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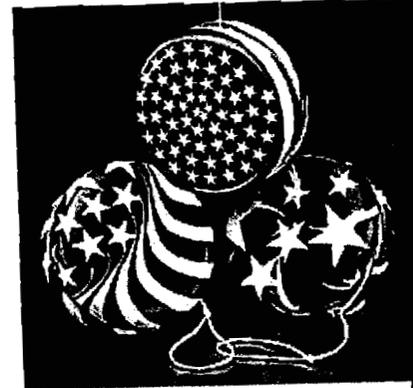
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# Assembly Bill 249

73<sup>rd</sup> Legislature

## “Yo Yo” Car Sales



Presentation by

Assemblywoman Barbara E. Buckley



April 6, 2005

ASSEMBLY COMMERCE & LABOR  
DATE: 4/6/05 EXHIBIT E PAGE 1 OF 16  
SUBMITTED BY: Assemblywoman Buckley

**TYPICAL YO-YO SALES COMPLAINTS**

**TO CLARK COUNTY LEGAL SERVICES, LAS VEGAS**

#1: Client went to [REDACTED] on 8/2/03 to purchase a used car for about \$8,000. She decided on a 2000 Toyota Echo on credit. While in finance manager's office, client telephoned father in Hawaii and explained deal to him. Father OK'd deal, understanding the car would be \$8,800 "out the door." Agreed father would put \$2,000 in client's credit union account in Hawaii for down payment. The next day, client returned to sign contract. She was presented two contracts: one for her father and herself as buyers, and one with herself alone as the buyer at a much higher interest rate and monthly payment. She signed both. Dealer cashed check and sent first contract to father. Father saw the deal was \$2,000 more than as explained by daughter in finance managers' office, so he refused to sign. Daughter client returned to dealer to explain situation and ask for unwind. Dealer refused, saying it would assign the contract she alone signed. But ultimately, dealer could not do so. Dealer had client return car in 9/03 on promise of refund of down payment. Then dealer refused to refund any of the down payment. Dealer claimed \$499.60 doc fee, \$19.95 federal express, \$385.00 reconditioning, \$29.95 oil change, \$516.00 parts, and \$675.15 mileage, for a total of \$2,125.65, thus claiming that client owes dealership an additional \$125.65. We contacted dealership by letter, which refused to refund any of the down payment and wanted compensation for client's "fraud." Lawsuit filed 7/04. Settled immediately for \$10,000.00.

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#2: Client went to **MAJOR FRANCHISED AUTO DEALERSHIP** (**CONFIDENTIAL**) on or about December 16, 2002 to purchase a used car on credit. He is on social security disability. He had \$ 300 to put down and a 1993 Dodge with a lien of \$ 2,200. Contract #1 to purchase a 1995 Ford Windstar was consummated for \$9,339 at 22.95% APR and the vehicle was spot delivered. On this contract, his trade in was valued at its pay off amount (zero allowance). He was congratulated on his purchase. Later, he got a call saying "financing did not go through." He returned to the dealership where the salesman asked him if there was anyone he knew who owned a business who would be willing to say that client worked there and earned income. Client refused to participate in this fraud. Client was told he'd need a co-signer then. Client returned with sister as co-signer and Contract #2 was consummated for the Ford Windstar. (We later learned in our investigation that the dealer falsified the sister's credit application, inflating her income). Later, they got another call saying financing did not go through. Client returned again with sister and they were told that financing could not be found for the Ford Windstar because the car was too old and that it would be best if the sister alone were on the contract to purchase a newer vehicle. The dealer selected a 2001 Pontiac Grand Am to sell clients, telling them it knew it could obtain financing for that car to the sister alone. Contract #3 for the Pontiac Grand Am was consummated for \$13,500 at 21% APR. On this contract, client's 1993 Dodge was valued at \$3,200 minus the payoff amount of \$2,200 (\$1,000 allowance). Dealership used sister's falsified credit application. This contract was successfully assigned to a lender. It turned out the Pontiac Grand Am was an undisclosed, unsafe rebuilt

wreck. Litigation was filed and the case was settled for a confidential amount.

