AUTO LOAN COMPLAINTS RISE

Pandemic worsens existing consumer problems with car buying in CFPB data

FRONTIER GROUP

U.S. PIRG Education Fund

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CONTENTS

EXECUTIVE SUMMARY 1
INTRODUCTION 5
AMERICANS ENTERED THE COVID PANDEMIC WITH RECORD AUTO DEBT 6
AMERICANS OWE MORE FOR THEIR CARS THAN EVER BEFORE 6
GOVERNMENT POLICIES PUT MORE CONSUMERS INTO SHOWROOMS, AND INTO DEBT 7
RISKY AND ABUSIVE LENDING PRACTICES PUT CONSUMERS IN JEOPARDY 7
CONCLUSION 8
CFPB COMPLAINTS DESCRIBE WIDESPREAD PROBLEMS WITH VEHICLE LOANS AND LEASES 9
COMPLAINTS ABOUT AUTO LOANS AND LEASES HAVE SURGED DURING COVID-19 11
COMPLAINTS DESCRIBE UNFAIR FEES, DECEPTIVE ADD-ONS, YO-YO FINANCING, AND MORE 12
DECEPTIVE ADD-ONS 14
HIGH-PRESSURE OR DECEPTIVE SALES TACTICS 15
BROKEN BILLING SYSTEMS LEADING TO WRONGFUL FEES 16
HARASSMENT INVOLVING REPOSSESSION AND DEBT COLLECTION 17
"YO-YO" FINANCING 18
HIDDEN COSTS WHEN PAYING OFF A LOAN OR ENDING A LEASE 19
MANY OF THE MOST-COMPLAINED-ABOUT AUTO FINANCE COMPANIES HAVE BEEN CITED FOR ABUSIVE OR DECEPTIVE PRACTICES 20
IN MOST STATES, SANTANDER IS THE MOST-COMPLAINED ABOUT COMPANY 23
SUBPRIME LENDERS ARE FREQUENT SUBJECTS OF AUTO DEBT COLLECTION COMPLAINTS 23
VEHICLES AFFECT CONSUMERS' FINANCIAL LIVES BEYOND LOANS AND LEASES 24
DAMAGED CREDIT REPORTS DUE TO LOANS AND LEASE FEES 25
PAYDAY LOAN AND CREDIT CARD DEBT TO PAY FOR VEHICLE EXPENSES 26
OVERDRAFT AND OTHER BANK FEES RESULTING FROM AUTO EXPENSES 28
CONCLUSION AND POLICY RECOMMENDATIONS 29
NOTES 31

EXECUTIVE SUMMARY

FINANCING THE PURCHASE OF A CAR is a minefield for consumers at even the best of times. Tricks and traps in the auto marketplace can leave consumers paying more for a car than they should – or, worse, to being victimized by predatory and abusive practices by auto dealers and lenders.

COVID-19 has left consumers even more vulnerable. A review of complaints to the Consumer Financial Protection Bureau's (CFPB) Consumer Complaint Database reveals **a sharp spike in consumer complaints about auto purchasing, leasing and financing since the beginning of the pandemic.**

With more Americans than ever owing money on their cars, and with the economic damage caused by COVID-19 continuing to mount, consumers need states, localities and the federal government to continue and bolster emergency programs for the duration of the pandemic – such as **guaranteeing access to loan relief programs, and banning debt collection, vehicle repossessions and negative credit reporting – and to enforce much-needed programs to protect consumers in the auto marketplace at all times.**

Consumer complaints reveal patterns of abusive and deceptive practices in the automobile industry – especially among "subprime lenders." The pandemic has put a spotlight on auto sales and loan problems that have worsened since the expansion of subprime auto lending following the 2008 financial collapse.

- Since 2017, consumers have submitted nearly 19,000 complaints about auto loans and leases. In addition, consumers have submitted 5,000 complaints about auto debt collection, and thousands more complaints relating to credit report problems caused by auto loans and leases.

- Santander has received more loan and lease complaints than any other company and ranks first or tied for first with the most complaints in 33 states and Washington, D.C. Santander has been the subject of numerous legal actions about its auto lending practices. In May 2020 Santander entered a $550 million settlement with 33 states and the District of Columbia for subprime lending practices, including making loans to customers that had a high probability of defaulting.[1]

- The top five companies with the most auto debt collection complaints – Santander, Ally, Credit Acceptance Corporation, Westlake and Wells Fargo – all either specialize in or have substantial business in lending to consumers with subprime credit.

- Eight of the 15 most complained about companies have been the subject of CFPB enforcement actions related to auto loans.[2] Many have also been the subject of other legal actions, including by state attorneys general. Credit Acceptance Corporation, the most complained-about nonbank finance auto lender, was sued by the state of Massachusetts in August 2020 for alleged violations that included making loans to borrowers that the company knew the consumers would be unable to repay.[3]

Consumer complaints about auto lending and leasing have increased dramatically during the COVID-19 pandemic.

- From March through July 2020, consumers submitted more than 2,800 auto loan and lease complaints – more than any other five-month period in the history of the Consumer Complaint Database.

- Complaints about being denied auto loan payment relief surged to double pre-pandemic volumes.[13]

- Since March 1, more than one in five auto loan and lease complaint narratives have mentioned the COVID-19 pandemic.

The Consumer Complaint Database reveals a pattern of scams and abusive practices by banks, captive finance companies, and subprime lenders.

- *Deceptive add-ons.* Dealers will often attempt to sell consumers expensive add-on products such as extended warranties, service plans and insurance products.[14] Of complaints in the CFPB database related to add-on products, 29 percent include the term "warranty," and 39 percent include the term "insurance."

- *High-pressure or deceptive sales tactics.* In complaint narratives, consumers describe feeling pressured into expensive loans and add-on products.

- *Broken billing and payment systems.* More than one in five auto loan and lease complaints are cataloged as having to do with a "billing problem," with 42 percent of billing complaint narratives mentioning the term "late," as many consumers describe broken billing systems causing late fees.

- *Harassment over repossessions and debt collection.* Consumers have submitted more than 5,000 complaints regarding debt collection for auto debt, of which nearly half (45 percent) involve harassing behavior by collectors.

- *Yo-yo financing and changing loan terms.* More than 280 complaints are about loan terms changing during or after closing – a tactic sometimes used by dealers or lenders to get consumers to accept a higher interest rate than they'd initially been quoted.[15] Some complaints describe "yo-yo financing," in which a dealer tries to change loan terms after a consumer has already driven off in their vehicle.

Rising auto debt and the COVID-19 pandemic leave a growing share of Americans vulnerable to problems with car loans.

- The amount of outstanding auto debt has risen more than 85 percent since the end of 2009, while the number of Americans holding auto debt reached a record high in early 2020.[16]

- Even before the pandemic started, more than 5 percent of auto loans were at least 90 days delinquent.[17]

- Longer loan terms and expensive add-on products leave more Americans owing more on their vehicles than they are worth – exacerbating their vulnerability to economic shocks like the COVID-19 pandemic.

TABLE ES-1. EIGHT OF THE TOP-MOST COMPLAINED ABOUT COMPANIES HAVE BEEN THE SUBJECT OF CFPB ENFORCEMENT ACTIONS RELATED TO AUTO LOANS

Table does not include actions not taken by the CFPB, including by other federal or state agencies, state attorneys general, or class action lawsuits.

	Company name	Number of vehicle loan and lease complaints	Summary of harmful auto loan practices targeted by CFPB enforcement action
1	Santander	2,347	Failed to properly describe "the benefits and limitations of its S-GUARD GAP product, which it offered as an add-on to its auto loan products."[4] (November 2018)
2	Ally Financial	1,437	Engaged in "[d]iscriminatory auto loan pricing practices harming African-American, Hispanic, and Asian and Pacific Islander consumers."[5] (December 2013)
3	General Motors Financial Company	938	
4	Wells Fargo	934	"[V]iolated the Consumer Financial Protection Act (CFPA) in the way it administered a mandatory insurance program related to its auto loans."[6] (April 2018) Participated in "an illegal marketing-services-kickback scheme."[7] (January 2015)
5	Capital One	806	
6	Toyota Motor Credit Corporation	742	Charged African-American, Asian and Pacific Islander borrowers "higher interest rates than white borrowers for their auto loans, without regard to their creditworthiness."[8] (February 2016)
7	JPMorgan Chase	689	Participated in "an illegal marketing-services-kickback scheme."[9] (January 2015)
8	Hyundai Capital	677	
9	Credit Acceptance Corporation	539	
10	Nissan Motor Acceptance Corporation	515	
11	Westlake Services, LLC	465	Pressured borrowers "using illegal debt collection tactics."[10] (September 2015)
12	American Honda Finance Corp.	453	Harmed African-American, Hispanic, and Asian and Pacific Islander with discriminatory auto loan pricing.[11] (July 2015)
13	BMW Financial Services	302	
14	U.S. Bancorp	297	Used "deceptive marketing and lending practices targeting active-duty military."[12] (June 2013)
15	Ford Motor Credit	280	

- The automobile-dependent design of America's cities and transportation network leaves many Americans with little choice but to go into debt to own a car. The financial crisis facing transit agencies during COVID-19 could leave even more Americans financially vulnerable due to car dependence.

