>> Robin Thurston: Hello, everyone. We're gonna go ahead and get started to try to keep us on track this afternoon, not keep you all here too late. My name's Robin Thurston. I'm an attorney with the Federal Trade Commission. And this is Panel 6, which is "Special Programs to Enhance Consumers' Financial Literacy." We have another great group of panelists. To my right is Susie Irvine, who is president and CEO of the AFSA Education Foundation. Next is Jerry Jackson, a personal financial management program manager at Lackland Air Force Base. To his right, John Van Alst, an attorney at the National Consumer Law Center. And, finally, at the end of the table, Greg Zak, who is president of the Community Auto Finance Association and president of Horizon Automotive, Ltd. And with that, we'll get started. First question to the panel is, what programs exist that do enhance consumers' literacy in car buying and financing? Susie?

>> Susie Irvine: I'll jump right on that one. The AFSA Education Foundation has really been involved in auto financing, vehicle financing, for many years. Back in 2003, we developed the "Understanding Vehicle Financing" brochure with NADA. And this was reviewed and prepared in cooperation with the Federal Trade Commission. At the time, I really relied upon a lot of my background in developing this. I used to be a director of a consumer-credit counseling agency that serviced military at Fort Jackson. We had a satellite office there. So I knew that one thing that everybody needed to do before taking out a loan was to determine if they could afford the loan, that they needed to prepare a monthly budget. And so every one of the brochures that we have at the foundation has a budget in it. The other thing that we feel strongly about is that people need to do comparison shopping. And when they're comparison shopping, they need to actually know what those terms mean, so we provide a glossary of the terms. So we have in this brochure -- We go into cosigning, leasing, APR, and then things you need to know before, after, and during the process.

>> Robin Thurston: Thank you. John?

>> John Van Alst: Thank you, Robin. In terms of what programs are out there that are effective, you know, I think there are lots of really great efforts. I can specifically point to NACA -- the National Association of Consumer Advocates -- and CFA and efforts to create brochures that help car buyers. A number of other entities. I actually work with -- direct a program called "Working Cars for Working Families," that works with a number of nonprofits that provide cars to low-income families. Its subsidized rates were basically at no cost at all to the consumer. And tried to do consumer education, as well. There are a lot of other -- [Speaks indistinctly] But I do think it's concerning the folks who have looked at this. There was a recent GAO study in April of this year. I know CFA -- Consumer Federation of America -- looked at some of these issues last year in some testimony that they were giving, as well. And these are, you know, entities that really -- especially CFA -- really do a lot of consumer education, and found that, unfortunately, there's really very little empirical evidence that any of these programs are effective in changing consumer behavior. I think consumer education is incredibly important. But when we look at programs that are successful -- Right now we don't have a lot of -- And I know that's what the FTC is looking for -- data. We don't have a lot of data that any of these programs are actually changing the behavior of the consumers when they -- [Speaks indistinctly]

>> Robin Thurston: Greg.

>> Greg Zak: Well, first off, let me say I'm a car dealer. I'm not a crook and a criminal here, okay? In my experience, the person coming in on a car purchase, I would say, to start with, if they're credit-challenged, it originally started at home, in that they were not educated on responsibilities and obligations. So as we look to address this issue, I think we can probably look at each of us here and either look in the mirror and pat ourselves on the back or point the finger at ourselves that we didn't teach our own children to be responsible. And I see that on the individual consumers that come in to our lots to purchase a vehicle, where they're 18, 19 years old, and they have pages of charged-off obligations on their credit report, and you're like, "How could that happen so quick?" Well, they really weren't taught from the beginning. So in our dealership, we try to go through and educate them. We go through a cash-flow model with them to determine what's their ability to pay and what they can afford. And most times, it's not the vehicle that they're looking at. But I would feel that I failed in my obligation as a dealer and as an individual, putting them in something they couldn't afford. We failed from the beginning. And that's the last thing that we want to do is fail from the beginning, 'cause we failed that person from the beginning, so...

#### >> Robin Thurston: Jerry?

>> Jerry Jackson: As a financial counselor for the Air Force, we primarily try to touch our new members coming in, and it's primarily the Air Force folks. We try to instill in them financial literacy, and we try to encourage them to use the resources that are available to them, like their bank and their credit unions, okay? we have a class -- it's called First Term Airmen's Center -- where we actually go through financial literacy. We start with the budget and spending. We talk to them about financial institutions and about how to use those. Credit cards, checkbook maintenance. Credit and debt issues, 'cause that do affect our military readiness -- not just the military, but the civilians as well. And in car buying, we have someone that actually comes in as one of our financial institutions, someone from one of our credit unions. She comes in, and she does about an hour briefing on car buying. She goes over financing. She goes over insurance -- gap insurance -- those type things -- trade-ins, okay? And basically you're just trying to give them a wealth of knowledge about car buying. And so we just try to use the basic financial literacy and being knowledgeable about using financial resources.

