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The end of self regulation

by Gil Van Over

It appears that the end of self regulation is near. Apparently the FTC, in conjunction with the esteemed members of Congress, are contemplating legislating away "unfair and deceptive acts or practices" by car dealers.

Never mind that there is an FTC act that makes unfair and deceptive acts or practices illegal. I suppose one Act is not enough.

The second Act recently proposed would eliminate spot deliveries, provide a cooling-off period and eliminate dealer reserve.

Spot Delivery

This law would require dealers to honor the original contract, or in other words, eliminate the ability to make post-sale changes to the contract. So what if a dealer cannot get the deal funded as written. If enacted as written, this law would effectively eliminate unwinds, spot delivery agreements and ultimately spot deliveries.

Thankfully the technology is basically in place to obtain a credit approval before delivering a vehicle, as long as the information provided by the consumer is accurate and will withstand the scrutiny of a lender interview.

Cooling-off Period

Unfortunately, even if the deal is approved prior to delivery, this bill would allow customers to return the car within a certain number of days.

Apparently the Feds believe in Buyer's Remorse. This is still just another way to say to Americans, "You don't have to be responsible or accountable for your decision. We are here to protect you."

If passed, dealers will have to strongly consider if it makes sense to hold the keys until the rescission period expires, much like the title company holds the keys of your new house for three days after mortgage closing.

Eliminating Dealer Reserve

Finally, this law would make it illegal for a dealer to be compensated by a lender other than a standard flat fee not calculated as a percent of the interest rate or the amount financed.

Some dealers have already begun to de-emphasize the dependence on dealer reserve as a revenue source in the F&I Department, focusing instead on product sales. If this law is passed in its present form, all dealers will need to consider this shift.

Dealers have not had an opportunity to comment on the proposed law yet, and I am certain that the dealers and their industry associations will help to make this law much more manageable and fair for both dealers and consumers.

On a personal note, one of the dealers who certainly would have been in the forefront of this effort passed away recently. Dan Towbin, of Towbin Automotive in Las Vegas, was active in industry affairs, both in Nevada and on a national level. But more than that, Dan was deeply involved with a number of charities and causes in and around Las Vegas, giving much more of

himself than he ever expected to be repaid. He lived a blessed life and shared his blessings with those less fortunate. He will be dearly missed.

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