Each year, roughly 60 million Americans buy or lease a vehicle.[18] These consumers deserve protection from the scams and abuse that are all too common in America's current vehicle finance marketplace – and special protection during the COVID-19 crisis. **To protect consumers from auto marketplace scams, policymakers must step up enforcement of consumer protection laws. Specifically:**

- **For the duration of the pandemic,** policymakers must guarantee access to loan relief programs, while banning repossessions, debt collection, and negative credit reporting.

- **Policymakers must take permanent action** to protect consumers from predatory or abusive auto loan practices, with measures like closing loopholes that allow excessive interest rates, banning forced arbitration in consumer financial contracts (including auto sales), and stepping up enforcement of existing laws.

- **Policymakers must make it easier to avoid car ownership**, including by expanding transit and minimally ensuring that COVID-19 does not result in slashed transit service.

Introduction

WHEN THE COVID-19 CRISIS BEGAN IN March 2020, federal officials swung into action to prevent economic disaster.

Unemployment checks were boosted by $600.[19] Billions of dollars were provided to businesses to help pay their employees.[20] And legislation guaranteed certain borrowers, including for federally-backed mortgages, access to payment relief on their loans.

But for the more than 100 million Americans who owe money on their cars, there were no federal guarantees of payment relief to the most economically-challenged car owners in danger of default, unlike CARES Act protections that prevented foreclosures for homeowners with federally-subsidized mortgages and defaults on federally subsidized student loans. Many lenders did offer voluntary forbearance programs, which – together with money from emergency payments and unemployment benefits – prevented or at least delayed a massive wave of automobile delinquencies and repossessions.

Beneath the surface, however, a growing number of consumers have been reporting trouble with their car loans to the nation's leading watchdog for the interests of consumers in the financial marketplace: the Consumer Financial Protection Bureau (CFPB). And with more consumers owing more money on their cars than ever before – and with the nation's economic picture looking more uncertain than ever – now is a critical time to take the temperature of the marketplace for auto loans and identify the tricks and traps that leave consumers most at risk.

Fortunately, a vast wealth of information on consumer experiences is available in the CFPB's Consumer Complaint Database – America's first-ever publicly available and government-run repository of consumer complaints about the financial marketplace. The database allows for not just an analysis of broad consumer trends, but also for the reading of individual complaint narratives, written by consumers in their own words.

The following analysis sheds light on consumer experiences in an auto marketplace that in recent years has become saturated with financial risks. The story it tells is clear: Too often, consumers are victimized by abusive and predatory behavior by car dealers and lenders. And the strains caused by COVID-19 threaten to turn a situation that is already damaging to many consumers into a full-blown crisis.

Federal agencies can no longer sit on the sidelines. It is time for the CFPB, the Federal Trade Commission, and states and localities to ensure fair treatment in the automobile marketplace for all consumers.

Americans entered the COVID pandemic with record auto debt

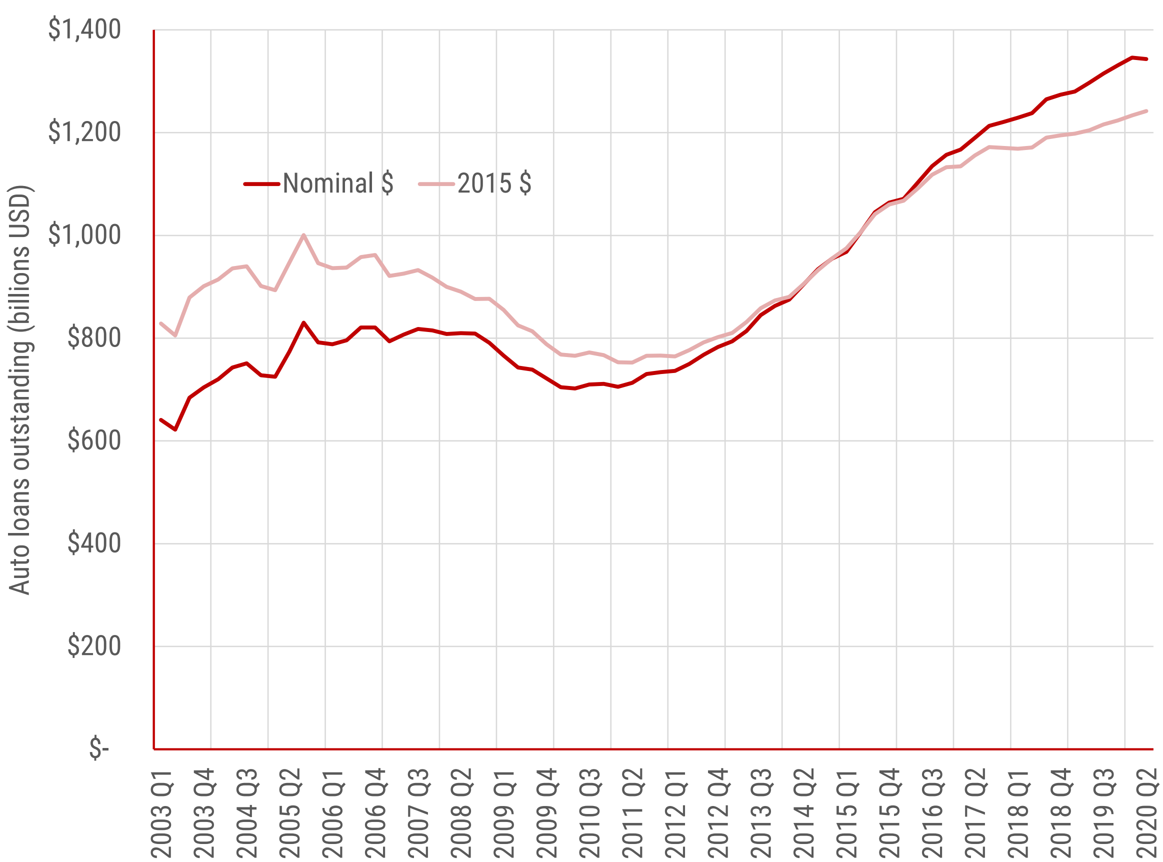
SINCE THE END OF THE GREAT RECESSION, auto debt has been rising in the United States. More Americans than ever before owe money on their cars, and the amount they owe is the highest in U.S. history. As a result, the COVID pandemic finds Americans uniquely vulnerable to auto-related financial stress.

Americans owe more for their cars than ever before

Americans currently owe more for their cars than at any other point in U.S. history. Outstanding auto debt currently stands at over $1.3 trillion – a rise of more than 85 percent since the end of 2009.[21] And that debt is held by more Americans than ever before; in the first quarter of 2020, there were 116 million open loan accounts, an increase of more than 40 percent from early 2010.[22] That's roughly an unpaid car loan for every 1 in 3 Americans.

The rise of auto debt since the Great Recession was no accident. It was driven in part by Wall Street's desire for solid returns from seemingly reliable auto loans, abetted by lending practices that ranged from irresponsible to predatory.

FIGURE 1. TOTAL AMOUNT OF U.S. AUTO DEBT OUTSTANDING[23]



Government policies put more consumers into showrooms, and into debt

Wall Street's seemingly insatiable appetite for auto debt was driven in part by government policies and by changes in consumers' habits around debt that became apparent during the Great Recession.

The federal government undertook numerous policy steps to get Americans back into showrooms during the Great Recession. Low interest rates encouraged by the Federal Reserve, federal programs such as Cash for Clunkers, and the introduction of a new federal deduction for sales taxes associated with the purchase of a new car all helped to encourage vehicle purchases and borrowing.[24]

Meanwhile, lenders and Wall Street began to notice changes in how consumers paid off their loans during the Great Recession. In the years before 2009, many consumers prioritized making their mortgage payments before all other loans. During the recession, however, consumers began to prioritize car payments instead, as cars are essential for many to get to work and it is easier for lenders to repossess a car than to foreclose on a house.[25] This change made auto lending more appealing and contributed to the surge in auto debt.

Risky and abusive lending practices put consumers in jeopardy

The combination of federal policy and this change in consumer habits did not escape the notice of investors who were looking for non-mortgage sectors of the market in which to invest.[26] Lenders and dealers began to make loans that would once have seemed risky – such as loans with longer repayment terms for higher-priced vehicles and loans to people lacking the ability to repay. In addition, the outstanding balances on existing loans were increasingly rolled over into new car loans after trade-in, further increasing auto debt.[27]

Expansion of subprime lending

The recovery from the financial crisis of 2008 featured an expansion of "subprime" auto loans – those to consumers with lower credit ratings or other blemishes on their credit history that suggest they may be more likely to default on their debt payments than other consumers.[28]

Increasing investor demand for high-yield bonds encouraged lenders to find more borrowers whose debt could be bundled into securities and sold on the stock market in high-risk, high-profit bundles. As a result, some lenders began to engage in questionable lending practices reminiscent of the mortgage market leading up to the 2008 housing crash, including extending loans to consumers without full consideration of their ability to pay. For example, in 2017, Santander Consumer USA Holdings Inc., one of the largest U.S. auto lending firms, was found to have verified the income of borrowers on only 8 percent of the auto loans it then bundled into $1 billion worth of bonds and sold to investors.[29] In some cases, car salespeople have even been found artificially inflating a consumer's income to make sure they will qualify for a loan they ultimately can't repay, as was the case for a Connecticut woman making $660 a month who was pushed into a loan with a $809 monthly payment, a fact she didn't realize until after signing the paperwork.[30]

