



## Consumer Federation of America

April 18, 2017

### ASSEMBLY FLOOR ALERT

## **AB 380 (Dababneh)** **ELIMINATES IMPORTANT PROTECTIONS FOR CA CAR BUYERS,** **MAKES IT HARDER TO PROVE FRAUD and OTHER ILLEGAL PRACTICES** **OPPOSE**

Dear Honorable Assemblymembers:

The Consumer Federation of America (CFA) is an association of over 250 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

CFA urges a NO vote on AB 380 (Dababneh), for the following reasons:

Under existing law in California, the Uniform Electronic Transactions Act exempts certain transactions which are particularly high-stakes for consumers, including auto sales and leases and home purchases. That is sound public policy. Currently, auto dealers are not permitted to enter into electronic contracts for the purchase or lease of new or used motor vehicles. This bill would allow such practices.

Typically, electronic transactions involve credit cards and purchases that are relatively simple, generally involve relatively small dollar amounts compared with a car or a home, and where there are statutory safeguards including under the Fair Credit Billing Act against illegal practices, such as fraud and identity theft, and limits on the consumer's liability. Those protections are lacking in auto purchases and leases.

Car purchase transactions are the second-largest purchases most Californians make, second only to a home. Those transactions are also uniquely complex and complicated, involving negotiations and decisions over the make / model / condition and price of the car, the price of any traded-in vehicle, the length of the loan, the interest rate, and numerous add-on items or prepaid services with huge markups and profits for dealers, but little or no real value for car buyers.

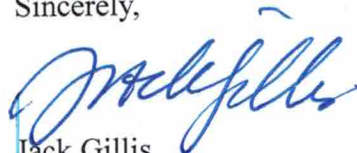
Unfortunately, AB 380 would have some serious unintended consequences. It would make it far easier for unscrupulous car dealers to engage in fraud, forgery, and other illegal practices, and make it much more difficult and expensive for victims of such practices to prove violations of the Automotive Sales Finance Act, Rees-Levering, Consumer Legal Remedies Act, or other consumer protection laws.

Compared with paper documents, which can show tell-tale signs if they are altered, or if there are forgeries, electronic documents are easy for unscrupulous dealers to game. California consumers have already started complaining about dealers who are violating the UETA and using e-contracting. AB 380 would make it far easier for unscrupulous dealers and predatory lenders to get away with committing fraud. It would severely disadvantage moderate and low-income car buyers, who lack the funds to hire expensive experts and attorneys in order to gain access to the computerized records and software, to challenge the accuracy of the documents. As a practical matter, it would become impossible to prove technologically sophisticated schemes including fraud, forgery, or other serious violations of the law.

New and used car dealers rank # 1 among consumer complaints filed with the Better Business Bureau. California car dealers have been the targets of enforcement actions by the Department of Motor Vehicles, California Attorneys General, and the Federal Trade Commission over practices such as forgery, selling "used" vehicles as "new," yo-yo financing, false and deceptive advertising, bait-and-switch, loan-packing of unwanted items, pocketing funds intended to pay for add-ons, and other serious violations of the law. According to the Board of Equalization, auto dealers repeatedly rank among the worst tax scofflaws in the state. It is clear that car dealers cannot be trusted not to abuse the new means of ripping off their customers afforded by AB 380.

In short, the potential harm posed by AB 380 far outweighs any supposed benefits. Therefore, we must oppose the bill. Should you or your staff have any questions regarding our position, please do not hesitate to contact us directly.

Sincerely,



Jack Gillis

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