>> Susie Irvine: I'd like to say one more thing about it. We feel pretty strongly that financialliteracy education really needs to be in grades K through 12. Much like math and reading, these concepts can evolve over time. To that end, we did develop "MoneySKILL," which is a complete online textbook that's been converted to an online course. And retention -- I would agree with John. That's one of the next things we want to do with our "MoneySKILL," is to test the stickiness of the skills over a period of two to three years with the students going through it.

>> Robin Thurston: Now, are there areas -- specific areas of car purchasing or financing -- in which financial education has been relatively more successful or less successful -- or specific issues? John, go ahead.

>> John Van Alst: I think -- You know, it was interesting -- our first panel this morning, when Keith brought it up -- how complex these transactions actually are, that you're negotiating and purchasing a car, you're negotiating and purchasing financing, you're negotiating -- selling your trade-in. Oftentimes, there's a whole litany of add-ons that you're trying to make a decision about, as well. And that's a very difficult assignment for anyone. You know, I do this work, you know, and have for years and years. And it's something that I would feel, you know, go to buy a car. This is a very important thing to do. You know, the GAO did a study, and I think it's right around 50% of the folks in the United States can read at an 8th-grade level. I think it's a lot to expect that education -- learn financial education, learning consumer education awareness, and then address these issues. I think it's important in all of our discussions today that we have to look at regulation -- effective regulation -- effective enforcement of regulation -- and consumer education if we're going to actually address these issues. It was really interesting earlier in the previous panel when Pam talked a little bit about the need for transparency. And in order to achieve a lot of these things, we're certainly are gonna have to have regulations that make these transactions transparent. When we look at different methods of educating people -- a lot of discussion -- At lunch we were talking a little bit about problems people encounter when they're buying a car. And there was a discussion about whether this is just people who are buying a car for the first time, people who have bought a car before. Unfortunately, we have to recall people are only gonna buy a car probably, what, once every five years or so. So I think it's difficult to expect that we're gonna do education and this is something that they're gonna understand -- how to buy a car for the rest of their life. It's a constantly changing marketplace. As I said before, incredibly complex, and it's a lot to learn for something that you're gonna do only a few times in your life. And there are many things that you just can't figure out what's happening, even if you know to look for it. You can't figure out, as a consumer, you know, if your loan's being marked up or by how much. You can't know whether or not, in fact, your dealer who got, you know, money to sell you the service contract, in fact, went ahead and paid the premium, you know, or didn't. And a lot of these things, unless something goes wrong, you'll never know that you were, in fact, the victim of some of these abuses. So without that knowledge, you know, even going through the process prior -- previously -- doesn't necessarily make for a better-educated consumer in the long run. So I think there's a whole litany of areas in the auto purchase and finance transaction where consumer education alone is not going to address these issues. It has to be in conjunction with effective regulation and effective enforcement if we're gonna really accomplish anything.

>> Robin Thurston: Jerry.

>> Jerry Jackson: Okay, for our military members, we try to offer that open-door policy as a financial counselor. We do the initial training, but then we also offer them that one-on-one -- You can come in and sit down and talk with a financial counselor. We can help you to go over those steps for doing effective car buying. And if they don't want to come in and talk to us, well, then go to your bank or your credit union. For example, USAA has an excellent car-buying service. It will take them through the steps of car buying. It would give them an idea of what the value of vehicle would be, new or used. So they have an idea what this car should be -- \$20,000. And they go in this car lot, and the car's selling for \$25,000, they know that that car is overpriced. They have a starting point or a reference point and they can know just about what they should need to be paying for those automobiles. And then they have a resource to come back, and if you have a question, you have someone that you can come in and talk to.

>> Robin Thurston: How about techniques that work particularly well? So not subject matter so much, but the method by which you could educate a consumer, say, social media, or more traditional techniques. What does work and doesn't work? Susie, go ahead.

>> Susie Irvine: I think you have to look at the age group. If you look at our 18- to 24-year-old -the Gen Y's -- it's social media. I mean, if they want to buy a -- looking at buying a car, they're just gonna go on Facebook and say, "Looking to buy a car. Any recommendations?" And there's gonna be all kinds of comments put on. I can go and put something on Facebook, and I'm amazed that people even respond and read the stuff, but they do. And you look at the young people --That's the only way they seem to communicate right now. So I think social media is a great way. I just had a thing that came across on my BlackBerry a while ago that said that the next car buyers are looking at information on their iPhones, their iPads, their Androids, and the BlackBerries. That's how they're getting the information. And when I looked around this room, I think everybody had a BlackBerry, an Android, an iPhone, or an iPad in front of them. And they were using them. So I think it's really, you know, the new way.

>> Robin Thurston: Greg.