This high-risk lending has been enabled in part by technological advances that make it easier for lenders to repossess vehicles of delinquent borrowers more easily than ever before. These technologies include GPS vehicle tracking devices and ignition kill switches that allow a lender to remotely disable a vehicle if a payment is missed.[31] By some estimates, as many as 70 percent of vehicles purchased with subprime financing have one of these technologies installed.[32]

Lengthening loan terms and increasing vehicle prices

The last decade has seen the steady lengthening of vehicle loan terms. From 2009 to 2017, the percentage of auto loans with six-year or longer loan terms doubled from 26 percent to 42 percent.[33] Longer loan terms result in smaller monthly payments that increase the short-term affordability of a vehicle purchase, but at the expense of higher costs over the lifetime of the loan. Longer loan terms and lower interest rates have allowed consumers to buy "more car" for the same monthly payment, driving average vehicle prices. From 2009 to 2019, the average transaction price for new vehicles rose by 30 percent, from $28,600 to $37,200.[34]

The pandemic has also caused a surge in used car demand; prices increased 16 percent in July, according to Edmunds.com, and used car prices are in some cases, appreciating. One dealer said, "I've never seen that before."[35]

Longer loan terms and increased vehicle prices have increased the amount of money consumers will spend on interest payments, and the more time they will spend "underwater" on a car – owing more on it than its worth. This increases a consumer's risk of default and repossession. In 2017, the CFPB found that a borrower with a six-year loan is twice as likely to default as one with a five-year loan.[36]

Predatory and abusive tactics

The way that dealerships make money has shifted dramatically over the last two decades. In the early 2000s, dealerships made most of their vehicle sales profit from the vehicle gross, rather than financing and add-on income. By 2018, however, dealerships made an average of $420 off the sale of a new vehicle, and $908 off financing and insurance sales accompanying the sale of a new car.[37] With dealerships increasingly dependent on financing and add-on products, many have turned to predatory and abusive tactics to boost these sources of revenue.

Dealer tactics, described both in CFPB complaints and in news reports, include lengthy high-pressure sales pitches, "yo-yo financing" in which terms of a loan are changed after consumers have driven off the lot, and selling overpriced add-ons that customers don't need. When dealers arrange financing on behalf of a consumer, they often mark up interest rates offered by banks for consumers, recouping the difference as profit.[38] According to the Center for Responsible Lending, buyers who purchased dealer-financed cars in 2009 alone paid an extra $25.8 billion in interest over the life of their loans due to these markups.[39]

Conclusion

The decade following the financial crisis saw a tremendous push to lend money to people to buy cars. As vehicle prices rose, lenders lengthened loan terms and lowered rates, investors pumped money into the subprime market, and some lenders stopped ensuring their borrowers would be able to repay. Financing entities competed for dealers' business. They encouraged the longer terms and lower rates by offering dealers other incentives, including less verification of credit applications and more leeway in add-on fees and loan-to-value ratios. These practices helped more people buy vehicles – but they also threatened consumers' financial stability even in good times, pumped up American loan debt, and led to increased rates of delinquency.

COVID-19 and its economic impacts poured gasoline on to this fire, leading to job losses at a time when many Americans were already drowning in debt. The CFPB database reveals the dark side of the auto lending boom and hints at the major challenges facing consumers during the continuing pandemic.

CFPB complaints describe widespread problems with vehicle loans and leases

THE CONSUMER FINANCIAL PROTECTION Bureau's Consumer Complaint Database is a window into consumer experiences in the financial marketplace, including experiences purchasing and leasing vehicles, which are among the most expensive transactions most consumers will make in their lifetimes.

In June 2012, the Consumer Financial Protection Bureau (CFPB) began accepting complaints to help U.S. consumers resolve problems with financial companies. Complaints are published in the Consumer Complaint Database, and provide a nationwide look at consumer problems with financial products including bank accounts, mortgages and loans. Through the end of July 2020, the database included more than 1.7 million complaints, including more than 580,000 complaints with an accompanying consumer complaint narrative – the text of the complaint, in the consumer's own words, which consumers can choose to make public.

From April 2017 through July 2020, consumers submitted nearly 19,000 complaints regarding "vehicle loan or lease" products.[40] Eighty-three percent of those complaints concerned loans, and 17 percent concerned leases, a rough reflection of the proportion of active loans and leases in the U.S.[41]

The database also contains thousands of complaints indirectly related to auto loans and leases, including:

- More than 5,200 complaints dealing with auto debt in the "debt collection" category of financial products.
- More than 2,800 complaints about problems with credit reports related to auto payments in the "vehicle loan and lease" product category, as well as thousands more that are included in the database's "credit reporting" product category.
- Many more complaints about vehicle costs leading to problems with other financial products, including credit cards, bank fees, and other loans. (See "Vehicles affect consumers' financial lives beyond loans and leases," page 24.)

An analysis of loan and lease complaints shows that problems with auto loans and leases are widespread, are caused by many types of consumer mistreatment, and involve many companies that have previously been the subject of legal action for poor treatment of customers.

SEVERAL FEDERAL AGENCIES REGULATE AUTO SALES AND LENDING

The CFPB has jurisdiction over companies that provide financial products and services, including auto financing companies. But it is not the only federal agency to regulate aspects of the automobile finance marketplace. As a result, the CFPB Consumer Complaint Database provides only a partial window into the issues facing consumers related to car-buying and auto loans.

Many consumer problems with vehicles do not involve a financial product. These include mechanical problems with vehicles, misleading vehicle advertisements, and problems with repairs. Complaints with these issues generally fall under the jurisdiction of other federal or state agencies, including state attorneys general, the National Highway Traffic Safety Administration (which takes complaints on equipment safety problems), and the Federal Trade Commission (which takes complaints on fraud and unfair business practices).[42] When the CFPB does receive a complaint outside of its jurisdiction, it forwards the complaint to the appropriate agency.[43]

Many complaints that involve vehicle loans and leases also fall outside of CFPB jurisdiction. This is because, except for "buy-here, pay-here" dealers that both sell vehicles and originate vehicle loans without securitizing them, the CFPB does not have full authority over auto dealers. Auto dealers play an important role in the vehicle loan and lease process. In the case of retail installment sales contracts, dealers serve as original creditors, and may then sell securitized contracts to financing entities in the investment markets.[44] Dealers also originate loans, collect detailed information from consumers, forward it on to third-party lenders, and can also add interest on top of the "buy rate" set by the lender.[45]

Despite their central role in the auto lending process, issues regarding dealers generally do not fall under CFPB jurisdiction due to a dealer carve-out in the Dodd-Frank Act, and therefore complaints about these problems are often not reflected or described in CFPB complaints.[46] Notably, the CFPB does have jurisdiction over the financing companies involved in dealer-arranged financing, and in 2013 issued guidance instructing lenders to help limit the ability of dealers to apply unfair or discriminatory buy rates to loans (guidance which was subsequently rescinded by a legislative veto under the Congressional Review Act).[47]

Many more vehicle complaints are included in other federal and state complaint databases, although those complaints are generally not publicly available for detailed analysis. For example, the FTC's *Consumer Sentinel Network* includes nearly 600,000 complaints classified as "auto related" – but only summary data is available to the public, and the complaints are not downloadable or searchable.[48]

The CFPB's Consumer Complaint Database – and, therefore, the analysis in this report – only contains complaints about financial products: vehicle loans and leases, debt collection and credit reports involving auto debt, and title loans. These complaints are only the tip of the iceberg when it comes to the challenges consumers face in buying, owning and paying for motor vehicles.

Complaints about auto loans and leases have surged during COVID-19

The COVID-19 pandemic has caused unprecedented financial hardship and uncertainty for millions of Americans, and deeply affected consumer experiences with auto loans and leases. Before the pandemic struck, more than 5 percent of auto loans were at least 90 days delinquent.[49] In April 2020, 3.5 percent of auto loans tracked by credit-reporting firm TransUnion were in a hardship program, up from 0.5 percent the year before.[50] Unlike with mortgages, no federal law has been passed to require that lenders provide auto payment relief.[51]

In the first months of the pandemic, many auto lenders have offered relief programs to their customers. But without federal requirements for relief programs, those programs have been inconsistent. And because many auto loans are securitized and sold to investors, they can be difficult or impossible to modify. As a Santander spokeswoman told the *Wall Street Journal*, "reducing interest rates or principal is not an industry standard practice and not permitted under certain of our securitizations."[52]

From March through July 2020, the CFPB received 2,844 complaints about auto loans and leases – more than any other five-month period in the history of the Consumer Complaint Database. In particular, complaints related to auto loan payment relief spiked. Nearly 300 consumers submitted complaints about being denied requests to lower payments in March through July, more than double the volume from the same period in 2019.

Many auto loan and lease complaint narratives make explicit mention of the pandemic. Nearly one in four vehicle loan or lease narratives submitted in March through July mentioned the pandemic.[53] Nearly 70 percent of complaints about being denied relief, and nearly 60 percent of complaints about lender attempts to repossess or disable a vehicle, also mentioned the pandemic over that time frame.

In some complaint narratives, consumers describe harrowing stories of losing income due to COVID-19 and being denied access to relief programs, including deferred payments or extensions. The following complaint was resolved with non-monetary relief for the consumer.

