is a summary of the consumer surveys filled out thus far:

FINANCING SCAMS FLEECE CONSUMERS

A majority of consumers who contacted us (totaling more than 70 percent) financed their vehicles through a dealership. A shocking 93 consumers, who used a dealer loan to buy vehicles, told us that loan terms and conditions were altered by the dealership without their consent or approval and that they were subsequently unable to secure terms that reflected the original contracts. One consumer, from Columbus, GA, wrote that her finance rate and payments changed after leaving the dealership. While she agreed to pay \$300 a month, she is now charged \$445 a month. Another consumer from Los Angeles, CA, was told he was going to have a 2.15 percent when he was actually charged a 10 percent rate.

Similarly, a woman in Peoria, AZ, agreed to a payment of \$278 a month, but the payment amount was changed four times after she left the dealership, peaking at \$353 a month. Yet another purchaser, a woman in Carson City, NV, signed a contract to pay zero down, \$250 a month and an interest rate of 6 percent. After she left the dealership, the terms were changed to \$4,200 down, \$425 a month and an interest rate of 11 percent. Below is an excerpt from a consumer survey used with the express permission of the sender.

In their own words:

It was my intention to finance the car with my credit union. I was told everything was fine, I traded my 1999 Nissan Altima, paid \$1,000 on the new used car, signed the papers and drove the car home. This was on Saturday. On Monday I was called to say that the credit union declined the loan of 9.50 percent and they had to find another company to finance. I was told I had to come in to sign new papers [and] I asked if I could have my car back and forget it. I was told that my car was no longer there. [...] I felt I had not other choice since I need transportation. After giving thought as to why I had been turned down for a loan with [my credit union] I called their office. I was told that no one from [the dealership] had submitted an application for a car loan. I knew then that I had been had.

- Consumer in Birmingham, AL

Consumers also reported that their credit information was pulled without their permission and that their credit reports were falsified (see also forgery section, below). A woman from Atlanta, GA, wrote: “I was charged a \$1,000 fee for just being able to get a loan. They also pulled my credit 24 times to find someone to finance me. If I had known about either, I would not have bought the car.”

I planned to pay cash. When I went into the finance office, expecting to fill in the check I was told I could qualify for a loan at 1.9 percent simple interest. I said I didn't want them to check my credit because I was going to apply to refinance my condo, and each query lowered the credit score. I was told they already had the credit report, had gotten it based on my driver's license. I was shaken.

- Consumer in Laguna Hills, CA

Also, numerous consumers reported being told by dealerships that purchasing a specific product or service was required by the lender to secure the terms of the loan, but these same buyers later found out from the lender that this was untrue. One woman in League City, TX, was told she had to purchase an extended warranty to qualify for the loan. When she called the lender, its representative said that this was not the lender's policy.

Many of the consumers who contacted us explained that they had been given such a high interest rate on their loan through the dealership that they are still “upside down” in their debt, owing much more than their vehicles are worth for years after the purchase.



About a year after I purchased my car, I discovered that my interest rate was 24 percent. It was not told to me at the time of purchase. [The woman] at the finance company told me today that the dealership knew that the payment I requested was totally unacceptable by them, but they still allowed me to think that everything was good. [...] Don't get me wrong, I love my car. I just don't want to be upside down in it [and] at this point, I owe far more than it is worth. The sticker price was around 9,500, I put 1,000 down and a year later I found out the total amount I [owe is] around 15,000. That's just sickening.

- Consumer in Richmond, VA

“BACK-END” EXTRAS STUFFED INTO CONTRACTS WITHOUT CONSUMER CONSENT

A full one-third of the consumers who contacted us explained that following the purchase of their vehicle, they noticed undisclosed charges, services and products on the contract – extras that they did not negotiate or that they were recorded as purchasing despite their explicit refusal. Some of the extras mentioned by consumers included extended warranties, finance processing fees, vehicle etch registration (see below), gap insurance,¹ monogrammed floor mats and trunk carpet, remote entry and dealer prep packages. Other products, consumers wrote, they never understood, even after their purchase and to this day.

¹ Gap insurance is written to cover, in the event of a theft or total loss, the balance between the cash value of the vehicle and the amount of the loan.

For example, one customer, from Austin, TX, was charged for clear coat, rust proofing and for the vehicle's bumpers. When the dealership was questioned, they responded that the first two products were standard on all vehicles that come from the manufacturer and that pickups are not made with bumpers so they must be purchased separately. A woman in Orlando, FL, had the cost of her vehicle inflated from \$14,999 to \$19,575 by such hidden fees, including a \$598 handling fee and an \$895 insurance package that she never agreed to purchase. A woman in Randolph, MA, was charged a \$198 "Documentary Fee" even though she was never given a copy of her documents and was actually refused a copy when she requested them.

