



September 8, 2022

Federal Trade Commission  
Office of the Secretary  
600 Pennsylvania Avenue NW, Suite CC-5610 (Annex C)  
Washington, DC 20580

**Re: Comment Letter – Motor Vehicle Dealers Trade Regulation Rule – NPRM  
Docket No. 2022-14214**

Dear Commission Members,

The Ohio Credit Union League (OCUL) represents the collective interests of Ohio's 231 credit unions and their more than three million members. Of those 231 credit unions, 126 are federally chartered; 60 state-chartered, federally-insured; and 45 state-chartered, privately-insured, with an average asset size of \$185 million. OCUL appreciates the opportunity to comment on the Federal Trade Commission (FTC) notice or proposed rulemaking (NPRM) related to the sale, financing, and leasing of motor vehicles by motor vehicle dealers.

Specifically, the proposed rule would prohibit motor vehicle dealers from making certain misrepresentations in the course of selling, leasing, or arranging financing for motor vehicles, require accurate pricing disclosures in dealers' advertising and sales discussions, require dealers to obtain consumers' express, informed consent for charges, prohibit the sale of any add-on product or service that confers no benefit to the consumer, and require dealers to keep records of advertisements and customer transactions.

OCUL offers the following commentary on select prompts provided in the FTC's request for comment.

**3. Are there any additional practices that occur largely or exclusively at certain types of dealerships that any final Rule should address? For example, should there be additional provisions pertaining to collection or repossession practices employed by "buy here, pay here" dealerships, including the use of electronic disabling devices (sometimes called "starter interrupt" or "kill switches")?**

When motor vehicle financing options are transparent and competitive, consumers win. As motor vehicle prices and interest rates increase within a strained inventory environment, consumers have experienced restricted financing options and, in some cases, are required to select dealer-provided financing as a prerequisite to purchase a vehicle. While financing restrictions of this nature are typically rare, the current economic climate and supply chain challenges add to consumer financial strain.

As the FTC seeks to address motor dealer business practices, it should consider the restrictive financing practices of some motor vehicle dealers that deny consumers competitive financing options through their preferred financial institution or lender. Consumer purchasing power has diminished due to a global pandemic and maintaining the ability to select the most affordable financing option is paramount to consumer empowerment. Limiting consumer financing options, making them less affordable in some cases, inhibits people and families from securing a reliable vehicle to go to work,

attend school, or take care of personal business.

The FTC has the ability within this proposed rule to bridge the gap between a competitive marketplace and consumer protection. Section 463.3(g) of the proposed rule would prohibit dealers from misrepresenting "[a]ny Material information on or about a consumer's application for financing."<sup>1</sup> Additionally, proposed sections 463.4(a)-(e) would require disclosures regarding pricing and certain financing information.<sup>2</sup> These sections could effectively regulate this restrictive, generally nondisclosed, financing practice. Providing consumers with accurate and timely pricing and financing information is critical, especially in the context of motor vehicle sales and leasing, where such information has proved singularly confusing to consumers.

OCUL requests the FTC consider implementing clear and conspicuous disclosure requirements of any potential financing limitations prior to purchase negotiations and enable consumers greater freedom to choose a motor vehicle dealer and financing option that best serves their needs. Additionally, the FTC should consider disclosures that report any potential value gap between a vehicle's purchase price and its appraised value. Due to current supply and demand dynamics, vehicle prices are often inflated and sold above stable market values. An inverted loan-to-value ratio can prohibit a consumer from successfully refinancing an auto loan with a different lender or selling the vehicle at a fair and reasonable rate to another entity.

**14. Are there any other practices by dealers relating to vehicle sales, financing, or leasing that are particularly harmful to military servicemembers? For example, are there particular unfair or deceptive acts or practices engaged in by dealerships in the proximity of, or within, military installations?**

Noncompetitive motor vehicle financing options present similar potential harm to military servicemembers as did the limited, predatory lending options servicemembers used prior to the implementation of the Military Lending Act (MLA). The MLA extends additional consumer protections for active duty servicemembers like capping interest rates on many loan products to a 36% Military Annual Percentage Rate (MAPR).<sup>3</sup>

Depending on their location, some military servicemembers may have financial institution choice, but not motor vehicle dealership choice. As such, forcing active duty military servicemembers to accept restrictive financing terms potentially exposes their financial well-being to a predatory position precluded from MLA protection. OCUL encourages the FTC to work with federal regulators to better protect active duty military servicemembers from restrictive, potentially harmful, financing practices.

Lastly, in addition to providing responses to the NPRM prompts on motor vehicle dealer financing, OCUL would like to share several consumer experiences shared by Ohio credit unions over the course of this year:

- *Several members told our credit union that multiple dealers are forcing consumers to take dealer financing if they want the car. We've also had reports that dealerships are requiring the member to trade-in their vehicle and refusing to allow the member to pay cash for their vehicle purchase.*

---

<sup>1</sup> 87 FR 42012, Section IV, C.

<sup>2</sup> Id., Section IV, D.

<sup>3</sup> See generally, 10 U.S.C. 987.



- *Several members reported that dealerships told them that they are only accepting financing through the dealership for purchases. The first time this happened, the credit union called the dealership directly and was told the "member must have been mistaken." Shortly thereafter, the credit union had another member make the same claim.*
- *Members brought financing challenges to the credit union's attention, specifically when a dealership told one member if they financed with our credit union, the offered \$2,000 sales incentive would no longer be valid. The dealer also offered a 3.60% interest rate while the credit union could provide a 2.49% rate.*

In the competitive motor vehicle dealer finance business, credit unions seek to improve the financial position of members simply by putting consumer needs over profit. OCUL encourages the FTC to prioritize the importance of consumer affordability and financial optionality in the motor vehicle dealer financing process. People, families, and businesses need transparent and clear finance options to make empowered choices regarding their finances and well-being. OCUL appreciates the opportunity to engage with the FTC and comment on this proposed rule. We respectfully request the FTC continuing to investigate the tactics used by some motor vehicle dealers that have impacted consumers.

Respectfully,

A handwritten signature in black ink, appearing to read "Paul L. Mercer".

Paul L. Mercer  
President

A handwritten signature in black ink, appearing to read "Sean M. Brown".

Sean M. Brown, Esq.  
Director, Regulatory Affairs