Complaint ID: 3678727

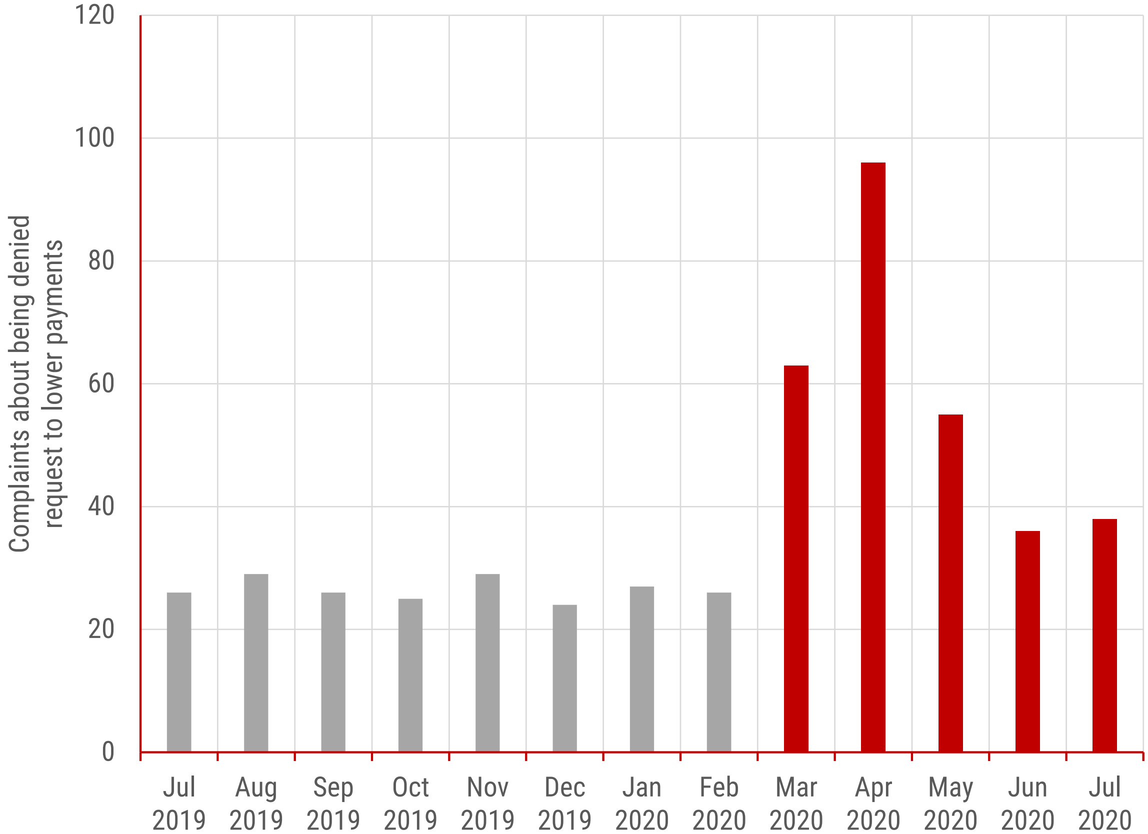
Date: June 2, 2020

Company response to consumer: Closed with non-monetary relief

Company: First Investors Financial Services Group

First Investors Servicing will not work with me on payment extension, lowered payments, deferment. I informed them I was fired due to Covid 19 awaiting unemployment claim approval and unable to make my payments. Rep assured me if I called back in XXXX I would either qualify for an extension or 3 months reduced payments when I called XXXX. XXXX arrived when I called they said those programs were discontinued. I had to borrow money from my retired mother to make a payment as they keep calling emailing and harassing.

FIGURE 2. COMPLAINTS ABOUT BEING DENIED REQUESTS TO LOWER PAYMENTS SPIKED FOLLOWING THE START OF THE COVID-19 PANDEMIC



Complaints describe unfair fees, deceptive add-ons, yo-yo financing, and more

Consumer complaints show that, even before COVID-19, consumers buying or leasing a vehicle frequently faced scams, high-pressure sales tactics, and other problems. Deceptive and predatory lending schemes have left many consumers especially vulnerable as COVID-19 threatens their livelihoods.

Not including complaints about credit reporting, more than half of complaints in the "vehicle loan or lease" category from 2017 through July 2020 had to do with one of five issues: billing problems, denial of request to lower payments, problems receiving a car title after a loan is paid off, remaining loan balance after a car is repossessed and sold, and problems with fees charged.

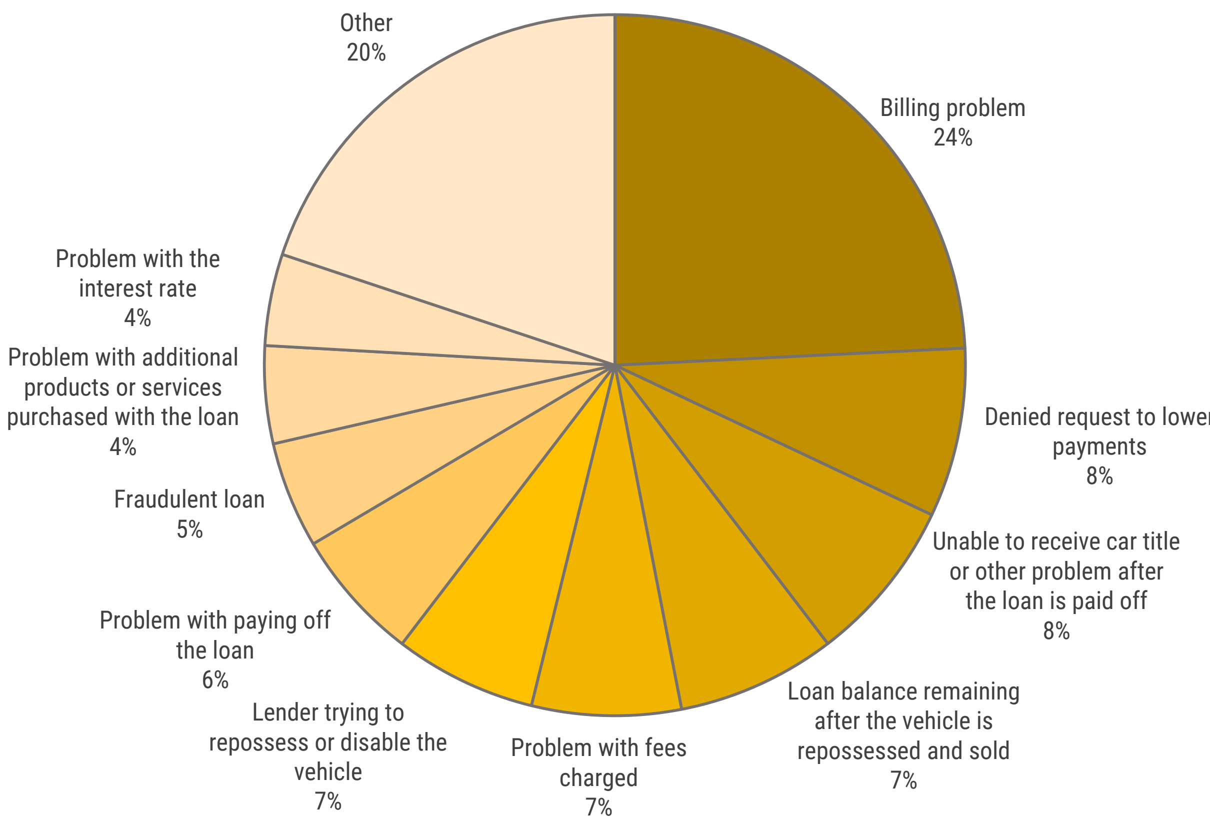
Some of the most common and harmful issues consumers face are described in more depth below:

- Deceptive add-ons
- High pressure or deceptive sales tactics
- Broken billing systems leading to unfair fees
- Harassment involving repossession and debt collection
- "Yo-yo" financing
- Hidden costs when paying off a loan or ending a lease

The sections below include some examples of consumer complaint narratives, which are the text of the complaint, in the consumer's own words, which consumers can choose to make public. *Note that many complaint narratives in this report have been edited for style and length, where appropriate. Redacted text, including personally identifiable information, was redacted by the CFPB.*

Narratives below also include the date, involved company, and complaint ID, which can be used to find original, unedited complaints in the Consumer Complaint Database. Each narrative also includes information on company responses to consumers, including "closed with monetary relief," "closed with non-monetary relief" (relief which can include actions like ceasing debt collection, or fixing a credit report), and "closed with explanation" (which the CFPB defines as "an explanation that was tailored to the individual consumer's complaint" and would be used "if the explanation substantively meets the consumer's desired resolution or explains why no further action will be taken").[54]

FIGURE 3. NEARLY ONE IN FOUR AUTO LOAN AND LEASE COMPLAINTS (EXCLUDING CREDIT REPORT ISSUES) CONCERN BILLING PROBLEMS



Deceptive add-ons

Many consumers report problems with add-ons, including the 720 complaints categorized as a "problem with additional add-on products or services purchased with the loan." Insurance and warranty products are frequently the subjects of such complaints: 29 percent of add-on narratives include the term "warranty," and 39 percent include the term "insurance."