>> Greg Zak: Well, many times in our sales process -- I believe it's the one-on-one interaction with the actual consumer. Sitting down with that person, you know -- "What is your income? What your expense obligations?" Come down to the very end -- You know, "What can you afford?" And it doesn't do us any good, make any sense for us or the consumer, be it military or nonmilitary, if they can afford a \$350 payment, we put them in a vehicle that's \$600, 'cause they're gonna fail the first month. So just walking through that process with that individual. And many times, it's getting them to understand and come into reality -- "This is what I can afford." And many times, they don't like to hear that. You know, they do like that shiny Mustang or whatever. But we have to tell them, "No. The car that you can afford are these cars over here in the back. It's not that we're trying to stick you in something. We're trying to sell you the cars that will work at the price and the payment that works for you." So I believe programs are wonderful, but when you get down to the individual car purchaser who's there on the lot, is walking through and taking the time to sit down with that person and let them know what they can afford and what they can't.

# >> Robin Thurston: John.

>>> John Van Alst: If the goal of consumer education and financial literacy is to actually change the behavior of car-buying consumers, as I mentioned earlier -- GAO, CFA, others have found that, unfortunately, none of the existing programs have been shown to be effective in doing that. And so we've talked a lot earlier today about sort of the programming within the military to try to improve financial literacy. And just last year, John McHugh, the Secretary of the Army, wrote a letter to the chairman of the committee -- banking -- in the Senate and said that though the Army does educate our soldiers about buying cars in our National Financial Education curriculum, the fact remains that junior enlisted soldiers, many of whom are drawing a regular paycheck for the first time in their lives and are inexperienced in financial matters, remain an easy target, and we owe them protection and oversight. And I think that's just the key, that, you know, in order to make financial literacy and consumer education effective, it has to be part of a larger structure that really puts it in a place where what we're trying to teach people about are things that you can teach people about. You know, just thinking about buying add-ons. Forget the financing, the car purchase, and all that, you know. There have some been studies that consumers have a real hard time understanding probability. You know, we tend to simplify things. Not like an actuary who sits there and looks at

this as a percentage or whatever. We tend to just say there's sort of a high chance, a medium chance, and low chance and simplify our decisions because it's such a complex decision to make. So when you're out trying to buy, decide -- You know, earlier Keith said, you know, most consumers, it's a bad deal to get credit life insurance, credit disability insurance. You look at the payouts compared to the premiums, and it's not a good deal for consumers. But for a consumer to try to make that decision and try to get all that information and understand all that information is a really incredibly complex and difficult thing that I think, you know, a lot to expect.

>> Robin Thurston: Are consumers interested in increasing their financial literacy, and if they're not, any ideas why not?

>> Susie Irvine: I would say they are interested, and I'm just gonna fall back on -- I looked at the hits on our "Understanding Vehicle Financing" brochure, and there's been, to date, just this year, online, 6,000 hits, of people going in to look at the brochure and utilize it. I can't imagine anybody going in, and I'll use myself, you know, to buy a car, without spending some time preparing myself for it. And, I think, you know, maybe our 18- to 24-year-olds, they're more convenience-driven and maybe a bit more impulsive, 'cause they're young and they see the shinier cars. But hopefully, either they will take the time to prepare themself, or they will go to a dealer that will point out to them this is a pretty important decision. And we need to make sure that you can afford that car that you drive out of here. There's a responsibility on both parts.

>> Robin Thurston: Greg.

>> Greg Zak: Well, I would agree with Susie on that, shall we say, older consumer -- not necessarily older, but certainly not that 18- to 25-year age group. Many times, in my experience with that age group, whenever you're looking at their credit report and they do have numerous obligations that have been charged off on the credit report, and you go to engage them and talk to them and say, "Look, you know, you've got a dozen different obligations here -- obligations you didn't pay." And they total most times a minimal amount of money -- \$1,000. A couple thousand dollars. And I have talked with numerous of them. Say, "Go back, contact these creditors, and pay this to help yourself, you know. It will translate into you multiple thousands of dollars years from

now, and that you won't be succumb to paying higher interest rates on trying to purchase and finance -- purchases. And you won't be told no so many times." And for many of them, it's just, you know, no one's ever told them that. And I tell them, you know, "Many times, these creditors will settle for 10, 20 cents on the dollar. But you need to take the step in order to go do that." And unfortunately, we have too many -- those being, I think, attorneys or different type of agencies around that are advertising, "Come to me, I'll wipe out all your past sins." well, there's nothing more the consumer can do themselves by contacting the credit bureau and going through and inquiring about those items on their credit report to see if they're actually legitimate or not. And I tell them many times, "You can do that yourself for free." So I tried to encourage them to do that, and I've done that many, many times over the years. Unfortunately, that younger age group doesn't seem to care. And that's the real sad part, that they continue to go along in life and they don't care.