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#3: Clients received a flyer in the mail from [REDACTED] announcing they qualified for financing of a new Chevrolet. On September 13, 2003, client signed a contract for a 2004 Chevrolet Cavalier, purchase price \$18,300, 9.9% interest, \$500 cash down with a trade in of their 1992 Ford Aerostar (payoff \$3,900.) The salesman assured them that their financing company would be Nuvel Financial. A short time afterwards, an avalanche of reject letters arrived in the mail, including one from Nuvel Financial.

On September 17th, at the dealer's request, client returned to the dealership and signed another contract. The purchase price was reduced to \$17,000 but all other items remained the same. Again, the salesman assured client he would be financed by Nuvel.

On October 8th, at the dealer's request, client returned to the dealership to "finalize documents." He was informed he did not have financing but the dealer did not demand return of the car yet.

On Oct 13th, the 30 day placard had expired. Client called the dealership and was told to return to receive another. However, client was by now suspicious of the dealer's intentions and so client parked the car at a nearby casino and walked to the dealership. Upon arrival he was told to return the car; he said no. As he was walking back to the casino, he was followed by four men from the dealership. Intimidated, he gave them the keys and they drove back. Client and his wife were stranded.

Although the dealership eventually returned their down payment and the trade-in, payments on the trade in vehicle were two months in arrears, damaging his credit. Client made the account current.

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#4: Client went to [REDACTED] on 8/9/03 to purchase a used car. She was told she would not qualify for a used car, but would qualify for a new car. She purchased a new 2003 Mitsubishi Gallant on credit for approximately \$ 24,000 at 14.95%, as well as GAP insurance for \$ 495. She gave a trade in vehicle (1996 Nissan Maxima) valued at \$7,900 minus a pay off balance of \$ 7,900 (zero allowance), as well as a \$ 2,000 cash down payment. Approximately a week later, the dealership called and said they "could not get her approved." She went back and test drove some less expensive cars, but she did not like them. The finance manager threatened her by saying that she was obligated to purchase a car with the dealership or else she would be in trouble with DMV. After that comment, she said she was finished doing business with the dealership and demanded her trade in car and down payment back. Another individual, a supposed "part owner," became involved and asked to keep her business. He then asked if he could put her in the first deal for the Gallant with a higher interest rate. She

reluctantly agreed, so long as it was a done deal and she would never have to deal with the finance manager again. She signed a second contract, but she did not have a copy.

About a month later she received another call saying they could not get her financed. On 9/8/03, she signed a third contract at a 16% interest rate, lower car price (\$23,500), higher trade in allowance (from zero to \$1,693), and eliminating the GAP insurance. Once again, she was assured the car was hers, everything was done, and there was nothing to worry about.

When she never received a payment book, she called the dealership wondering where and to whom to make payment. She got a call back (she believes this was in, by now, October) from the same finance manager she was assured she would never have to deal with again, who said he hadn't gotten her financed and she would have to return the car.

She learned her trade in vehicle had not been paid off and that she was behind in her monthly payments and that this would show on her credit report. She became very upset, and rather than return the Gallant with no assurance of return of her trade in vehicle and down payment, she began complaining to Contact 13 and the BBB. While she was trying these self help avenues of assistance, People's Automotive repossessed the Gallant. She learned her trade in vehicle had been repossessed off the People's Automotive lot by the lien holder. People's Automotive ultimately returned \$ 1,164.00 of her \$ 2,000 down payment, claiming \$ 836 for body damage (she had obtained an estimate of \$300). This was a very good case we wanted to file, but client withdrew as a possible deficiency on her trade in and a repossession on her credit report will probably push her to bankruptcy.