When I was provided a copy of the Buyer's Order from the dealership there was a \$389 Dealer Services Fee. I of course questioned the finance manager about this, and told him that I wasn't interested in it. This \$389 fee is supposed to be for additional goods and services provided by the dealer (in the form of coupons and a \$1,000 theft policy). Also, the coupons must be redeemed at that specific dealership. I live at least 60 miles from the dealership, and explained that I would NEVER have the opportunity to use the services, and that I didn't want them. I was told that this is a charge they included on ALL sales to ALL customers, and because they did it consistently on each and every sale, that it was legal. Further, I was told that if I didn't want to pay the \$389 Dealer Services Fee, it was my choice not to purchase the car. If I wanted the car, I would have to pay it.

- Ginger Podojil in Damon, TX

PRODUCTS OFFERED "FREE OF CHARGE" ARE OFTEN NO GIFT

One-hundred-thirty of the consumers who filled out our surveys reported that they were offered products free of charge, but almost one-third of them realized after the deal was completed that they were charged for these same products or services.

According to these reports, products offered "free of charge" but charged to consumers included the following: Etch (see below), oil changes, roadside service agreements, navigational devices, extended warranties, tire replacements for the life of the vehicle, interior and exterior maintenance, acid rain protection, window tint, car mats, detailing, bed liner, leather interior, keyless entry remotes, undercoating, stain guard, car washes, rental cars, and multiple dealership-specific maintenance or upgrade packages.

They told me about the free Auto Care program on the vehicle. I thought that was a pretty good deal at the time but as I looked at my papers and examined them very carefully, I noticed that it cost me \$1,695.

- Consumer in Fort Worth, TX



We were told by the supervisor of the salesman that if we purchased our car from [this dealership] that all servicing performed at [the dealership's service department] and parts purchased [through them] would be at a 10 percent discount, [that] we would be assigned to a special Gold Team. The mechanics had never heard of such a thing when we brought the car in for servicing and the parts department refused a discount on items purchased there.

-Consumers in Berkeley, CA

COSTS FOR EXTRAS LIKE “ETCH” ADDED BUT RARELY EXPLAINED TO CONSUMERS

"Etch" is add-on that typically is sold as an insurance program that includes an engraving of a number, often the Vehicle Identification Number (VIN), supposedly to serve as an anti-theft assurance and recovery device. This engraving is accompanied by a minimal insurance return to consumers whose vehicles are stolen and never recovered. Charging consumers for etch is particularly outrageous because federal law regarding the VIN requires manufacturers to attach the VIN to numerous locations throughout the vehicle, including on the dashboard, visible through the windshield. The cost for attaching the VIN is a standard part of the price of the vehicle set by the manufacturer.

Fifty-six of the people who completed our survey to date stated that they were certain that etch was added to their contract. Another 186 consumers responded that they were not sure if they received etch or not – many people who have etch put on their vehicles never know it is there.

Of the 45 consumers who knew that etch was added to the purchase contract, only 20 consumers ever had the charge for etch disclosed to them. One man, from Jackson, FL, talked with the dealership about all of the anti-theft features of the vehicle, yet it was not mentioned once that he would be charged \$429 for etch.

First, they tried to charge me \$600 for the VIN [Vehicle Identification Number] etch then it went down to \$300 when I questioned them about it. They stated it is a required charge to register the car in my name [...]. Then after I signed the papers and had the car for a week and a half they called stating I need to come in and sign new papers. My payments went up \$100. So I said no I will bring the car in to relinquish to them before I would sign a new contract. [...] I read through [the new contract] and found that my interest rate went up and the VIN etch was now \$1,100. I inquired as to why it went up \$800 and they said the bank/financial institution required it. I called them a liar – why would a bank require an extra charge for something that should not be charged for in the first place? Fortunately my mother was with me and she works for a lawyer. She immediately got up and asked for a phone so she could call him. They instantly changed the paper work back to the \$300 and lowered my monthly payment and interest rate. They then made me sign an extra paper stating I would not sue them.

- Bobbie Steffen in Gaston, OR

“SPOT DELIVERY” AGREEMENTS ALLOW DEALERS TO BILK CONSUMERS

Over one-third of the consumers who filled out surveys took spot delivery of the vehicle – driving the vehicle off the lot on the day of purchase. Many of the customers who took spot delivery explained that they did not originally intend to drive out with the car that day, but that they were manipulated into taking it. One woman, from Lancaster, CA, was stalled so that she would miss her bus. Other people, as described later in this section, were told that their trade-ins were sold before they had even finished negotiating the deal on the new purchase.

In my experience I feel they took advantage of my age, I am 80 years old. They were also aware of my need for a car right away. [...] After 3-4 hours of walking around the lot I was directed to this [car] which they let me drive. By now it was getting late, I was very tired, I had my 7-year-old grandson with me and he was getting very tired, we had walked there from the mobile home park where we live that is next door (but still quite a walk for me) and the salesman knew I didn't want to walk back. So I agreed to buy the car. [...] The car is a nightmare.