# >> Robin Thurston: John.

>> John Van Alst: I think that, yeah, probably Susie sort of said earlier -- the folks who probably need education the least are those who probably have the most incentive to go get it and are the most likelihood that they're gonna go get it. And the folks -- You know, if it's service member about to do a tour, and you think perhaps -- I don't know if it's rational or not, but, you know, if I come back alive and over my head and under water on this car loan, gosh, there are a whole lot worse things that could happen. You know, this is what I want to go out and do. Or if you've got --You know, Greg mentioned earlier -- Folks who began at home -- You know, they never learned a lot of these sort of principal, basic issues around financial literacy. At that point, if this is gonna be such an overwhelming undertaking to try to understand this transaction, you probably do have -- I forget who it was earlier -- One of the panelists said, you know, you're gonna pay for this one way or another, either in a bunch of abusive sort of costs or from your wallet or in time spent trying to learn and understand this transaction. I think for folks who -- It's gonna be a real undertaking just to get to the point where they sort of understand compound interest and all those other sort of basic principles. They sit down and look and think, you know, "Is it really gonna truly be worth it to go through all of this for this transaction?" I think that's a real detriment. There's no easy answer. When I used to work at Legal Aid, I used to do day-long sort of attempts at car-buyer education. We'd go out to a community college and get a mechanic to show, you know, sort of what you ought to have your mechanic look at before you buy a car. Tom Domonoske came to a couple of them and talked about what he ought to look at in terms of financing and all sorts of other things. I'd try to keep up with him afterwards. But just, you know, one day, even, spending a full day with people, it's so overwhelming what you need to know to try to even come out halfway safe from car transaction. If we talk about costs -- You know, earlier there was some discussion about what the costs are if we regulate self-help repossession -- what that cost means in terms of people. We think about the cost of spending eight hours or so that you're getting education in the military, and the Secretary of Army has said that's not sufficient to address these abuses. If we'd apply this to the entire population of the U.S., we think about what that cost is. Even if we did think we had some program that proved empirically, actually changed people's behavior, what cost would it be to implement? So I think we really have to look at those three prongs collectively, not one individually. We need to look -- enforcement, regulation, and education.

>> Robin Thurston: Jerry.

>> Jerry Jackson: From the aspect of the military, one of the costs for folks not being -- not managing their finances or not being financially healthy is it affects our readiness. And I say "our," because it could be the military member, or it could be a civilian person also. The military, because Homeland Security stepped up an effort to identify folks that are having financial issues. And what they would do is send them to us. it would be identified. Then it would be sent to Personal Financial Readiness, which is my office, and then we will address whatever issues are affecting their security clearance. And it's usually something revolving around their credit report. As Greg mentioned, small things like small debt that has been lagging for four months or more. Now it's been written off. What we will do is try to address those small issues. And once we get that person into the office, once again whether it's military or civilian -- Once we get them into the office --And we can address small issues in their credit report and get them on the road to being financially healthy. They usually get an interest in learning other things. "Now that I've addressed my credit report, how can I improve my credit score?" Okay? "I need to buy a car. How can I buy a car? How can I buy a house? How can I put away money for retirement?" So once we get them in the door, and a lot of times, it's just that first contact with them. And they won't come in unless there's an issue that has driven them into our office, so...

>> Robin Thurston: Are there things that dealers are doing now that work or that dealers could be doing to help consumers make better decisions? Greg, you were talking about real one-on-one interactions. Anything else?

>> Greg Zak: Well, other than an individual one-on-one interaction, you know, I'm not sure what else that you can do. But I think that's really where that process needs to begin, is to really educate that consumer of what their real credit is. Most people don't do that. If they go apply for a credit card, they'll get the denial in the mail. You know, they'll have a couple of reasons checked off as to the reason why they were denied a credit card. But no one really sat down and explained to them the reason why they were denied, other than slow obligations, repossession, charge-offs, whatever. And meantime, that individual -- They don't always know what that means. So, you know, for us, I think, as the sellers of the automobiles, I think we do ourself and the consumer a favor by walking through the process with them and explaining what's on their credit and trying to help them out.

>> Robin Thurston: Susie.

>> Susie Irvine: I think a lot of dealers -- They're the biggest distributor of this "Understanding Vehicle Financing" brochure. Also, it's on NADA's website, on many of the dealers' websites. They can link right to this that's online. So they're making the customers aware that they need to educate themselves.

## >> Robin Thurston: John.

>> John Van Alst: I think it's asking a lot of dealers to expect that they're gonna educate consumers, especially in areas where there's not an alignment of incentives. So I think one thing we can look at is, what can we do to give dealers incentives to do things that are good for consumers? In other words, to make sure that the things that make dealers the most profits are the same things that make consumers the best off, you know? The issue of -- We talked earlier about mark-ups and putting people in more expensive financing that results in greater dealer profit. Better to align things so that the dealer is structuring the transaction so that it's best for the consumer. But at the same time, that's what makes the dealer the most money and puts them in the best position.

>> Robin Thurston: Now, how can anyone else who's interested in improving financial literacy, say your group, John, or others, reach out to consumers? They have to go to a dealer if they want to buy a car, so that's one way. But how can other groups reach them to improve their financial literacy?