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#5: Client went to [REDACTED] on December 27, 2003 to purchase a new car on credit, financed with \$2,000 down payment. The first contract was written at 8.9% APR. Thirty days later when placard expired, client went to dealership and signed new contract. Second contract had a APR of 13%. Client also states that salesman filled out credit application and listed her monthly income as \$4,000. Client questioned the manager who told her it was not a problem; client then signed it. Client's second 30 day placard was to expire when she contacted CCLS. Although past the 15 day rescission period, it appears as if the dealership had not yet found financing. Advised client she was under no obligation to sign another contract, that she ought to sign only a correct credit application, and to call back if she did not receive her down payment back.

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#6: Client, 75 year old woman, went to [REDACTED] on February 18, 2004 to purchase a used car on credit, financed with a trade in valued at \$2,000. Client was looking for a year 2000 model as she is on a fixed income. The original contract for a 2003 Saturn was written for \$28,000 at 6% APR with payments of \$320.00 for six years. The next day the client returned to Vista stating she simply could not afford the car and that she wanted an older vehicle in the first place. Client then signed a second

contract for the vehicle at 8.5% APR for seven years with monthly payments of \$300.00. Sixteen days later, on 3/5/04, salesman called asking her to come in the next day because he thought he could lower her interest rate to 7.9%. At this time client had not received any acceptance or denial letters from lenders. We advised client. On 3/6/04 client went back to Vista with intentions of giving them the Saturn back and asking for her trade in. Vista insisted they found her financing on a new deal but refused to provide the lender's name when the client requested it. Vista then attempted to sell to the client a 2004 Mitsubishi and later in the day a Chevy. After several hours the client left with her Saturn. On 3/7/04 client returned to Vista and found out her trade in had been sold. Client also discovered that the credit application listed her income as \$3,000.00/month when her actual income is \$1200.00/month. Client waited to speak to the lead manager in order to get her \$2,000 for her trade in back but left after several hours. Client also waited on 3/8/04 to speak with someone to no avail. Client later reported that on 3/9/04 she purchased a different car from Vista and was credited the \$2,000 for her trade in. We did not get the terms. Client advised to wait and see if this deal went through and if not to call back.

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#7: Client went to [REDACTED] in November, 2003 to purchase a 2001 Impala on credit with a trade in and \$1,500 down payment. In December client was informed that the deal "fell through" and signed a second contract for a 2004 Impala. Again, financing fell through. Client then signed a lease for a 2004 Impala. In January 2004 client signed a contract for a 2003 Impala at 14.99% APR. In March 2004, client still did not have financing and gave the 2003 Impala back. Client was brought to Bill Heard Chevrolet to pick up his trade in and given back his down payment. Client's trade in had never been paid off; no payments had been made since November 2003, causing adverse information on his credit report and damaging his credit. Client was over income and referred to a knowledgeable attorney who has accepted the case.

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#8: Client went to [REDACTED] on or about September 20, 2003, to purchase a used 2001 Geo Metro on credit, with a 1993 Geo Metro (\$500) trade in and \$1200 down payment. October 14, 2003 client was called and informed that she needed to return the car. Dealership also stated that they had found a different car for her that she could afford. October 15, 2003 client signed a contract for a 2000 Dodge Neon selling price of \$9,000.00 at 28% APR for \$302.39 for 35 months. She was told they could find financing if she put another \$300.00 down. Client did not have \$300 but was told they would still try to find financing. Two weeks later dealership called again stating she needed full coverage insurance; client complied. Two weeks later, on November 19, 2003, client contacted dealership because her placard expired and her first payment was due. Client's friend brought payment to dealership, but it was refused. She was told to wait for a letter from a lender. On November 27, 2003 dealership called client demanding payment. On December 2, 2003 client attempted to make a payment at the dealership but it was again refused. On December 23, 2003

vehicle was repossessed by dealership. Client received a letter December 26, 2003 from Bill Heard demanding payment in full before January 5, 2004. Client received seven denial letters from lenders on the first contract. Dealer kept the car, the down payment, and the trade in. Client made complaint to DMV. DMV investigator reported that dealer advised a \$1,700 check was given to the client along with a release that she would not pursue further action. Client then advised she knew nothing of check and release. DMV investigator advised he would look into the matter further. Client placed with pro bono attorney.

