

NCLR

NATIONAL COUNCIL OF LA RAZA

Raul Yzaguirre, President

National Office
1111 19th Street, N.W., Suite 1000
Washington, DC 20036
Phone: (202) 785-1670
Fax: (202) 776-1792
www.nclr.org

December 3, 2002

Mr. Carlos Ghosn
President and CEO
Nissan Motor Co., Ltd.
P.O. Box 191
Gardena, CA 90248

Dear Mr. Ghosn:

On behalf of the National Council of La Raza (NCLR), I write to express my concern regarding what appears to be a pattern of discrimination in the auto financing field, an issue that has generated substantial interest among civil rights and consumer advocates. The family car is one of the largest purchases most families will ever make – second only to buying a home. As part of its mission to improve economic opportunity for Latinos, NCLR has a deep interest in ensuring a level playing field for Latino families wishing to buy a car.

I was recently advised of a study conducted in connection with a lawsuit in Florida against Nissan Motor Acceptance Corporation (NMAC), the financing arm of Nissan Motor Company, on behalf of several Latino plaintiffs. Data gathered from the study suggest that 62.6% of Hispanic borrowers are charged a finance markup compared with 46.6% of White borrowers. On average, according to the study, Hispanic car buyers in Florida pay about 40% more in finance markups than White non-Hispanic car buyers. According to the plaintiffs and their attorneys, the Florida case seems to be part of a larger, more systemic pattern of discrimination against Latinos and other minorities in the automobile financing process.

As you are well aware, current law does not explicitly require dealers to disclose the amount of the yield spread or “markup,” and consumers are often led to believe that they have obtained the lowest loan rate when, in fact, they have not. Automobile dealers have defended the practice as appropriate compensation for the “one-stop” services they provide to potential car buyers.

Even accepting this assertion for the sake of argument, the fact remains that minority car buyers spend, on average, more for a car than White car buyers with similar credit histories under this system. In the Nissan case, Latino customers in the highest credit tier paid significantly more than White customers with comparable ratings. These types of disparities, at a minimum, raise serious questions regarding potentially discriminatory dealer motivations and possible deceptive practices.



Program Offices: Phoenix, Arizona • Los Angeles, California • Sacramento, California
Chicago, Illinois • San Juan, Puerto Rico • San Antonio, Texas
LA RAZA: The Hispanic People of the New World



Letter to Carlos Ghosn
December 3, 2002
Page Two

While I realize that car manufacturers, such as Nissan Motor Company, are not directly involved in individual sales, it is also true that financing companies such as NMAC are wholly-owned subsidiaries of the manufacturers. If NMAC has engaged in arbitrary practices that unfairly discriminate against Hispanic purchasers, we believe that Nissan Motor Company, as the parent company, should accept the responsibility to help to end these practices. I would add that most consumers, including Latino consumers, are unlikely to make distinctions between subsidiaries alleged to have engaged in a pattern of discrimination and their parent companies.

Therefore, I urge you as a corporate leader to take firm and immediate steps to ensure greater fairness and transparency in the auto financing process. Not only would this affirm Nissan Motor Company's commitment to equal opportunity, but it also makes good business sense. For example, NCLR and other civil rights organizations have worked to ensure a series of procedural protections in the homebuying process, including full disclosure to consumers, collection and dissemination of mortgage lending data, and vigorous enforcement of housing discrimination and fair lending laws. We believe that, in part as a result of our success in this regard, Latino and African American homeownership rates have increased rapidly in recent years. All parts of the industry – homebuilders, real estate agents, lenders, and secondary market institutions – have benefited as a result. We believe the same “win-win” scenario can occur in your industry, preferably through voluntary reforms in private sector practices, but if necessary, through more litigation and, eventually, policy intervention.

I acknowledge that a single lawsuit and a single study are not necessarily definitive. However, I must tell you that my staff has found the data they have reviewed on the subject to be both highly disturbing and very compelling. In that connection, I welcome an opportunity to obtain your perspective on this issue and look forward to your response. If you or your staff have any questions, please feel free to contact me or Charles Kamasaki, Senior Vice President.

Sincerely,



Raul Yzaguirre
President/CEO

cc: Ms. Debra Sánchez Fair