>> John Van Alst: I think it is difficult. Pam talked earlier about sort of these teachable moments and when they occur. You talk to housing counselors. It's the same sort of thing that so many people who visit a housing counselor do so, because they're required to, you know, and they do so after they've already decided on a house they wanted to buy and already gotten halfway down the transaction. And so it's a real problem of trying to reach people before they're going to buy a car but not when they're desperate. Especially the low-income clients that I was trying to reach when I was at Legal Aid and that I'm still trying to help right now. They're looking for a car when they desperately need one, when their old one has actually broken down and they can't get to work anymore. And at that point, you don't really have a great deal of time to do a tremendous amount of consumer education. And so it's a real struggle of knowing how to reach out to them and when to reach out to them, that they're gonna be receptive to all this information they'd have to gather and understand. And I don't think it's a problem that I certainly have an answer for.

>> Robin Thurston: Has the somewhat recent financial crisis affected people's interest in financial literacy at all? There's a lot in the news about how mortgages work and how they fell apart. Has that impacted consumers as a whole in terms of car buying? Greg.

>> Greg Zak: Well, the only thing that I would say on that -- We have individuals that will come in, where they own their home. And some of them are in that process of where they're trying to renegotiate their mortgage. So that has, you know, sort of impacted us in our selling ability. And there's many times, quite frankly, we're declining the people because I'm not sure if they're fixing to just go file bankruptcy tomorrow to protect their house. So, therefore, I don't want to get thrown into the bankruptcy court and sit there for six months before I can then begin to start receiving payments. You know, now, if we can determine from the individual if they have worked out their arrangement, they have something that they can prove to me in writing that they've worked something out, yeah, I'm interested in talking to them. I mean, that's sort of one example that I've seen in this recent crisis, where, yeah, it has affected, and it has affected on the negative side on our side sometimes just 'cause we can't get a comfort level to know what's really going on in that situation.

>> Robin Thurston: Susie.

>> Susie Irvine: I think it did affect it. You had a lot of people that went through unemployment during this period of time, so not only were they dealing with the mortgage, but the car payments and credit cards and the utilities, so it did have a big effect. I think you've seen that it might be somewhat better now than it was, but it really has a big impact on the individuals and the family as a unit.

>> Robin Thurston: What about groups for whom English is not their first language? Are there programs that work particularly well for them? There's some obvious issues, but perhaps the panelists could spell them out in terms of what financial education -- how it works for those groups.

>> Susie Irvine: I'll respond to that. The vehicle financing is also available in Spanish, as well as the A.W.A.R.E. materials, the Auto Financing 101. And that's online and also in brochures.

>> Robin Thurston: John.

>> John Van Alst: I'm not aware of programs that necessarily work particularly well, but I think there are real issues. It was discussed earlier about providing -- Some states do require provision of contracts in languages in which the deal is negotiated or in which there was advertising and whatnot, and I think there's a real issue, too. You know, I mentioned earlier the sort of reading level of folks here in the United States, and I think that's particularly so oftentimes for foreignlanguage speakers who often come from countries where their education might not have been -- even lower level, in terms of their ability to actually read and understand, even if they're provided a contract in the language the deal is negotiated. So I think there are even greater hurdles.

>> Robin Thurston: I'm gonna open it up to the audience. Does anyone have any questions for the panelists or comments? Rosemary does.

>> Rosemary: Thank you. I have a question about the dealers' position. You know, there was legislation in California to require dealers to provide contracts in multiple languages, and they opposed that. And that seems at odds with the position that you're taking now, saying, you know, the consumers should get the information and be able to figure it out. How are they supposed to do that if it's not in their language? And the other question is there was a bill in California sponsored by the controller of California to set up consumer financial protection and provide that through all the grades, because the schools are having a hard time because of all of the cutbacks, adding it to their curriculum as a nonstarter. And did the dealers support that? I don't think so. So there seems to be an inconsistency. Can you comment on that?

>> Greg Zak: Well, let me first of all say the only language that seems to ever come in on our lot other than English is Spanish. And in Texas, we're required -- Our buyers' guide, if the customer is Spanish only, we have to provide them a Spanish-language FTC buyers' guide. And that's not a problem. And we do that. And if the customer prefers whenever we go through our process and our transaction of closing, if they want Spanish, we close the transaction in Spanish. So I think everybody on our staff is bilingual except myself, so that's not an issue or a question with us.

>> Susie Irvine: As far as the financial literacy -- The schools are having great cutbacks in resources. And to that end, the curriculum that we have, we make available free to them. There's 24 states right now that require that personal finance be a graduation requirement either as a freestanding course or incorporated into other subject matter. We feel pretty strongly it ought to be all 50 states, but it's not. And I know that in the Spanish language, it's something that we're looking at, is converting or translating "MoneySKILL" into Spanish for some of the areas that we're working in.

>> Robin Thurston: Any other questions or comments from the audience? Great. If you'd join me in thanking the panelists, we can go ahead and move on to our last panel. [Applause]

>> Female Speaker: Okay. Okay.