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#9: Client went to [REDACTED] on or about October 8, 2003 to purchase a used car on credit with a trade in and \$1,000.00 down payment. Signed a contract to purchase a vehicle and it was spot delivered. On November 10, 2003 client returned to the dealership because his 30 day placard expired. Client signed a second contract with an APR 6% higher. In January, client returned to the dealership because his placard expired a month earlier. Client was informed they could not find financing for him and he could not have his trade in back because it had already been paid off. The dealership tried to sell him a different truck, but it was a standard and the client did not want a standard. Instead, the general manager gave him a new truck to drive with a dealer plate until things could be worked out. Several weeks later the dealership contacted the client requesting he return the dealership's truck. Client called seeking assistance having his \$1,000 down payment returned and some surplus on his trade in.

Client was over income for our services and was referred to Lawyer Referral. He was advised he was entitled to return of his down payment as well as his trade in vehicle, but if that were impossible because it had been sold, then its value.

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#10: Client went to [REDACTED] on or about February 9, 2004 to purchase a used car on credit with a trade in vehicle. Signed a contract to purchase a vehicle and it was spot delivered. Several days after purchase, dealership called stating that the deal fell through and she has to bring to vehicle back. February 16, 2004 client returned the vehicle to the dealership. Client asked for her trade in back but was told the contract was still valid and she had to find a different vehicle to purchase. Client called CCLS and was advised that she did not have to sign another contract and that the dealership had 15 days to find financing or the contract was void. February 18, 2004 Bill Heard returned client's trade in to her.

## Understanding "Yo-Yo" Financing Scams by Automobile Dealers

Most automobile dealers are honest businesspeople trying to make a living by selling cars for a profit. Unfortunately, there are also some unscrupulous scam artists out there taking advantage of military personnel. This article is intended to help the Fort Monroe community better understand the risks associated with buying a car, how to avoid car-buying problems, and the resources available to help you if you think you are the victim of a dealer scam.

Recently the United States Supreme Court ruled against a consumer, Bradley Nigh, who was the victim of fraud by a Virginia car dealership. The Supreme Court's decision did not legalize fraudulent dealership tactics, but it makes it more difficult for consumers to successfully sue a car dealership for certain types of dishonest practices. As a result, it is now more important than ever for car buyers, especially military members, to educate themselves and avoid scams in the first place.

**Who's got the yo-yo?** Nigh bought a used sport utility vehicle from a dealer who guaranteed very favorable dealership financing for the SUV. Nigh traded in his old car, took the dealer financing, and drove the SUV home. One week later, after Nigh had gotten used to driving the SUV and had shown it to his friends and neighbors, the dealer called to say that because of a problem with the financing Nigh must either pay an additional \$2000, pay a higher interest rate, or take a cheaper car. The dealer threatened to repossess Nigh's SUV immediately and have him arrested for auto theft if he resisted. Nigh decided he wanted out of the deal and asked for his trade-in back, but the dealer said it was already sold.

In this case, the dealer sold Nigh the SUV he wanted but pulled a bait-and-switch with the financing. He told Nigh the financing was guaranteed, then changed his story. This is called "yo-yo financing" because the customer is brought back to the dealership like a yo-yo on a string. This tactic is often illegal, and so is threatening arrest, but suing the dealership is time-consuming, difficult, and may not be worthwhile. The best thing is to avoid the yo-yo in the first place. Car buyers have several ways to protect themselves from this dealer scam:

1. Avoid dealership financing. Most car buyers compare prices before buying, but many do not compare financing deals. Once you have decided what car you want to buy, determine how much you will spend on a down payment and whether you need to take out an automobile loan. If you need a loan, you can get it pre-approved from a bank, credit union, or other reputable lender instead of the dealership. That means you find out before you buy the car how much you can borrow, and at what interest rate, to buy the vehicle. You can also do this using a website that has lenders compete for your business. Then go back to the dealership and buy your car. There can never be a yo-yo scam if you finance the car yourself. Beware the dealer who says you are approved to borrow much more than others are willing to lend; he could be setting you up for a scam.

