Federal Trade Commission Combating Auto Retail Scams (CARS) Rule

FAQ's about the CARS Rule

1. ***Does the Rule add burdensome paperwork obligations for car dealers?***

   No. The Rule requires dealers to be more up-front about information they already have but do not typically share with consumers. Financing a car is complicated, and dealers like to focus on monthly payments instead of the total price of the finance contract. Monthly payment information is useful for people trying to work a car payment into their budget, but it can distract from the expense of the total transaction during these discussions. Focusing on monthly payments can also make expensive and unnecessary add-on products look deceptively cheap.

   Here is the information the CARS Rule requires dealers to give to consumers:

   - Whenever the dealer discusses monthly payments, they must also provide the total of the contract price. This is not burdensome because a dealer cannot calculate a monthly payment without knowing the total of payments. This requirement helps consumers to understand the total price when they talk about monthly payments, and puts consumers and dealers on a level playing field with the same information.

   - A "monthly payments comparison" statement. Lowering a monthly payment usually means that the loan term is being extended by months or years, making the total contract more expensive due to more interest. When this scenario occurs, the CARS Rule requires dealers to tell consumers this simple fact: lowering the monthly payment will increase the total you pay over the life of the loan.

   While these disclosures are a new requirement, they are not burdensome, and they can help consumers understand the true cost of dealers' financing offerings (which many consumers do not currently understand).

2. ***Will the CARS Rule make the process of buying a car even longer?***

NoIt will save consumers time by requiring dealers to advertise a full cash price (the Offering Price) up front. The FTC estimates that this requirement alone will save consumers an average of at least two hours per transaction (and possibly much more).

3. ***Hasn't the FTC already sued many dealers?***

Yes. The FTC has tried to use the other tools in its toolbox to discourage the conduct that the CARS Rule prohibits, including enforcement actions (see below) and issuing guidance to car dealers about conduct that is unfair and deceptive. But after seeing the same issues repeatedly, despite enforcement efforts, it is clear that the FTC needs additional tools. The CARS Rule strengthens the FTC's enforcement capabilities with stronger penalties and restitution authority and aims to empower consumers by requiring an up-front Offering Price and other disclosures.

Mere fraction, etc.

4. ***Isn't "bait and switch" conduct and selling worthless add-on's already illegal?***

Yes, but just "being illegal" is not enough. The FTC can pursue unfair and deceptive conduct through Section 13(b) of the FTC Act. However, in 2019, the U.S. Supreme Court held that the FTC cannot use this Section 13(b) authority to seek refunds in its enforcement actions. Until Congress fixes this problem, this means that in order to get money back for consumers, the FTC needs to pursue a rule violation, partner with a state attorney general's office, or use some other workaround.

Because it is clear that this unfair and deceptive dealer conduct persists, we need a rule that clearly regulates dealer conduct. The CARS Rule will ensure that FTC can seek refunds in a straightforward manner when dealers defraud them.

5. ***Why isn't the FTC using Magnuson-Moss/Section 18 Rulemaking for the CARS Rule?***

Because Congress specifically authorized the FTC to use Administrative Procedure Act, or APA) over car dealers when it passed the Dodd-Frank Consumer Financial Protection Act in 2010. *See* 12 U.S.C. § 5519(d). In that legislation, Congress did not give the Consumer FInancial Protection Bureau authority to regulate traditional car dealers, but it did change the procedures the FTC uses to regulate dealers. While the FTC was previously required to use the more cumbersome and time consuming Magnuson-Moss/Section 18 rulemaking for auto dealers, Dodd-Frank provided that the FTC use the APA rulemaking process that most other federal agencies use when regulating dealers.

APA rulemaking has the reputation of being "faster" than Section 18 rulemaking, but the FTC did not rush the CARS Rule. In fact, the FTC spent ***ten years*** gathering research, providing guidance to dealers, conducting enforcement actions, talking to stakeholders, and hearing from consumers about their experiences. It received over 25,000 public comments on the original rule proposal, and it responded to the comments in a lengthy Statement of Basis and Purpose in the Final CARS Rule Notice. It spent more time developing the CARS Rule than many other agencies have spent on other rules.

6. How will the CARS Rule affect competition for car dealers?

Honest car dealers lose out on business that goes to dealers who bait consumers with a deceptively low price then later tack on fees and raise the price. People frequently respond to the lowest price advertised, but after they have invested hours or days getting to the true price of the car, they are less likely to do it all over again at another dealership. The CARS Rule would require all car dealers to play by the same rules instead of letting dishonest dealers steal business from dealers that accurately display a true price up-front. **Honest car dealers have publicly supported the CARS Rule.**

7. What are the main benefits of the CARS Rule?

Time and money. The FTC estimates that the CARS Rule will save consumers billions of dollars. This includes at least $3.2 billion over ten years in time savings, which is the dollar equivalent of 2 hours per car purchase as a result of the honest up-front pricing requirement. The CARS Rule also bans junk fees which, in *a single enforcement case* amounted to over $70 million (see Napleton case below). With over 45,000 dealers operating in the U.S., these cost savings will also be significant.