Consumers frequently complain about issues with Guaranteed Asset Protection or "GAP" insurance: 28 percent of add-on narratives mention the term "GAP." In the event of an insurance payout for a totaled vehicle, GAP insurance is designed to cover the difference between the remaining value of the vehicle and the remaining loan balance. The CFPB has found numerous instances in which lenders knowingly sold GAP insurance to customers who would not benefit from it.[55] In 2018, Santander's auto financing arm paid nearly $12 million in combined civil fines and customer restitution due to a CFPB enforcement action for its failure to properly describe its S-GUARD GAP insurance product.[56]

In the following complaint, a consumer describes facing a long-lasting headache because the GAP insurance eventually did not cover what the consumer expected when it was needed.

Complaint ID: 2876075

Date: April 16, 2018

Company: Capital One

Product: Loan

Issue: Managing the loan or lease/ Problem with additional products or services purchased with the loan

Company response to consumer: Closed with non-monetary relief

I had a used auto loan with Capital One. The vehicle was totaled on XX/XX/2017 and I immediately reached out to Capital One to advise them of the loss. I verified with them that I had purchased GAP coverage for my loan. I spent the next FOUR MONTHS going back and forth between Capital One and XXXX regarding my GAP claim. Capital One kept telling me that XXXX were the problem and that I needed to continue to contact them to get my claim entered and paid. They threatened to report my balance to the credit agencies since I owed approximately $1,200 after the other driver's insurance paid for my vehicle. I purchased the GAP coverage through Capital One when I initiated my loan yet they acted like their 3rd party choice of insurers had nothing to do with them. I FINALLY got XXXX to process my claim but recently discovered that they only paid approximately half of what was due. I still have a $600-something balance on my auto loan and now Capital One is reporting it as past due on my credit report.

Some consumers claim that they were tricked into signing up for an expensive add-on product. In 2017, the *New York Times* reported that Wells Fargo was charging more than 800,000 customers for insurance they did not need, pushing many of them into delinquency and resulting in almost 25,000 repossessions.[57] Following the report, the CFPB penalized Wells Fargo $1 billion, and under a class action lawsuit Wells Fargo agreed to distribute more than $390 million to affected customers.[58] In the following complaint, a consumer alleges that without their knowledge a $3,300 "vehicle service contract" (similar to an extended warranty) was added to their loan.

Complaint ID: 2599667

Date: August 9, 2017

Company: Wells Fargo

Product: Loan

Issue: Managing the loan or lease/ Problem with additional products or services purchased with the loan

Company response to consumer: Closed with non-monetary relief

My husband and I purchased a XXXX on XXXX, 2015. After a closer review of our documents we have determined that we were charged for a Vehicle Service Contract. We have a copy of the contract with our loan documents but we did not sign this contract and it was added in with our loan with Well Fargo Dealer Services. The total amount added to our contract was $3,300.00. We never agreed to this service, and feel like the loan company was deceitful in adding it to our loan.

High-pressure or deceptive sales tactics

Many consumers report feeling excessive pressure into agreeing to an expensive loan, or purchasing an add-on service like an extended warranty. Since 2017, 130 complaints were categorized as a problem with "high-pressure sales tactics."

It is not an uncommon experience for car buyers to have to spend hours in a dealership's finance office, which according to the *Wall Street Journal* some dealers privately refer to as "the box" – a reference to the movie "Cool Hand Luke" and the holding cell Paul Newman's character is kept in.[59] Buyers may be aggressively pitched extensive add-on products and financing options of debatable value.

In some complaints, consumers describe feeling pressured into loans that they could not afford.

Complaint ID: 3267156

Date: June 7, 2019

Company: Ally

Product: Loan

Issue: Getting a loan or lease/ High-pressure sales tactics

Company response to consumer: Closed with explanation

I was pressured into co-signing a very expensive auto loan with Ally Financial by a car salesman and general manager at XXXX. I was coerced by the salesman and told that my credit would be the only way the loan could be secured. At the time I did not have steady employment or income to afford the payments on the loan if the owner could not pay. Emotional tactics were used to coerce me into signing the loan. I was under duress when the loan was signed. I had even cried before signing the paperwork. I am now unable to pay the loan as stated in the beginning and I was unaware of the interest rate or total amount of the loan.

Consumers also describe being pressured into purchasing expensive add-ons. Some complaints detail situations similar to a hypothetical scenario the CFPB describes as a scam: "I found the car of my dreams but the dealer says that I have to have a down payment. When I said I didn't have the money the dealer said that if I add a GPS and a stereo he will be able to get me a loan for the full amount. What should I do?"[60] In 2016, the FTC charged Los Angeles-based Sage Auto Group with deceptively claiming that add-on products "are required as a condition of the purchase or financing of the vehicle or will improve consumers' chances of obtaining financing."[61]

The following complaint to the CFPB alleges a similar situation:

Complaint ID: 3026591

Date: September 22, 2018

Company: Toyota Motor Credit Corporation

Product: Loan

Issue: Getting a loan or lease/ Problem with additional add-on products or services purchased with the loan

Company response to consumer: Closed with explanation

I purchased a car from XXXX and the finance manager stated the only way to get the loan was to buy the extended warranty but that I could cancel it the next day for a refund. Tried the next day all the way through XX/XX/XXXX - XXXX kept saying the cancellation had been processed many times and finally she gave me a number to call after 18 months and the people there stated that XXXX dealer had the money and they were the ones to issue the refund. Called XXXX and she stated that the warranty could NOT be cancelled after lying and deceiving for 18 months!

Broken billing systems leading to wrongful fees

With more than 3,800 complaints since 2017, complaints categorized as a "billing problem" account for nearly one in four auto loan and lease complaints. In many of these complaints, consumers describe broken billing systems leading to fees, particularly late fees. More than 850, or 42 percent, of "billing problem" complaint narratives mention the term "late," a higher share than for any other auto loan or lease issue area.

Many complaints describe problems with online payment systems, in some cases leading to fees. More than 16 percent of "billing problem" complaints mention the term "online," more than for any other issue. The following complaint, which led to monetary relief for the consumer, describes a broken payment system and making phone calls only to be met by "system error" voice recordings.

Complaint ID: 2787404

Date: January 19, 2018

Company: General Motors Financial Company, Inc.

Product: Lease

Issue: Managing the loan or lease/ Billing problem

Company response to consumer: Closed with monetary relief

I submitted a payment on XX/XX/XXXX via the GM Financial XXXX. I received a confirmation email for this payment. I have logged back on about 20 times to pay for the next month. I get error messages every time I try to pay. I cannot access my balance anywhere in the portal. When I login it says that I "missed a payment." This is not true. I paid my first payment on this lease on XX/XX/XXXX and do not have the ability to pay this month's bill. From XX/XX/XXXX-XX/XX/XXXX I have called an estimated 15 times each day. I cannot get anyone to answer the phone. Most times I get a voice recording that says they are having "system errors" and then the phone hangs up. This is unbelievable that a company would make it this hard to pay them.

Harassment involving repossession and debt collection

Consumers who fall behind on their payments can face both debt collection challenges and, eventually, the prospect of repossession. Many consumers in these situations report harassment from lenders and debt collectors.

In the "vehicle loan or lease" product category more than 1,000 complaints deal with the issue "lender trying to repossess or disable the vehicle." Among such complaints, more than one in six narratives include a variant of the word "threat," more than three times as often as in all loan and lease narratives.[62] Variants of the word "harass" show up in 13 percent of complaints, twice as often as in all loan and lease narratives.

Complaint ID: 3262619

Date: June 3, 2019

Company: CHALLENGE FINANCIAL SERVICES

Product: Loan

Issue: Struggling to pay your loan/ Lender trying to repossess or disable the vehicle

Company response to consumer: Closed with explanation

Challenge financial services has been harassing me and people that have nothing to do with this loan. I have been trying to resolve this issue with the rep XXXX XXXX XXXX, he is really rude and unprofessional, he has been reaching out to people that know me threatening them that to let me know that he is going to pick up my car. I am very good with payments on my car just this month I fell behind because I just got another job. I've been paying this car for 2 years. I asked for a week extra time to be able to pay it but the Rep XXXX is not willing to help, instead he threatens me.

Consumers also frequently report being harassed over outstanding auto loan debt. Such complaints are primarily categorized separately from auto loan and lease complaints, in the "debt collection" product category within the Consumer Complaint Database.

Since 2017, consumers have submitted more than 5,000 complaints regarding debt collection for auto debt, more than the number of debt collection complaints for mortgages, student loans or payday loans. Among auto debt collection complaints, 45 percent involve some form of harassment, including relentless phone calls, improper sharing of information, or legal threats.[63]

In 2014, the CFPB took an enforcement action against auto dealer DriveTime for debt collection harassment.[64] DriveTime runs "buy here, pay here" dealerships, which are dealerships that sell cars while also originating and servicing loans. The CFPB found that DriveTime broke the law in its debt collection tactics, including by harassing consumers at work and harassing borrowers' references.