>>> Jim Chen: Good afternoon, everyone. I'm Jim Chen from the Federal Trade Commission, and we've reached the final panel for the day, which is "Financial Literacy and New Approaches for Auto Sales and Financing." A lot of panelists here are familiar faces. I'll just briefly go through them. To my right is Jeremy Anwyl, the CEO of Edmunds.com. And then we have Susie Irvine, who was just on the previous panel, the president and CEO of AFSA Education Foundation. Next to her is Alberto Mesta with Texas RioGrande Legal Aide. And our new face on the panel is Alan Mosher. He's a senior consultant for Constellation Automotive Solutions and has been in the car business for over 25 years. The last 12 years was both an operator and consultant in the dealer controlled finance industry. Now, this panel may be asking a little more difficult question. It's taking off the last panel but works well -- That panel was focused on the existing financial literacy programs that we have today. This panel wants to talk about what's new, what new approaches there are and what new approaches the panelists believe would help improve financial literacy in the future. And to start with, I'd like to get to the panel's opinion on what problems or issues with consumers' financial literacy still exist despite the education that's taken place so far. Anyone would like to...

>> Alan Mosher: I'll start that one off for you. First of all, I think in some ways there is a certain number of our potential consumers that we have miseducated. And what I mean by that is the consumer that has gone into a car dealership, franchise or independent, then turned down for credit. And with either the brief notice of credit decision that's been sent to them or a rather perfunctory explanation by their salesperson -- been told, "You don't have enough income. You haven't lived at your residence long enough," et cetera. So what we have in fact done is we have taught them to lie to obtain financing. Because the next dealership they go to, they're going to expand their income, their residence time, et cetera. And so, I think, we need to look very carefully at the education that we provide and what it takes to get a loan -- what the qualifications typically are and how to prepare for that process. And I don't think that's addressed nearly enough. >> Jim Chen: And taking off on what you said about persons who have been turned down for loans previously, not having adequate financial information, are there particular subgroups of consumers where we see that past financial literacy has not been as effective as hoped, and if so, why?

>> Alan Mosher: Well, I represent, as James said, the dealer controlled financing, which is probably more commonly known to most of you as "buy here, pay here, or lease here pay here." We service in particular the lower end of the credit spectrum. For example, the average score for a dealer controlled financing customer who got financed last year was 550. Typically, that's not a market that most new car dealers or even independent car dealers want to play in. And so I think that affects the education level, et cetera, is, is part of the factors that have put them into that spectrum.

>> Jim Chen: Jeremy.

>>> Jeremy Anwyl: Just a couple thoughts. Some of this, I think, echoes some of the other thinking that we've heard today. We were talking a little bit about the disparity between the amount of research that people do before they buy a car when it relates to things like pricing and the fairly limited amount of research they do when it comes to issues around financing -- financing literacy. I think there's a couple factors there. One of them, obviously, is that buying a car tends to be an emotional thing, particularly for a younger adult. Believe it or not, the number-one thing that people are interested in when they're researching a car would be photographs. And there almost seems to be no limit to the number of photographs that you can post on a particular model, because however many you put up, people will look at every single one of them. When you compare that with the amount of time spent actually educating themselves about financial issues, it's very miniscule, as I was pointing out earlier. I think there's a couple factors there. One of them seems to be that when we've done research with people coming into the site, that they assume that they know a lot more than they do. So it's not a question that they don't necessarily care. This tends to be a male affliction, by the way. I don't quite know why that is. But men seem to think that they're smarter when it comes to buying a car than they actually are. When you think about education, it's

not only getting over any issues of apathy, but also getting over this illusion that people are actually smarter about all things to do with buying a car than they actually are.

>> Jim Chen: Susie? Want to comment on that?

>> Susie Irvine: I have nothing, really, to base this on, any research, but I do think probably females spend more time researching it, because men do think they're so much smarter in this process. [Laughter] But, you know, I mean, I myself personally like a man to go with me when I buy a car. I've done it on my own, but I do think that we do educate ourself maybe a bit more.

>> Jeremy Anwyl: Just don't let the man make the decisions.

>> Susie Irvine: I don't.

>> Jeremy Anwyl: There you go.

>> Jim Chen: Alberto?

>> Alberto Mesta Jr.: I think many times when researching for financing, I think the process should be more complicated, especially with knowing about your credit score. I think everybody has gone to school. Everybody knows what getting an "A" or having an "A" grade-point average versus an "F" grade-point average, so it's kind of like hard when you go, try to pull your credit score when the mathematics is a little bit different. So you don't know what's the difference between, like, 640 or 720, 'cause how we're used to learning, especially how with numbers, it's based upon your grade-school performance. You know, what is 4.0 GPA versus a 2.0. So many times, I always wondered whether simplifying how we rate credit into something that was more familiar to what most people experience during their lifetime, especially going to school. Will it help people grasp at the concept of credit score more easily by using that terminology that they're so used to.

>> Jim Chen: And have there been any efforts put in that regard? What is being done new to help people understand credit scores better, since it's obviously such a huge part of auto financing?

>> Alberto Mesta Jr.: I don't know. We'll ask my other panelists to see if something like that's been thought of.