2. If you choose to use dealer financing...Read the purchase agreement thoroughly. Look for a paragraph in bold print that says **"the dealer has the right to rescind (undo) this contract if the dealer is unable to find a lender willing to give the customer a loan for the proposed amount, interest rate, and term."** This is the yo-yo. If you don't want it, cross it out. Write your initials and the date next to it. Have the dealer's sales manager do the same. You may refuse to give up your trade-in, make payment, or take delivery of the vehicle until you know the agreement will be final. The dealership may not like it, but you have the right to propose your own contract terms. The dealership also has a right to reject your proposal. If so, you may consider doing business at a different dealership.

3. If you believe you may be the victim of a yo-yo scam, contact an attorney immediately. Your attorney will need to see all paperwork the dealership provided to you and the names of the people you

spoke to. Servicemembers, retirees, and their dependents can get free help in resolving problems like this from military legal assistance lawyers. The Fort Monroe Legal Assistance Office can be reached Monday through Friday, 0830-1630, at 788-3616.

Updated February 2005

E8-16



- LOCAL NEWS
- SHRAPNEL
- NEWS OF THE WEIRD
- WEB EXCLUSIVES
- LETTERS
- CITYLIFEPICKS
- 777/666
- MUSIC
- FILM
- KILL EVERYTHING
- HOROSCOPE
- BOOKS & LIT
- ART
- THEATER & DANCE
- DINING OUT
- LAST CALL
- EATS & DRINKS
- SAVAGE LOVE
- ARCHIVES
- CONTACT US

## Wound up: Consumer advocates warn car buyers about 'yo-yo sales'

BY MIKE ZIGLER

Paul Robello said he was wound, spun and whipped around when trying to buy a new car. The 52-year-old Las Vegan says the tricks in his auto dealer's "yo-yo" act left him thousands of dollars in the hole, with damaged credit and no new car.



Barbara Buckley and Dan Wulz outside of the Clark County Legal Services offices

In November, Robello drove off Vista Chevrolet's lot in a 2004 Impala. A month later, the dealership notified him that financing "fell through." Robello, though, could sign another contract at a higher interest rate for a vehicle of lesser value, the dealership explained. He found a 2003 Impala.

From December to February, Robello put 4,000 miles on the car before receiving another call from Vista Chevrolet. Again, the dealership said it couldn't finance the car. But a 14.99 APR was available. So, Robello signed a third contract.

Then in March, he gave up and gave the car back for his original trade-in. That's when he found out that his trade-in was never paid off.

"Vista stuck me with it," Robello said. "They told me: 'Don't worry, don't worry. We'll take care of everything.' Well, now my credit history is all screwed up because of that."

But a Vista Chevrolet finance manager, who requested anonymity, said Robello is not telling the entire story. The lender and dealer suspected Robello was nearing bankruptcy, based on months of missed payments to other lenders.

"Obviously, he's [about] to go bankrupt and was trying to get a car before doing so," the finance manager said, adding that Vista made \$2,000 in repairs on Robello's trade-in. "He got a better car back than what he traded in."

Robello said payments to all of his lenders were up-to-date.

Looking beyond this quarrel, this practice is deceptive and quite common, warn consumer advocates and the attorney general's office. Dubbed "yo-yo sales" and "spot deliveries," dealerships deliver a car to the consumer on the spot, after quoting a particularly low interest rate. The dealership then assures the customer that everything is approved for the sale.

Several days later, the dealership contacts the consumer to inform them that the financing fell through. Then a second contract at a significantly higher interest rate is offered. In extreme cases, the dealership threatens to repossess the vehicle and collect a high rental fee. This pressures the consumer to sign the second contract.

