

## **Auto Dealers' Predatory Practices Target Our Troops Oversight Required**

Auto-related scams are the leading source of financial readiness problems for active duty military personnel and their families.

- The U.S. Marine Corps reported, "buying cars causes more problems than any other single financial factor" for their personnel.<sup>i</sup>
- Other studies report that "many scams related to automobiles target military personnel"<sup>ii</sup> and that "cars are a big source of financial trouble for service people."<sup>iii</sup>
- The U.S. Navy Fleet and Family Support Center acknowledged, "almost every service member will purchase a new or used car while on active duty. [They] will probably spend more of [their] income on automobiles than anything else."<sup>iv</sup>
- A 2009 article reported "so many young enlistees have been targeted in recent years that some officers now call predatory dealers a threat to national security."<sup>v</sup>
- In order to protect their troops, some commands have declared certain car dealers off-limits.<sup>vi</sup>

Not only do predatory practices harm military personnel and their families, but they also undermine the general fitness of the military. When a soldier has "pressing financial problems, their performance in the field can be significantly compromised, even to the point of endangering themselves, their unit and the mission itself."<sup>vii</sup>

Common auto dealer scams that target military personnel include:

- "Yo-yo" financing, a form of bait-and-switch, where the buyer ends up being switched to a higher interest rate and/or larger down payment, often under threat or intimidation.
- Buy Here / Pay Here car lots sell overpriced junkers that require immediate repairs the buyer cannot afford. The car is then repossessed and sold again to another unsuspecting soldier.
- Falsification of credit applications and other documents steer military personnel into loans they cannot afford.
- Failure to pay off liens on traded-in vehicles damages the credit of unsuspecting military personnel.
- Loan packing of unwanted, overpriced items inflate the principal price of a car.
- "Power booking" - the practice of selling extras that are never delivered.

**Congress Must Act To Protect Our Troops  
Oppose Carve Outs for Auto Dealers**

---

<sup>i</sup> Financial Fitness, United States Marine Corps, Final Report, 2000.

<sup>ii</sup> "Operation: Military. Scams Against the Military: What Are They, Why They Occur, and How You Can Protect Yourself and Your Family" New York State Consumer Protection Board, at [http://www.nysconsumer.gov/pdf/operation\\_military.pdf](http://www.nysconsumer.gov/pdf/operation_military.pdf)

<sup>iii</sup> "In Harm's Way--At Home: Consumer Scams and the Direct Targeting of America's Military and Veterans." National Consumer Law Center, May 2003, page 40.

<sup>iv</sup> The Navy Fleet and Family Support Center, Provided by Commander, Navy Installations Command.

<sup>v</sup> "I Love A Mark In Uniform," *Mother Jones*, July-August 2009.

<sup>vi</sup> "Army Puts Arizona Dealership Off-Limits," *Automotive News*, August 12, 2008.

<sup>vii</sup> "Financial Fitness, "United States Marine Corps, Final Report.