## >> Jim Chen: Jeremy?

>> Jeremy Anwyl: Well, I think you're raising an interesting point, because when you think about providing information to consumers -- say you're providing information about a vehicle -- it's the same information, no matter which consumer is looking at that vehicle. When you're starting to talk to consumers about financial options, the options vary wildly based on the credit profile of that consumer. So one of the things that could be thought through in terms of how to make this easier for consumers, is how do you blend their credit score into the providing of information. How do you -- getting a credit score isn't that straightforward of a process, and generally it's not even free. So there's barriers to doing this. But when you think about this from an Internet publisher's perspective, there's all sorts of information that's out there, and we all understand the principle of customizing the information so that it's relevant and applicable to that particular consumer. But you don't know enough about the consumer to actually do that, and one of the impediments is actually the credit score. So I can see a pathway that you could go down where getting access to credit scores -- getting access to your own credit score was actually easier for a consumer, and then they could then use that to get personalized information presented to them -- not just the interest rates and things like that, but actually more in the way of advice. Depending on whatever their credit score was, the sorts of vehicles that they should be thinking about, financing options, is leasing a good idea, is financing the best way to go? You know, et cetera, et cetera.

>> Jim Chen: We'll go to Alan.

>> Alan Mosher: I think, and I'm not sure that I have the answer. in fact, I'm pretty sure I don't, but I'm not sure how you can create an educational program that makes them care. And I think that's part of the issue. A couple of panels ago, Mike Wood disclosed to us that when he was 18, he didn't care what the interest rate was. He just wanted that car. And that's one of the things that we say in our training. You know, the three things that our customer cares about most is, can I get a car, how much is my down payment, how much are my weekly payments? They need to care about more than that, but that typically isn't in their mind-set. And so we can design the most creative, inspirational educational programs out there, but how do we make them want to learn that? And I think one of the issues is the complexity. A credit score is very difficult to understand. You know, there are numerous numbers out there now. It's not even just a single credit-score factor. I think that's a deterrent to making people want to learn this. They think it's more difficult and more complex than what it is. But the basic thing is gonna boil down to, how do we make them want to know this information?

#### >> Jim Chen: Susie?

>> Susie Irvine: In all of our educational pieces, one of the things, and I'll go back to the vehicle financing, is before visiting a dealership is to get a copy of their credit report. They need to check it. They can get a free copy from all three bureaus each year. But they do need to check that over. And I was just sitting here thinking, you know. We talk about the different comparison shopping. Probably a good example to get to them is different credit scores and how that would affect their options and what they could get and the finance charge. It might be a little more difficult to do, but that would certainly, if they could see it in black and white, that a score over 600 is much better than one 500 or below -- how it could affect it, you know? Sometimes, examples are the best way to reach them. It's not the only way, but...

>> Jim Chen: Now, a number of panelists in our previous roundtable have commented that car buyers are primarily focused on monthly payments instead of the total cost over the lifetime of the loan. Is it better to focus on the total cost versus monthly payments? And if so, how can we change that focus? Jeremy?

>> Jeremy Anwyl: Well, I think in theory, it's certainly best to understand the full cost, particularly for a monthly budgeting perspective. So, yes, the answer is it would be good to know the cost. You're dealing with apathy. People are really focused. I think the car, the down payment or the monthly payment -- That is a pretty app statement. Those seem to be the three things that people care about. And when you create more complexity, you're running into this inertia or this apathy where people just don't seem to want to spend the time to get familiar with the data that's out there. It seems to be a recurring theme today. What I've been hearing, listening to the panels, that there's a lot of information, a lot of tools that are out there. And I've had some conversations with people during some breaks, where they actually relayed some car-buying experiences that were very simple, hassle-free, very smooth, and they felt very good about them. But that's probably the minority. Those are people that actually took advantage of the tools out there. How do you get more people to take advantage of what's already there? That seems to be the key question.

>> Jim Chen: And if we don't know the answer to that question, I mean, do any of the panelists see areas of research that would be fruitful in trying to help answer that question? Susie.

>> Susie Irvine: Not so much on research. But I think you go back to a lot of these people that we're talking about. They're younger, and they live from paycheck to paycheck. So they think about what happens within that month. And even though it's very important that they look at the total amount financed, they're really probably just gonna deal with and think about the monthly payment as they deal with it. It would be interesting to see if research could be done on that with it. [ Speaks indistinctly ] It would be a bit more difficult.

>> Jim Chen: Jeremy.

>> Jeremy Anwyl: I can share with you some of the frustrations that we deal with, because we struggle with this from a slightly different perspective. We've tried thinking about this from a research and process perspective and linking the various pieces of information together so that you're presenting the right information to the right consumer at exactly the right time. And you try to tease them with this so that they're drawn into wanting to learn more. It gets difficult because you find if you're not careful, you can actually lose people. They get frustrated. They're really focused on the car itself, and they want to read those comparison tests and look at the photographs. And anything you put in the way of that creates frustration. So the intention that we have is that

you can try to do the right thing for the consumer. Try to present them with information that really ought to be aware of. But in many ways, it creates frustration. They're just not that interested.