"Yo-yo" financing

More than 280 complaints concern changes in loan terms that occur during a deal or after closing. In some of these cases, consumers report "yo-yo financing" scams, in which a consumer leaves the dealership with a vehicle, only to get a call later that loan terms have changed, and they must either return the vehicle or agree to a more expensive loan.[65]

In the previously noted 2016 FTC complaint, the FTC charged Sage Auto Group with using illegal and deceptive yo-yo financing tactics. Under the resulting settlement, Sage agreed to pay more than $3.6 million to harmed customers.[66] According to the complaint, "after consumers have signed a contract and driven the vehicles off Defendants' lots, Defendants have used deceptive and unfair tactics to pressure consumers to agree to different financing terms or have otherwise refused to honor the contract."[67] The FTC complaint also details a litany of other illegal practices, including advertising a vehicle's down payment as being less than one 70th of what was actually required.[68]

The following two complaint narratives describe variations of yo-yo financing.

Complaint ID: 2991281

Date: August 14, 2018

Company: PNH Worldwide Inc.

Product: Loan

Issue: Getting a loan or lease/ Changes in terms mid-deal or after closing

Company response to consumer: Closed with monetary relief

Bought a car at XXXX XXXX XXXX XXXX used car dealership and gave them {$4000.00} down payment and signed the contract and everything and a few weeks later they tell me that the bank denied the loan and that they needed the car which they have possession of now and won't refund me my money.

Complaint ID: 2965752

Date: July 17, 2018

Company: NISSAN MOTOR ACCEPTANCE CORPORATION

Product: Loan

Issue: Getting a loan or lease/ Changes in terms mid-deal or after closing

Company response to consumer: Closed with explanation

I signed a contract for a used car loan on XX/XX/XXXX, before leaving the dealership I asked if the deal was closed, both the managers and financial manager said yes. I left thinking everything was great. I get a call XX/XX/XXXX that the loan was not approved and I need to return the car. I contacted the bank and they're telling me that the dealer is not accepting their terms. I asked the dealer and they said that the bank did not accept their terms. I have reason to believe that the dealer is pulling a yo-yo scam on me. Please help. That car is my only means of transportation for school and work and I cannot just return it, especially since I signed a previous contact.

Hidden costs when paying off a loan or ending a lease

For many consumers, the end of a loan or lease brings a new round of hidden fees.

With leases, consumers must return their vehicle and face an inspection, a process that can create numerous opportunities for unfair fees – especially fees, such as those for excessive wear and tear, that are based on the judgment of the dealer.[69] Since 2017, 690 complaints – more than one in five lease complaints – have concerned either "excess mileage, damage, or wear fees, or other problem after the lease is finished" or "termination fees or other problem when ending the lease early."

Complaints about end-of-lease fees often involve unfair or excessive fees for missing keys, as the following complaint describes:

Complaint ID: 2928811

Date: June 6, 2018

Company: Toyota Motor Credit Corporation

Product: Lease

Issue: Problems at the end of the loan or lease/ Excess mileage, damage, or wear fees, or other problem after the lease is finish

Company response to consumer: Closed with monetary relief

I have been charged with a missing key for {$400.00}. We have repeatedly told Toyota Financial that the 2nd key was placed with the documents and it was placed in the glove compartment. Please note that the car will not lock if it senses a key inside the car. The car was placed with the dealership from XX/XX/XXXX until it was inspected on XX/XX/XXXX and was left unlocked for seven days. During this time, the key was either removed from the car and misplaced or thrown away. No one from the car dealership nor from Toyota Financial contacted us for the missing key until after I received a letter on XX/XX/XXXX, noting that I owe them {$400.00} for the missing key.

With loans, many consumers report facing unfair fees when paying off loans for vehicles that have been damaged or totaled. Thirteen percent of narratives for the complaint category “problem with paying off the loan” mention the term “totaled” and 11 percent mention the term “accident.” Multiple consumers report that, following an accident, lenders wrongfully applied late fees to loan accounts or reported late payments to credit reporting agencies.

Many of the most-complained-about auto finance companies have been cited for abusive or deceptive practices

Consumer complaints about auto loans and leases involve every type of company involved in the auto finance business: banks, credit unions, nonbank subprime lenders, and captive lenders, which are financial subsidiaries of auto companies (for example, the Toyota Motor Credit Corporation).

Of the five companies that received the most auto loan and lease complaints since 2017, four are banks (Santander, Ally, Wells Fargo, and Capital One) and one is a captive lender (General Motors Financial Company). Of the 20 companies that received the most loan and lease complaints since 2017, 11 were banks, 5 were captive finance companies, 4 were non-bank finance companies, and none were credit unions.

The bank that received the most complaints was Santander, the most-complained about captive lender was General Motors Financial Company, and the nonbank lender with the most complaints was Credit Acceptance Corporation, which specializes in subprime auto loans.

Many of the most-complained about companies have been the target of government actions regarding deceptive or abusive practices in the vehicle finance marketplace. In fact, eight of the 15 most-complained about companies have been the subject of CFPB enforcement actions related to auto loans.[70]

FIGURE 4. TOP THREE MOST-COMPLAINED ABOUT COMPANIES, BY COMPANY TYPE

	Bank	Captive finance	Non-bank finance
1	Santander	GM Financial GENERAL MOTORS FINANCIAL COMPANY, INC.	Credit Acceptance we change lives!
2	ally	TOYOTA FINANCIAL SERVICES	W Westlake Financial Services
3	WELLS FARGO	Hyundai Capital	Bridgecrest

TABLE 1. EIGHT OF THE TOP-MOST COMPLAINED ABOUT COMPANIES HAVE BEEN THE SUBJECT OF CFPB ENFORCEMENT ACTIONS RELATED TO AUTO LOANS

Table does not include actions not taken by the CFPB, including by other federal or state agencies, state attorneys general, or class action lawsuits.

	Company name	Number of vehicle loan and lease complaints	Summary of harmful auto loan practices targeted by CFPB enforcement action
1	Santander	2,347	Failed to properly describe "the benefits and limitations of its S-GUARD GAP product, which it offered as an add-on to its auto loan products."[71] (November 2018)
2	Ally Financial	1,437	Engaged in "[d]iscriminatory auto loan pricing practices harming African-American, Hispanic, and Asian and Pacific Islander consumers."[72] (December 2013)
3	General Motors Financial Company	938	
4	Wells Fargo	934	"[V]iolated the Consumer Financial Protection Act (CFPA) in the way it administered a mandatory insurance program related to its auto loans."[73] (April 2018) Participated in "an illegal marketing-services-kickback scheme."[74] (January 2015)
5	Capital One	806	
6	Toyota Motor Credit Corporation	742	Charged African-American, Asian and Pacific Islander borrowers "higher interest rates than white borrowers for their auto loans, without regard to their creditworthiness."[75] (February 2016)
7	JPMorgan Chase	689	Participated in "an illegal marketing-services-kickback scheme."[76] (January 2015)
8	Hyundai Capital	677	
9	Credit Acceptance Corporation	539	
10	Nissan Motor Acceptance Corporation	515	
11	Westlake Services, LLC	465	Pressured borrowers "using illegal debt collection tactics."[77] (September 2015)
12	American Honda Finance Corp.	453	Harmed African-American, Hispanic, and Asian and Pacific Islander with discriminatory auto loan pricing.[78] (July 2015)
13	BMW Financial Services	302	
14	U.S. Bancorp	297	Used "deceptive marketing and lending practices targeting active-duty military."[79] (June 2013)
15	Ford Motor Credit	280	

TABLE 2. SANTANDER IS THE MOST COMPLAINED-ABOUT COMPANY FOR VEHICLE LOANS AND LEASES IN MOST STATES

State	Total loan and lease complaints	Most complained-about company	Company complaints
AK	10	Pentagon Federal Credit Union, Toyota Motor Credit Corporation	2
AL	250	Santander	34
AR	130	Santander	19
AZ	450	Ally	41
CA	2,210	Santander	241
CO	277	Santander	31
CT	223	Santander	22
DC	87	Santander	17
DE	105	Santander	11
FL	1,857	Santander	297
GA	1,005	Santander	176
HI	36	Ally, Citizens	4
IA	65	Ally	9
ID	45	Wells Fargo	9
IL	601	Santander	78
IN	221	Santander	26
KS	75	Santander	12
KY	135	Santander	14
LA	228	Santander	45
MA	361	Toyota Motor Credit Corporation	40
MD	535	Santander	55
ME	47	Santander	6
MI	424	General Motors Financial Company, Inc.	79
MN	192	Ally, Wells Fargo, General Motors Financial Company, Inc.	16
MO	288	Santander	45
MS	131	Santander	26
MT	32	Santander	5
NC	693	Santander	82
ND	14	Ally	4
NE	44	Santander	5
NH	72	Santander	18
NJ	794	Santander	107
NM	50	Santander	10
NV	269	Santander	30
NY	1,028	Santander	145
OH	591	Ally, Santander	54
OK	130	Santander	20
OR	97	Santander	15
PA	636	Ally	63
PR	46	Banco Popular de Puerto Rico	14
RI	60	General Motors Financial Company, Inc.	8
SC	313	Santander	55
SD	34	Ally	6
TN	291	Santander	46
TX	1,655	Santander	197
UT	79	Larry H. Miller Group of Companies	7
VA	593	Santander	62
VT	28	Ally	5
WA	236	General Motors Financial Company	20
WI	204	Santander	27
WV	59	Ally	10
WY	18	Ally, Wells Fargo	4

In most states, Santander is the most-complained about company

The number of loan and lease complaints varies substantially by state, ranging from just 10 complaints in Alaska to 2,210 complaints in California.

