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FINANCE & INSURANCE: The enforcer

California's Steve Gourley is tough, he's bold, and he's cracking down on dealership F&I practices

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Steve Gourley always has enjoyed the haggling involved in buying a car.

As a customer, the former corporate lawyer could hold his own when a salesperson applied pressure, and he has railed at dealership employees who have overstepped their bounds.

"I would walk out but leave my business card and tell them if they were serious to call me," Gourley, 54, says.

But he had no idea that he eventually would police dealership sales practices, much less that his tough enforcement tactics would have an impact on the industry.

In 1999, the California Department of Motor Vehicles appointed Gourley director. Since then, his willingness to challenge large corporations and levy stiff penalties has shaken California car dealers and had a ripple effect on dealers nationwide.

Gourley is not the first state regulator to crack down on questionable finance and insurance practices in recent years. But his investigation and six-day shutdown of Gunderson Chevrolet in El Monte, Calif., drew national attention three years ago. Gunderson is owned by AutoNation Inc. of Fort Lauderdale, Fla., the nation's largest auto dealership group.

"We were all forced to look at our operations and what our people were doing," says Fritz Hitchcock, CEO of the eight-store Hitchcock Automotive Resources in City of Industry, Calif. Hitchcock just finished his term as president of the California New Motor Vehicle Board, which hears appeals of the motor vehicles department.

Approach may spread

Gourley's inclination to close dealerships is what makes dealers tremble. He suspends or revokes licenses, even if corporate owners blame shady practices on wayward employees. Gourley also presses for a settlement that requires the dealer to fund the state's investigation, legal fees and future compliance checkups.

"Corporations are more than willing to turn in their employees for prosecution. They can hire other employees," Gourley says. "But they don't want downtime on their licenses."

The strict approach could catch on in other states. Members of the National Association of Motor Vehicle Boards and Commissions listened attentively as Gourley described his legal battle with AutoNation during their San Francisco meeting on Feb. 2.

"I think his approach is novel," says Brett Bray, director of the Texas Department of Transportation's Motor Vehicle Division. "We often think criminal prosecutions and court-based proceedings are more of a deterrent against fraud than administrative proceedings, but I heard him convincingly say these big corporate licensees are really more afraid of the administrative proceedings."

Bray says he intends to take what he learned from the Gunderson case to the Texas Motor Vehicle Board to demonstrate what California has done to curtail fraud in the F&I office.

Tough reputation

Gourley has a sense of humor. He joked during his San Francisco speech that he can't tell people at cocktail parties what he does for a living because they might harp at him for long lines at DMV offices.

But he is no-nonsense in dealing with shady sales and finance practices.

Gourley developed expertise in finance lending from 1973 to 1999 as an attorney with the U.S. Securities and Exchange Commission, as chief deputy commissioner of corporations for California and as an attorney in private practice.

He acquired a reputation as a tough law enforcement officer as chief deputy commissioner of corporations, when he was responsible for a task force that brought 81 civil actions and 28 criminal actions that recovered more than \$500 million in investor funds from mortgage brokers.

Gourley says his predecessors were reluctant to challenge large corporations and take businesses to court.

"Government had the tendency to go after the small fry," he says.

Since he became director of the California motor vehicles department in 1999, Gourley has revoked or suspended 440 dealer licenses, a historically high number but not a record.

He says he has differentiated himself from his predecessors by requiring dealers to fund future monitoring of their dealerships.

Gourley's six-day suspension of Gunderson's license was the longest he could issue without jeopardizing the dealership's franchise. The store's dealer agreement says closing a dealership for seven days or more is grounds for termination.

Not camera shy

Gourley does not shy away from TV cameras. He believes it is important to publicize settlements to show the industry that the department is willing to enforce the law - particularly against larger players. The department's contact with the media is up 50 percent to 70 percent since his appointment, Gourley says.

"You show the conduct is unacceptable and send a message to the industry that the big guys don't get special treatment," he says.

But Gourley's vocal stands have made him persona non grata to some auto retailers.

AutoNation petitioned the Los Angeles Superior Court to remove Gourley from the Gunderson case, alleging that he was biased and that he had conducted a smear campaign against the dealership. The petition also asked the court to dismiss the complaint against Gunderson. The court denied the petition.

Said AutoNation in a statement: "At the same time we were negotiating a settlement of the matter in good faith with the DMV and the district attorney, and before the first piece of evidence was heard in the case, Director Gourley and his staff went on a media blitzkrieg pronouncing Gunder-son guilty of all charges, and Director Gourley showed the New Motor Vehicle Board a highly inflammatory, inadmissible videotape related to the matter.

"The rogue employees for the Gunderson matter were immediately terminated and full restitution was provided to customers. AutoNation was praised repeatedly (by the Los Angeles district attorney's office) for its involvement and cooperation on the Gunderson case."

Other dealers disagree with AutoNation's assessment of Gour-ley, even though they fear his surprise compliance checks.

Says Hitchcock: "He did what he had to do in the Gunderson case. The abuses had gone on for some time, and he kept right on it. He has ruled with a firm hand but a fair one."

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