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E9-16

The problem with the deal is it's usually one-sided, said Assemblywoman Barbara Buckley. Buckley also serves as executive director of Clark County Legal Services, where Robello first took his complaint.

"There is something fundamentally wrong with a contract transaction where one party has the right to cancel and the other doesn't," Buckley said. "The dealer has the right to rescind, and many times they know the terms that they've already quoted are not going through. There goes the yo-yo."

Buckley has been fighting deceptive practices at auto dealerships since the late 1990s. In '97, she introduced a bill to require dealers to keep a trade-in for at least three days.

"One of the reasons I was introducing that was because we were having some people buying a used car, and the transmission would fall out before they even got it across the street," Buckley explained.

The bill also intended to prevent dealerships from selling a trade-in before informing a customer that financing fell through. This tactic leaves a customer with few options when presented a second contract and higher interest rate.

The measure, however, died. Buckley said it was because of the influence car dealerships have on the state Senate. The 1997 Legislature, though, did settle for a used car lemon law that required dealerships to disclose any defects with engines and drivetrains with more than 75,000 miles.

Dan Wulz, senior attorney with Clark County Legal Services, explained that dealers get away with yo-yo sales because they have a 15-day window to tell a consumer if they were approved for the quoted interest rate.

"I can't think of any other product that is sold this way," Wulz said. "You buy a house, there is a closing where you exchange the money for a deed. You buy something at the store, you exchange the money for the product."

Buckley, Wulz and Tim Hay, consumer advocate of the attorney general's office, are working with the dealers' association and Division of Consumer Affairs to end the 15-day window. They'd like to see the first contract be the only contract.

"I think most of the dealers will hate it because they want the consumer to take the car off the lot, fall in love with it that day and be committed to it," Buckley said.

The likelihood of ending the window depends on the willingness of the attorney general and the dealership industry to clean up the business, Buckley said. But cleaning up deceptive trade practices is tough, she and Wulz admit. Among the reasons: Companies can't control the practices of aggressive salesmen and it's tough to prove that deception actually took place.

Until the Nevada Administrative Code is reformed, Buckley and Wulz have an arsenal of advice. The bottom line, though, is don't sign a second contract without reading it.

"If the consumer signs the second contract, the judge will have expected them to read it," Wulz said. "And it happens to people all the time. People believe what the dealer tells them, but that's a hard case to prove."

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[Back to index](#)

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February 28, 2004  
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## State DMV launches investigation of area car dealerships

Erik C. Huey

By ERIK C. HUEY

REVIEW-JOURNAL

The Nevada Department of Motor Vehicles has launched an unprecedented 60-day investigation into complaints of possible deceptive practices and false advertising among Las Vegas Valley automobile dealerships.

The investigation follows a consumer alert issued by the Nevada attorney general's office earlier this month advising car buyers to be wary of unusual sales tactics by auto dealerships.

Although a state association representing new car dealers strongly denied widespread wrongdoing, the group conceded some members employ practices they don't condone.

At issue is complaints received by Attorney General Brian Sandoval and Consumer Advocate Timothy Hay regarding so-called "**yo-yo** sales."

The practice involves delivering a new car to a consumer without final financing approval. Sandoval's office, in a Feb. 3 statement, said victims of the practice believe their financing is final because the dealership quotes a low interest rate and tells them everything is in order. But, several days after taking delivery of the vehicle, the customer will receive a phone call asking him to return to the dealership because the financing "fell through."

The dealership then offers the customer financing at a much higher rate. If the customer rejects the new rate, the dealer repossesses the vehicle and then tries to collect a high temporary rental fee or bind the customer to the original sales contract.

"The problem with this transaction is its one-sided nature. The dealership expects the consumer to comply with the contract but the dealer has the right to rescind it at its discretion," the statement said.

Hay said the practice of "**yo-yo** sales" often involves customers with credit problems.

He also said that if the customer is asked to return to the dealership to refinance a vehicle, the customer can walk away from the transaction and pay no rental fee. Customers also are under no obligation to agree to a new contract, Hay said.