In 33 states and Washington, D.C., Santander is the company that is the subject of the most complaints, or is tied for the most.

Subprime lenders are frequent subjects of auto debt collection complaints

Many of the companies with the most complaints related to vehicle loans and leases are also frequent subjects of auto debt collection complaints, which are contained under a separate product category within the Consumer Complaint Database.

The top five companies for auto debt collection complaints – Santander, Ally, Credit Acceptance Corporation, Wells Fargo, and Westlake – are also among the top 15 most-complained-about companies for loans and leases. All five companies have businesses that substantially involve subprime loans:

- Credit Acceptance Corporation and Westlake are both nonbank finance companies that focus almost exclusively on subprime lenders. Credit Acceptance Corporation was sued by the state of Massachusetts in August 2020 for alleged violations that included lending to subprime borrowers that the company knew would be unable to repay.[80] Westlake was the subject of a CFPB enforcement action for "using illegal debt collection tactics."[81]

- Santander is the nation's largest subprime lender.[82] In May 2020 Santander entered a $550 million settlement with 33 states and the District of Columbia for subprime lending practices, including making loans to customers that had a high probability of defaulting.[83]

- Ally Bank began increasing its subprime lending activity about a decade ago, with Reuters reporting in 2011 that Ally "bets on risky subprime car loans."[84]

- Wells Fargo also has a substantial subprime auto lending business.[85]

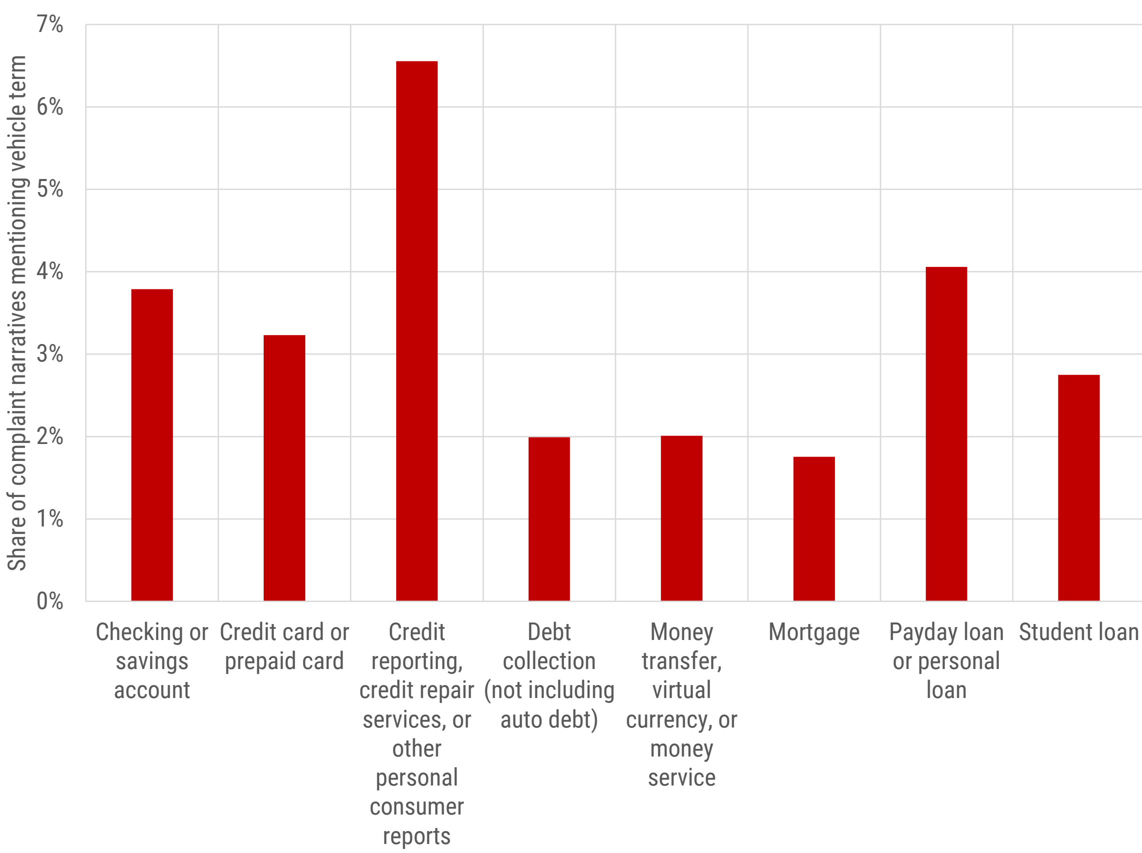
Vehicles affect consumers' financial lives beyond loans and leases

AUTO LOANS AND LEASES ARE THE primary financial products associated with having a vehicle. Yet the need to buy and maintain a vehicle can have ripple effects throughout a consumer's financial life – leading consumers to incur other debt to cover vehicle repair expenses, causing damage to credit reports when loans go sour, triggering financial hardship after a vehicle crash or repossession, or enabling the use of a car as collateral in predatory "car title" loans.

The Consumer Complaint Database includes a variety of complaints on the following financial marketplace issues that result, directly or indirectly, from vehicle expenses and debts:

- **Damaged credit reports** from vehicle debt
- **High interest loans and credit card debt** to buy or repair a vehicle
- **Overdrawn bank accounts** resulting from vehicle expenses

FIGURE 5. SHARE OF COMPLAINT NARRATIVES MENTIONING VEHICLE-RELATED TERMS, BY OTHER PRODUCT CATEGORIES[87]



The impact of vehicle costs on consumer's financial lives is suggested by the frequency with which vehicle terms appear in consumer narratives, as indicated by text searches. Outside of product and sub-product categories explicitly connected to vehicles, nearly 18,000 complaints, or more than 4 percent of all consumer complaint narratives, mention a vehicle-related term (e.g. "car," "truck," etc.).[86] More than 6 percent of credit reporting complaint narratives – nearly 13,000 complaints total – include a vehicle mention.

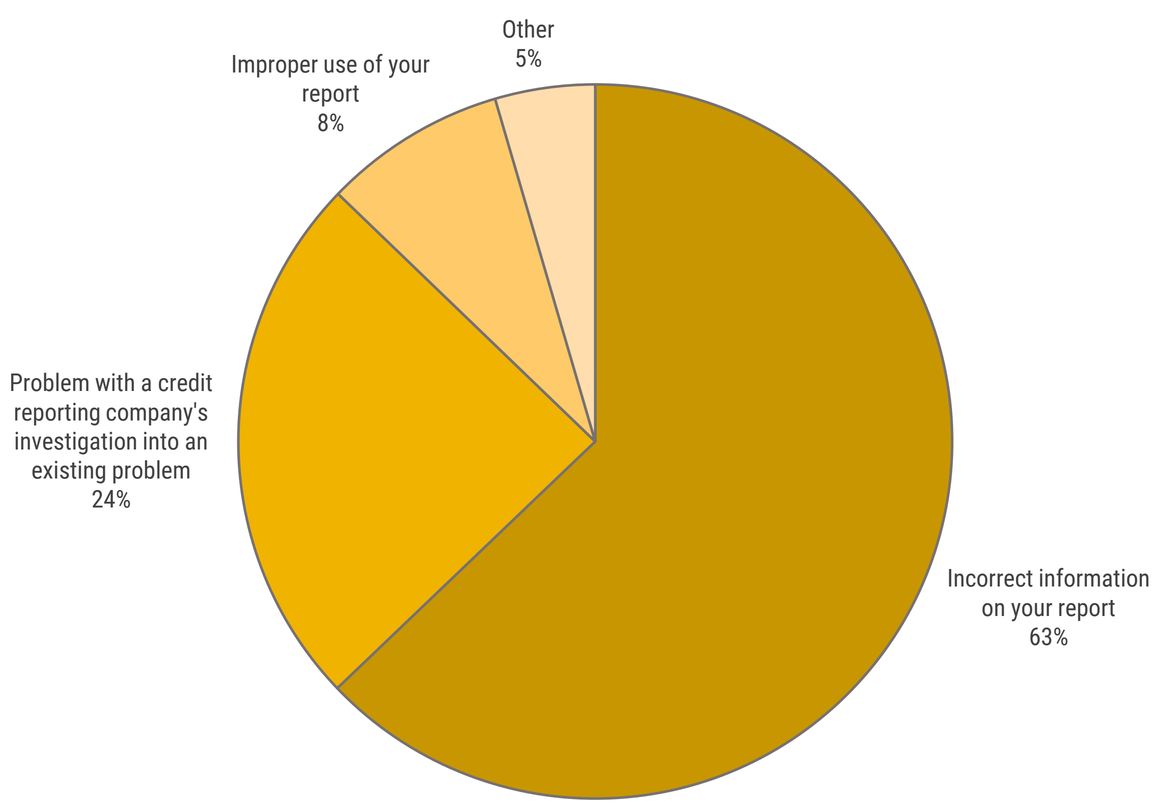
Damaged credit reports due to loans and lease fees

Consumers frequently describe credit report damage resulting from vehicle loans and leases. These complaints appear in a few places in the Consumer Complaint Database:

- Since 2017, more than 2,800 complaints falling under the CFPB's "vehicle loan and lease" product category are for an issue involving credit reports.[88]
- Many credit reporting complaints involving auto debt are also reported under the CFPB's "credit reporting" product category.
- Credit report problems are also frequently mentioned alongside other problems with fees and billing issues: 45 percent of all "billing problem" complaints for vehicle loans and leases mention the term "credit."

