

# THE Skanner

Challenging People to Shape  
a Better Future Now

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# Opinion

## FTC Takes Action Against 'Yo-Yo Scams' in the Auto Industry

**W**hen it comes to purchasing and financing a vehicle, Black and Latino consumers — more often than other racial or ethnic groups — are frequently targets of deceptive advertising and abusive financing practices.

In recent days, two law enforcement agencies have acted to curb yo-yo scams and other abusive and deceptive practices of auto dealer groups. The separate actions link a shared consumer abuse that occurs from Los Angeles to New York.

A settlement announced in mid-March between the Federal Trade Commission (FTC) and Sage Automotive, which has dealers throughout the Los Angeles area, requires Sage to stop yo-yo scams and deceptive financing and advertising practices. Sage will also pay more than \$3.6 million to be returned to consumers who were harmed by these illegal actions. This enforcement action is the first-time that the FTC has taken action on yo-yo scams.

Yo-yo scam occurs when a car dealer sends a consumer home thinking that the financing is final, but then later tells the consumer that he or she has to agree to a new financing contract or return the car. Often, dealers tell the consumer that the down payment is non-refundable, the car traded-in has been sold, and/



Charlene Crowell

NNPA  
Columnist

or threatens to have the consumer prosecuted for theft, if the car is not returned.

According to FTC's complaint, Sage frequently engaged in yo-yo scams, falsely told consumers that their money or trade-ins would not be returned, and threatened consumers with criminal

**“A car dealer...tells the consumer that he or she has to agree to a new financing contract or return the car**

prosecution or repossession if they did not sign new, more expensive finance contracts than they were initially promised.

By targeting financially challenged consumers and consumers with limited English language skills with false promises of low prices, low down payments and low monthly payments, Sage also packed unauthorized add-on products into contracts. The end result for many customers was that they drove off with a more costly financing contract than originally understood.

The FTC stated, in filing the complaint, “The car-buying process is a two-way street. The FTC expects dealers to honor their contractual obligations, and will pursue those who use yo-yo financing tactics and pack unwanted costly add-ons onto consumers’ contracts.”

“These practices are not new, but the increased regulatory attention is new and is very welcome,” noted Chris Kukla, an EVP with the Center for Responsible Lending. “We urge the FTC to continue to use their authority to create a level playing field in the

auto sales and lending market. This will ensure that legitimate dealers can fairly compete for business and that consumers will be treated fairly and honestly.”

On March 16, the New York City Department of Consumer Affairs (DCA) announced charges against Queens-based Major World. Major World's dealerships and its principals are charged with using deceptive and illegal practices to profit from low-income and non-English speaking consumers. These actions violate the city's own Consumer Protection Law.

“Our city's working families, so many of whom are im-

migrants and often struggle to make ends meet, rely on their cars to go to work and school,” said DCA Commissioner Lorelei Salas. “Buying that car is usually one of the largest purchases a family makes and it sickens me that Major World, who claims to treat its customers like family, so deceptively traps hard-working New Yorkers into auto loans they can't afford. Here in New York City, we are leveraging all the tools we have to curb this burgeoning national crisis.”

**Major World's deception includes:**

- Advertising Deceptively to Lure Vulnerable Consumers
- Inflating the Price with Non-Existent Accessories
- Falsifying the Consumer Credit Applications and
- Failing to:
- Disclose and even conceal financing terms;
- Provide contracts in Spanish after negotiating in Spanish; and
- Sell roadworthy vehicles

DCA is seeking revocation of Major World's licenses to operate second-hand automobile dealerships in New York City and nearly \$2 million in restitution and fines from Major World on behalf of 25 known consumers who were harmed by its deceptive and unlawful practices.

## America's Middle Neighborhoods: Neighbors on the Edge

**E**ver heard the term “middle neighborhoods”? If you haven't, you have likely visited, lived in or driven through one more recently than you think.

Middle neighborhoods are communities on the edge of growth and decline. When we discuss middle neighborhoods we are describing neighborhoods that have four main characteristics: neighborhoods where homeowners can purchase real estate for an affordable rate, neighborhoods where crime rates are low, neighborhoods where school performance is sufficient, and neighborhoods where employment rates are adequate. Essentially, homebuyers in middle neighborhoods are willing to test the odds with the hopes that their neighborhood will improve rather than decline.

Middle neighborhoods are areas that are doing just well enough. We are not focusing as much resources or attention on these neighborhoods because we have yet to see an increased need to invest in these areas. However, if we aren't careful these neighborhoods will teeter towards decline overnight.

In Philadelphia, over 40 per-



Dwight Evans

State Rep.  
(PA-02)

cent of the population lives in middle neighborhoods.

I know firsthand what is at stake for America's middle

**“Our middle neighborhoods need a clear lane in both our public policy and investment conversations**

neighborhoods. I grew up in North Philly and today I live in West Oak Lane just blocks away from Germantown High School, my alma mater.

Two main trends are contributing to decline in our middle neighborhoods. One, housing trends show that jobs are moving away from middle neighborhoods and second, many suburbs compete with new homebuyers for residents.

This brings us to the question: what are some ways we can counter these trends to help America's middle neighborhoods?

As a former Chairman of the

Pennsylvania House Appropriations Committee, I fought hard to expand access to healthy, fresh foods for everyone in our city and across our state; and supported efforts to provide adequate funding for our public schools.

The first bill I introduced in the 115th Congress, the Rehabilitation of Historic Schools Act of 2017, H.R. 922, would amend the Internal Revenue

Code of 1986 to allow public school buildings to qualify for the rehabilitation credit which in turn would give our public schools the necessary resources and funds to make improvements to school buildings across the country.

How can we expect our students to better themselves when their classrooms are falling apart around them?

We need a public school system that supports the needs of our students, teachers and parents. Our students already have a lot on their plates, and shouldn't have to worry about going to school on an empty stomach.

Thus, when we think about the issue of food insecurity in our middle neighborhoods we need to look for ways to broaden access to fresh, quality, affordable foods for people in our most underserved areas.

During my time in the Pennsylvania State Legislature, I championed Pennsylvania's Fresh Food Financing Initiative which links public and private funds to expand and build grocery stores in food deserts across our state. Through the initiative we brought nearly 100 grocery stores to areas in Philadelphia and underserved areas across the commonwealth that previously had very limited access to fresh fruits and vegetables.

Our middle neighborhoods need a clear lane in both our public policy and investment conversations. We need to be cognizant and incredibly vigilant as this relates to housing trends that are impacting our city.

Middle neighborhoods are home to real people like you and I. Now is the time to refocus, redistribute and reinvest our attention on building a policy agenda that puts America's middle neighborhoods back on top.