Competition. Honest dealers support the Rule, because they will no longer lose business to dishonest dealers who deceptively bait consumers with low prices then tack on thousands in undisclosed, mandatory fees.

Trust. The process of buying a car has become a societal joke and is fundamentally broken. Americans deserve better, and the CARS Rule will help level the playing field for everyone involved.

8. How does the CARS Rule protect military servicemembers?

Servicemembers have been a prime target for unethical auto dealers. Dealerships pop up near military installations, employ "affinity marketing" techniques to appeal to military and veterans, and offer special so-called "deals" to servicemembers, creating a large opportunity to defraud our nation's all volunteer force. U.S.Department of Defense data revealed that 79% of military counselors have clients with auto financing problems. Young servicemembers stationed on a new base find themselves in immediate need of a reliable, affordable vehicle, but often wind up with expensive auto loan contracts that are packed with worthless add-ons. Servicemembers have an average of twice as much auto debt as civilians, and by the age of 24, around 20% of young servicemembers have at least $20,000 in auto debt. This jeopardizes the financial well-being of these individuals who may not have a great deal of experience with financial products, and their situation is compounded by the impact that a credit report can have on a security clearance. Even worse, some dealers threaten to repossess - or actually repossess - servicemember vehicles when they are prohibited from doing so by federal law.

The CARS Rule makes explicitly clear that dealers cannot scam servicemembers by lying about their affiliation with the government or the military, the circumstances under which they can repossess a car, and when a car can be moved out of the country.

Other Resources

Links to CARS Rulemaking materials

July 2022 Notice of Proposed Rulemaking for the Motor Vehicle Dealers Rule, which received over 25,000 comments.

December 2023 Final CARS Rule.

Links to blog series authored by Consumer Federation of America about the changes between the July 2022 proposal and the final CARS Rule.

Part 1 – What changed from the July 2022 NPRM?
Part 2 – Where did the FTC decline to go further?
Part 3 - What does the final rule say?

Video and letter writing campaign by More Perfect Union. Nearly 15,000 consumers have signed a letter to the National Auto Dealers Association, telling it to stop its lobbying efforts and let the FTC pass the CARS Rule.

FTC Auto Enforcement Actions

Chase Nissan (*in litigation*). FTC and Connecticut Attorney General allege that this dealership charges junk fees for certification, add-on products, and government charges without the consumers' consent. The FTC alleges that the dealer added a $5,295 "inspection fee" for a car it had already inspected, and over $7,000 in add-on products to another consumer.

Rhinelander Auto (*settled*). FTC partnered with the State of Wisconsin to obtain $1.1 million in consumer refunds against this auto dealership group for routinely charging junk fees, lying about whether they were mandatory for the sale, and discriminating against American Indian consumers by charging them over $1,300 more for add-ons than non-Latino white consumers.

Passport Auto Group (*settled*). This repeat-offender dealership group, with locations in D.C., Maryland and Virginia, agreed to pay $3.3 million to settle the FTC's lawsuit alleging that it added fraudulent "inspection" and "certification" junk fees to its sales. The FTC also alleged that Passport charged Black and Latino consumers $291 and $235, respectively, more in interest than white consumers.

Napleton Auto (*settled*). The FTC and Illinois Attorney General obtained $10 million in consumer refunds and penalties from this dealer who charged over $70 million in junk fees. A survey of Napleton's customers revealed that 83% of buyers were charged junk fees without authorization or as a result of deception. One consumer was charged over $4,000 in add-ons. Napleton also discriminated against Black and Hispanic consumers by charging them $100-200 more for similar add-ons than white consumers.

Tate's Auto Center (*settled*). The FTC sued this repeat-offender dealer group, located in Arizona and New Mexico, alleging that it targeted Navajo consumers, falsified their income and down payment information, and set them up for failure in their finance contracts. The FTC required Tate's to provide over $400,000 to consumers whose vehicles it repossessed.

Bronx Honda (*settled*). The FTC sued this New York City dealership for charging higher financing markups and fees to Black and Hispanic consumers. Specifically, the dealership instructed its employees to target these groups due to their limited education, and to refrain from these practices with white consumers. Bronx Honda also deceived consumers about the price of the car, added junk fees internally referred to as "air money," and double charged consumers for taxes and other fees.

FTC Refund Database

All of the FTC's refunds in its enforcement actions are tracked and updated in its Data Tableau (LINK HERE). Users can review this information by state, case, and other factors. (See also answer to FAQ No. 4, above).