Among those credit reporting complaints that are categorized under the "vehicle loan and lease" product category, nearly two thirds of complaints allege that incorrect information appears on the consumer's credit report.

FIGURE 6. AMONG CREDIT REPORT COMPLAINTS INVOLVING VEHICLE LOANS AND LEASES, NEARLY TWO THIRDS ALLEGE INCORRECT INFORMATION ON A CREDIT REPORT



The following complaint submitted by a military servicemember, which was closed with monetary relief, describes a credit report damaged by an incorrect delinquency posted after terminating a lease under the Servicemembers Civil Relief Act, which allows members of the military to terminate a lease without penalty in certain deployment circumstances.[89]

Complaint ID: 3398568

Date: October 8, 2019

Company: American Honda Finance

Product: Lease

Issue: Incorrect information on your report/ Account status incorrect

Company response to consumer: Closed with monetary relief

The lease with Honda Finance was terminated under the Servicemembers ' Civil Relief Act of 2003 in XXXX and the only directions that they gave me was to turn in the car, which I did as requested. They still are posting my account being delinquent wen this is not the case as the payments were always on time.

Payday loan and credit card debt to pay for vehicle expenses

Many consumers report going into new debt, including from payday loans, installment loans and credit cards, to cover vehicle expenses. Some complaints describe knowingly taking on an expensive loan because of the necessity of having access to a functional vehicle.

In cases of payday loans, consumers describe paying exorbitant interest rates for loans to cover vehicle expenses. High interest rates can turn small expenses into lasting burdens of debt.

Complaint ID: 3317259

Date: July 24, 2019

Company: Westcreek Financial

Product: Installment loan

Issue: Charged fees or interest you didn't expect/

Company response to consumer: Closed with explanation

Had my vehicle repaired at a friend 's place of business. In the past, the owner had allowed me to make payments if the bill was large. This time, she said she was unable to, due to the larger amount of the bill {$1100.00}). She stated she knew of a company that she had previous dealings with that may be able to help, and gave me their website address. I applied and was accepted. Feeling I had no choice, since I need my vehicle and cannot afford to purchase another, I accepted all terms and conditions. The entire transaction was accomplished online. Upon further thought and investigation, I realized the loan would cost me about twice the amount of the bill over the 1 year term of the transaction (12 monthly payments of {$190.00}). Nowhere in the transaction terms was an interest rate mentioned ; rather, the transaction is referred to as a " rental ''.

Similarly, many consumers report accumulating credit card debt to cover vehicle costs, including for repairs.

Complaint ID: 3504415

Date: January 21, 2020

Company: Capital One

Product: Credit card or prepaid card

Issue: Struggling to pay your bill/ Credit card company won't work with you while you're going through financial hardship

Company response to consumer: Closed with explanation

During the month of XXXX of 2017, I was working as a XXXX XXXX for XXXX XXXX and the engine in my car overheated and blew up, and I was left with monthly payments of {$390.00} and repair bill totaling {$5800.00}. At the time I had very little money saved up and I went through a very rough financial patch. Over the that month, I was barely able to make the minimum payment and by the time I reached XXXX of 2017, I reached and surpassed the {$300.00} credit limit on my card, and was left with a balance of {$310.00}, to which was added a {$35.00} fee, which caused the minimum payment to be {$91.00}, which was impossible for me to pay due to my hardship, which I communicated to Capital One and I was unable to come to a lower payment agreement with them. Furthermore, the month of XXXX of 2017 came by, and I still had not been able to fix my car and I was still paying the monthly payments while making half of what I was before, and so I had not been able to make any sort of payment, which caused a second fee of {$35.00}, and a new threshold for my minimum payment allowed of {$120.00}, which once again was an unimaginable figure for me to pay at the moment, so I once again reached out to Capital One over a phone call to attempt to come to a lower payment agreement so that I would not miss yet another payment, but they were unable to help me out. I was able to finally make a payment on XX/XX/XXXX, but by then I had missed two months of payments. Since then, I have continued my business with Capital One and I have never missed a payment. Now, I am attempting to purchase a car and I have two late or missed payments that are hindering my credit report badly, from a moment of hardship in my early adulthood.

Overdraft and other bank fees resulting from auto expenses

Many consumers describe facing steep fees that occur when their accounts are overdrawn to make automatic transfers for vehicle insurance payments. Unlike overdraft programs for debit card payments and ATM withdrawals for which there is an "opt in" requirement, banks can automatically enroll consumers into overdraft programs covering automatic bank transfers.[90] As a result, many consumers may not be aware that an automatic transfer beyond an account balance may incur fees as opposed to having the payment rejected.

Complaint ID: 3372033

Date: September 12, 2019

Company: Wells Fargo

Product: Checking account

Issue: Problem caused by your funds being low/ Overdrafts and overdraft fees

Company response to consumer: Closed with monetary relief

Automated payment for car insurance in the amount of XXXX was cleared and I made a transfer from savings account to checking account to cover the cost. Despite my actions to prevent an overdraft fee, the bank charged me regardless. Upon contacting the bank to resolve issue, they agreed that I was getting charged overdraft for a transaction that I shouldn't be charged for. Nonetheless the bank refuses to reverse overdraft fee because my account is ineligible for overdraft reversal regardless of the fact the fact that I took the necessary actions in good time to prevent the fee.

Conclusion and policy recommendations

EVEN BEFORE COVID-19, AMERICAN consumers faced a minefield of risks when buying or leasing a vehicle. Those risks have been amplified in recent months, as the pandemic has caused unprecedented financial hardship and uncertainty for millions of Americans.

Many of the problems consumers face can be eased by ensuring strong consumer protection laws, and through vigorous enforcement of existing laws. But some problems are inherent to a transportation system that necessitates having access to a personal vehicle, which is both expensive and risky to own.

Therefore, policymakers must take action on two fronts to protect consumers. For consumers buying or leasing a vehicle, consumers must be protected from abusive or predatory behavior. And policymakers must also take action to reduce car dependence, to allow more Americans the choice to avoid the inherently risky proposition of vehicle ownership.

Two federal agencies, the Consumer Financial Protection Bureau and the Federal Trade Commission, can play a particularly important role in protecting consumers who are buying a vehicle. To protect consumers in the automotive marketplace, policymakers at both agencies, as well as state policymakers, should limit abusive, predatory and discriminatory auto sales and lending practices by:

- Closing loopholes that allow auto dealers to charge excessive interest rates;
- Enforcing existing protections against fraud;
- Prohibiting discriminatory loan markups;
- Requiring lenders to determine ability to repay before issuing a loan;
- Addressing the inherent conflicts of interest present in indirect lending through auto dealers, and expanding options for responsible lending to low-income Americans;
- Banning the use of forced arbitration clauses in consumer financial contracts, including automobile sales;[91]
- Banning title loans with excessive interest rates that trap consumers in a cycle of debt and put them at risk of losing their vehicles;
- Forbidding auto lenders from repeated withdrawals from bank accounts;
- Prohibiting negative credit reporting for problems resulting from a predatory auto loans, deceptive practices, or unsafe or otherwise unusable vehicles;
- Collecting demographic data for auto loans to monitor for discrimination;
- Better regulating repossession practices, including by ensuring consumers are given a chance to catch up on payments to avoid repossession (a right to cure);
- In addition, the FTC should use rulemaking authority over car dealer practices granted by Congress in the Dodd-Frank Act, and should issue a rule regulating the use of GPS tracking and kill switches in car sales.

During COVID-19, policymakers must:

- Guarantee consumers access to auto loan relief programs, including those that defer payments to the end of the loan and cancel late fees.
- Ban repossessions, debt collection, and negative credit reporting.

To expand transportation options and enable more Americans to live without owning a car, policymakers should:

- Preserve and improve the cost and availability of transit service in the wake of COVID-19;
- Incentivize carpooling, and encourage the deployment of shared mobility services such as carsharing that reduce the need for personal car ownership;
- Improve conditions for people who walk or bike.

Finally, the CFPB should take steps to improve the Consumer Complaint Database, including:

- Add granularity to company responses about relief provided to consumers. Complaints resolved with monetary relief should include details on the quantity of monetary relief provided. And all complaints resolved with relief should include details on the type of relief provided (e.g., debt collection harassment ceased, incorrect credit report item removed).
- Expand efforts to educate consumers about the complaint system.
- Survey financial institutions and borrowers with both resolved and unresolved complaints to better hone the effectiveness of the CFPB database.
- Develop free smartphone applications (apps) for consumers to access information about how to complain about a firm and how to review complaints in the database.
- Ensure that complaint data can be easily matched with data from the Federal Financial Institutions Examination Council, for example by logging each bank's unique RSSD ID code with every complaint.
- Allow more granular tagging and sorting of complaint data, including by allowing users to tag specific fee types in their complaints.
- List company subsidiaries with complaints and group them with their parent company in searches. Subsidiaries are often the firms with which consumers actually interact and grouping them with parent companies will enable consumers to better apply the information in the CFPB database to their own experiences and to the choices they make in the marketplace.
- Make it easier for database users to search and study complaints with story narratives by reversing recent changes to the CFPB home page and database search page that made finding narratives more difficult.[92]

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