DMV spokesman Kevin Malone said the agency is also looking into allegations of misleading automobile dealership advertising. He said any misconduct will result in violations that can include fines ranging from \$250 up to \$2,500 per offense or revocation of the dealer's business license for repeated offenses.

"Auto dealer advertising is strictly regulated through the DMV. The basic rule is false, deceptive or misleading advertising is prohibited," Malone said.

Malone also added his agency has received repeated complaints about "a few of the bad apples that seem to cause all of the problems," although he would not name specific dealerships or dealer groups. He said other complaints his office receives includes dealers not delivering titles, failing to issue a bill of sale on time and failing to disclose all charges in an advertisement.

"We have not had a targeted investigation like this before," Malone said of the inquiry that began this week.

"What we found in both ends of the state is that some franchised auto dealers are including additional documents that may contain other contractual additions that they have the purchaser sign, conditions that are unfavorable to the consumer and favorable to the dealer," Hay said.

Hay said his office is reviewing regulations and is prepared to take corrective action or determine an appropriate legal method to protect car buyers.

"Many of these practices are often targeted to less sophisticated consumers who may not be aware they have been taken advantage of," Hay said.

Gary Ackerman, who runs the 80-year-old, family-owned Gaudin Dealer Group which includes Gaudin Ford on East Sahara Avenue and Gaudin Jaguar-Porsche-Aston Martin on West Sahara Avenue, said his dealers are trying to police themselves.

Ackerman is president of the Nevada Franchised Auto Dealers Association, a statewide trade organization representing more than 100 new automobile dealers. The group said statewide automotive sales totaled \$5.3 billion in 2002, the most recent year for which figures are available.

"We are very concerned about the number of complaints and the visibility of issues people are complaining about. While we're not an enforcement agency, we sent out memos asking our members to make sure their house is in order," Ackerman said.

Separately, Wayne Frediani, executive director of the same organization, stressed that such incidents such as "**yo-yo** financing" cases are isolated.

"Yes, there are a few dealers out there that need to get back into compliance, and we are not being an adversary. We have good civic dealers out there that have been in the business forever. But we cannot force customers to sign a new contract at a new rate," Frediani said.

Frediani added that it doesn't help when some customers come in and knowingly falsify income information on a credit application.

He also disputed the number of consumer complaints being registered with the attorney general's office and the office of Consumer Affairs. And he challenged Hay's office to provide data about where the complaints are coming from, and whether they are against new car dealers, used car lots or independent dealerships.

"There are over 1,500 licensed auto dealers in the state. Are the complaints coming in from used car lots also or are they coming in from just the new car dealers? I'm not getting calls from the Better Business Bureau. I just have a real question with the complaint numbers," Frediani said.

Deputy Attorney General Neil Rombardo with the Bureau of Consumer protection said it is

impossible to provide a such a breakdown because consumer complaints are registered among multiple agencies, from the attorney general's office to the DMV, the state Consumer Affairs office, the Nevada Financial Institutions Division and the Better Business Bureau.

"I personally know of at least 20 complaints from one dealer group received in our office and at least two dozen over the last year," Rombardo said. "People often times don't know that they do have the right to complain."

Hay said if consumers are at the least bit wary, they should walk away from the deal.

"Don't rush into transactions. If a customer feels uncomfortable, don't sign anything. And don't sign blank documents," Hay said.

Separately, Ackerman urged customers to shop around for financing, including obtaining a pre-approved credit line and a firm interest rate from a bank or credit union.

"We're dealing with a perceived lack of credibility," Ackerman said. "We like the car business, and I want to keep business in Las Vegas."



## The 'yo-yo' car sale trap

**You thought the new car was yours. Then comes the call a few days later. "There's a problem..."**

September 14, 2004: 1:05 PM EDT

By Peter Valdes-Dapena, CNN/Money

**NEW YORK (CNN/Money) - You've got your new car. You showed it off to all your friends. You've driven it to work a few a times. You love it. Then you get a scary phone call.**

"This is Jim from the dealership. There seems to be a problem with the financing."