- Doris Smith in Westminster, CA

More than half of the consumers who took spot delivery had the terms of their contract changed after they left the dealership. Unfortunately, many consumers who take spot delivery and have their sales contract altered are unable to return the vehicle or renegotiate the terms of their contract, despite language in the sales contract that may suggest otherwise. Dealership tactics that were reported ranged from simple refusal to allow return of the vehicle, to threats and intimidation of consumers who tried to cancel deals.

One of the most common complaints of consumers who took spot delivery is that the terms of their loans were changed and that they were unable to either renegotiate the terms or cancel the deal. Many of the consumers described above in the section on financing also took spot delivery of the vehicle.

Consumers also reported that dealerships decreased the amount they promised to pay for trade-ins without negotiating the change. A man in Seffner, FL, signed a contract valuing his trade-in at \$12,000 but was credited only \$580 for it, and a woman in Vadnais Heights, MN, reported that her trade-in value was changed after the sale from \$1,200 to \$700. Neither was able to renegotiate the deal. A woman in Fayetteville, TN, had the same problem and was told that she could not cancel the sale and get back her car because it had been sold.

The contract was rewritten without our knowledge, because they were unable to find a financial company to finance us on what we agreed upon. We were pressured into signing a different contract (salesman stated that we could not leave dealership without signing new contract). I then told him I wanted my \$6,000 refunded, and my trade in returned. He stated that they had already sold my trade in. They ripped us off and sold my trade in before we were financed by a loan company. Isn't that illegal?

- Dana Morris in Hesperia, CA

CONSUMERS ARE MANIPULATED INTO SIGNING BLANK PAPERWORK AND FIND THAT ALTERED CONTRACTS BEAR FORGED SIGNATURES

One-hundred-fourteen consumers who contacted us said they were asked to sign blank paperwork or paperwork that was not completely filled in – leaving an opening for the dealer to change the terms of the agreement without the consumer's consent. A woman in Rogersville, TN, was told to sign all of the loan paperwork while it was blank because, the dealership claimed, their printer was not working. She was never given a copy of her application from the dealership so she asked for one from the lender and found out that it was falsified – the dealership had doubled her income to facilitate her loan approval.

I went into [the dealership] looking for a car at the best price that they could give me. The salesman said that he would treat me like family and give me the best deal possible. I did not know what my interest rate was only that it would be low. They had me sign papers that were not completely filled out. My 1999 Chrysler Sebring that was priced at 16,394 actually cost me 28,466 that I was totally unaware of until it was too late.

Consumer in Fort Worth, TX

Numerous consumers wrote to us to tell us that they found out after-the-fact that the dealership had forged their name on sales contracts and/or loan applications. These forgeries, the consumers report, allowed the dealership to alter the loan terms and to add products that the consumers did not negotiate or ones that they had explicitly rejected.

One woman in Fredrick, MD, said she signed a contract with a 6.99 percent loan rate, but the contract sent to the bank was for 9.99 percent and used a forged signature. Similarly, a woman in Glendale, AZ, had the length and payments of her loan changed on the contract, which was then signed with a forgery.

Liability and disability insurance was added without our agreeing to it. We said no, we didn't want it. But in the forged contract it was there. Also there was etching added. [...] After we left the dealership, some three weeks later, we received our title and a contract in the mail. Over \$1,795 was added to the final contract. [...] They signed my name to a new contract and didn't even get the spelling of my name right.

- Stephen Trexler in Genoa City, WI



I learned that my credit application (income status) had been falsified. The credit application states that I am receiving Survivor Benefits in the amount of \$3,000 a month, plus my regular income totaling \$5,000. In order to receive such benefits, ones spouse has to be deceased. My spouse is very much alive.

- Consumer in Health Springs, SC

Even though forging signatures is obviously illegal, a few consumers wrote us that they felt that nothing would ever be done to rectify their situations, even if they could prove their names were forged on changed contracts. One man, in Holiday, FL, said that he discovered forgeries of his name on several documents and contacted law enforcement and his state attorney's office, but they have done nothing to help him.

The car dealership falsified my pay stubs and/or altered my income given to the finance company. In addition to this, when I was called in to sign the contract, there was a contract already signed by someone other than myself [that] had been sent to [the financing] company without my knowledge or consent.

- Cynthia Levy in Blue Island, IL

MANDATORY ARBITRATION AGREEMENTS HINDER CONSUMER CHALLENGES OF SCAMS

Eighty-nine people of those surveyed had a mandatory arbitration clause in their contract, and an additional 239 wrote that they were unaware of whether or not such an agreement existed. Because these agreements substantially limit consumer rights and the likelihood of any recovery, they support the fraud, underhanded behavior and other abuses documented above and in our report. Consumers should refuse to sign them and refuse to buy a vehicle where signing such a clause is required by the dealership.