

Driving a Hard Bargain: Improving the Auto Market for Latino Families

Cars have become a necessity rather than a luxury for most Hispanic families. Vehicles help meet basic needs such as transporting children to daycare, bargain shopping for groceries, and commuting to work. Nearly nine out of ten (87.7%) workers in the U.S. drive to their jobs.¹ Without personal transportation, some cannot advance into more stable employment and seize better life opportunities. Despite the important role cars play in household financial security, the auto finance system is fraught with deception and debt traps.

- **Most Latinos own a car and most rely on auto financing to obtain that car.** According to the *2007 Survey of Consumer Finances*, 86% of all U.S. households and 76% of minority households own a car. Since vehicles represent the second-largest purchase for most consumers, relatively few car buyers can afford to pay cash. This means that most consumers are vulnerable to subjective markups and predatory lending that can damage a family's credit and finances for decades. This severely impacts the economy as a whole.
- **The auto dealer finance system has proved to be a haven for abuses.** Auto sales and service complaints, often related to negative lending practices at dealerships, continue to rank number one among consumer complaints lodged with state and local consumer protection agencies.² Perpetuating these practices would be detrimental to all Americans and Latino families in particular. Even though some low-income and Latino families might have thin or no credit, and are therefore deemed "hard to serve," there are better loans available for them.
- **For some communities of color, the auto purchase so critical to household stability has turned into a financial nightmare.** Dealership lending is only loosely regulated and exposes borrowers to subjective markups—hidden kickbacks from lender to dealer. This method of profit has proven to cause great problems for minority car buyers. Even when they have the same or better credit than their White counterparts, minority borrowers are more likely to be charged higher dealer markups. Discriminatory markups have resulted in substantial class action lawsuits representing millions of Black and Hispanic car buyers.

Exempting auto dealerships and "buy-here, pay-here" lots from regulatory authority will hamper Latino families' access to better products and harm their chances of protecting their investment. The National Council of La Raza (NCLR) supports including auto dealers; buy-here, pay-here outfits; and others that broker auto loans under the jurisdiction of the proposed Consumer Financial Protection Agency. For more information, please contact Graciela Aponte, Legislative Analyst, NCLR, at gaponte@nclr.org or (202) 776-1578.

¹ U.S. Bureau of the Census, "Most of Us Still Drive to Work," news release, June 13, 2007, http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/010230.html (accessed October 9, 2009).

² Letter from the Consumer Federation of America, National Association of Consumer Agency Administrators, and North American Consumer Protection Investigators to Members of Financial Services House Committee. H.R. 3126 Consumer Financial Protection Agency: Auto Dealer Exemption, October 7, 2009, [http://www.consumerfed.org/elements/www.consumerfed.org/File/More%20Groups%20Sign-on%20to%20Concern%20Over%20Auto%20Dealer%20Exemption%2010_7\(1\).pdf](http://www.consumerfed.org/elements/www.consumerfed.org/File/More%20Groups%20Sign-on%20to%20Concern%20Over%20Auto%20Dealer%20Exemption%2010_7(1).pdf).