You may find yourself looking at a higher interest rate than you originally agreed to, or facing pressure to buy additional insurance products.

If you take a car off the dealer's lot before financing's been approved by the lender, you could get that very disturbing call. If you do, be careful. There's a good chance you're being set up for a scam.

### Yo-yo

Taking a car immediately after negotiating a deal, but before final approval of financing arrangements, is called "spot delivery." Getting called back in because of an alleged financing issue is commonly called a "yo-yo sales" tactic.

Essentially, the dealer is getting a second shot at negotiating a deal that you thought was already settled.

Neil Rombardo, a deputy attorney general in Nevada, estimates that he hears from about 15 to 20 customers a year who get that type of call from a dealer. But that number represents a tiny fraction of all the cases that occur in his state alone, he believes, since most consumers never think to do anything other than renegotiate the purchase agreement.

"It's something that happens every day," he said.

If you find yourself in this situation, you shouldn't just go in and renegotiate the deal. First, find out what the options are and be aware that this may simply be a ploy to get you to give up more money.

Re-read your copies of any papers you signed to see what, if anything, your agreement says will happen if the financing falls through.

In some cases, you will have signed a contingency clause stating that you were being allowed to drive the car pending the approval of financing. If, for any reason, financing isn't approved the dealer can take the car back. It may be best for you to simply allow them to do that.

If there is no such clear-cut agreement, contact the office of your state's attorney general to find out what your rights are. Consumer protection laws vary from state to state.

Either way, be prepared to return the car back to the dealer. The dealer may not mention that you could do that or may even say that, since you've driven the car, you can't give it back.

Prosecutor Lombardo says that you would be well within your rights to do that.

J.A. "Doc" Watson of Humble, Tex., a former auto salesman who now makes his living as a consultant and expert witness for auto dealers and consumers, agrees.

"If the finance contract has not been cashed you can take the car back and unwind the deal," he said.

### **Just walk away**

Being prepared to walk away from the car at least puts you back on an even footing for negotiating a new deal. You may not even want to negotiate a new deal, though.

"If a dealership is willing to do that with you," Lombardo said, "you don't want to do business with them."

At the very least, the people working at that auto dealership aren't too sharp. Auto dealers have access to all of the same credit information banks have, and they should know what their financing partners are willing to accept.

Ben Dickison, finance manager for Kent Brown Toyota in Elmira, N.Y., said that these days there's simply no legitimate reason for a dealership to allow a customer to drive away without approved financing. Even at night and on weekends, automated systems can provide credit approvals for most customers.

Surprise rejections? "I can't imagine it 45 minutes later," he said, much less days later.

In many cases, experts say, a dealership may simply be taking a second shot at pressuring you into a better deal for them. In reality, the deal may never have been submitted for approval.

"Sometimes the dealer doesn't get the profit they should by their own mistake," said Phil Althouse, a Cleveland attorney who mostly handles consumer fraud cases. "So, they'll make up something and say, 'Hey it wasn't approved.'"

If you get called back in because of an alleged financing problem, ask the dealer for the name, telephone number and address of the lending institution that rejected the financing and the

name of someone there that you can talk to there. If your financing was actually rejected, you have a right to speak to the financing company about it.

### Avoiding the yo-yo

There are several things you can do to make sure you don't get into a situation like this. For starters, never drive a car off the lot without approved financing. If you can't get immediate financing for any reason, just wait until the financing is approved. Better yet, arrange your own financing before going the dealership.

Make sure you read, or at least carefully skim, every document you are asked to sign when purchasing a vehicle. Also, ask to take home a copy, front and back, of everything you've signed.

An unscrupulous dealer may tell you that the contracts contain propriety information, so you can't have a copy, said attorney Althouse. Wrong answer. You have a right to a copy of any document you've signed.

Finally, never sign any documents that aren't completely filled in. If there are spaces that are left blank because they're not relevant to your transaction, put a line through them, said Althouse. ■

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