>> Jim Chen: Al.

>> Alan Mosher: I would agree with that and also with what Susie said. Something that Susie said in the last seminar about MoneySKILL and getting this kind of educational material into students' hands an earlier age. And I'd like to see, you know -- I know we don't have any of those kinds of numbers yet, but I'd like to see some numbers -- whether some of the issues that have been talked about throughout the day with comparing early education opportunities and that people who didn't have that opportunity. And one of the other things that is, you know, one of the different people --There are different personality types. And some people will take a dealer attempting to explain things to them in great detail as a positive thing. And other personality types will take that same education as a negative thing. And so I think we can't paint with too broad a brush because, you know, individuals are exactly that -- individual. And some view the sales process much differently than another would view the exact same process or educational material.

>> Jim Chen: Alberto.

>> Alberto Mesta Jr.: I think it's just the general societal aversion to math. I think that's part of the whole issue that we're discovering, that, at times, the math is just too hard -- calculating the APR and so forth. And sometimes my difficulty in doing financial literacy is that many times, just in general, low-income individuals to high-income individuals -- Sometimes the math -- You talk to them about figures, and they just shut off. And it can be something, you know, useful. Financial literacy classes since early education somehow implemented into the regular mathematics courses as a real-life example how math plays such a deep role in society and how important that is. But apart from that, it's really fascinating how the monthly payment has just really -- It's been very prevalent in society, not only from buying cars to, like, the payment for your cellphone. Everything is based upon the monthly payment, and everything is advertised, like, you know, in the monthly payment. And car ads, you know, be \$199 per month, and, you know, there's a disclaimer at the bottom about the actual other terms and conditions of the contract. But it just seems like society

just has an aversion to doing math. Until we change that, it could be very hard to try to, you know, teach financial literacy in tell people how -- what would be most beneficial to them in conducting financial decisions.

>> Jim Chen: Now, practically speaking, most people can't buy a car until a certain age, and it sounds like some of the panelists are suggesting that the financial education, the literacy education needs to come in even earlier. But how do you make that relatable to someone that's, say, 12 or 13, that they can't buy a car. What would be a good foundation to give them the tools to make better decisions when they are of age to buy a car?

>> Alberto Mesta Jr.: Well, I think given the example that they really want that car that's in a music video, this is how you're supposed to be able to obtain it, by having a good credit score and actually how that would impact your decision. Everybody relates to that -- having a desire for something that's advertised on television. You know, just use that. And to educational purposes, or using some sort of social media application to try to teach somebody younger, like, this is the consequences. Or the factors that need to be into play in order to obtain what you desire -- that car.

>> Jim Chen: Susie?

>> Susie Irvine: I would say most 12 and 13-year-olds, they're really thinking about cars, because, as parents, all of us have had that kid that wanted to drive our car up and down the driveway, I'm sure. So they're already thinking about it. What we have in our middle-school curriculum that we're gonna release in August is we start exposing them to the concepts on credit history, credit scores, unsecured borrowing, secured borrowing. And not that we necessarily go into so much specifically auto financing but secured borrowing, is what --

>> Jim Chen: Al?

>> Alan Mosher: And that was very similar to what I was gonna say. As we're trying to teach younger children and young adults the path to a bright financial future, auto financing is certainly part of that. But at the youngest ages, it's about, you know, budgeting and things that you want and

what it takes to get there. And so, you know, I don't know that teaching 8- or 9-year-olds about how to buy a car is gonna stick in their memory cells for 10 years until it's time that they actually do that. But as we lay the groundwork in explaining how financing works and how to budget and how to save for things you want, et cetera, I think that will serve us well in the future.

>> Jim Chen: Now, we've heard discussion about how there are many different points in purchasing a car where there's decisions being made in the price, in the financing, in the trade-in. I'd like to know what the panel's opinions are. If you had to isolate one of those, or if you should isolate one of those points for greater financial education, which would it be? Jeremy?

>> Jeremy Anwyl: Well, I think some of the -- When we give consumers advice about how to buy a vehicle, we specifically advise them not to get fixated on any one of those variables. I don't think it's any big secret that one of the classic ways of negotiating a deal from the dealer's perspective is to use what's called a four-square and determine what customers are interested in -- if they're really interested in the down payment or the purchase price or the trade-in or the monthly payment. That then they can focus on moving some of the other numbers around, obviously, to maximize profitability. So from a consumer perspective, you really do need to look at the deal all the way around and not get fixated on any one aspect.

## >> Jim Chen: Al.

>> Alan Mosher: I would absolutely agree with Jeremy. I think we need to educate consumers on what to expect when they go in, and so that they know that there are really four different negotiations going on -- the car, the trade, the financing, and any add-on. Most people are reasonably familiar when they walk onto an auto dealership that one is going to happen, and that two is going to happen if they have a trade-in. But I think there still are a number of people that don't know that financing terms are negotiable. And I certainly think there are a number of people who walk onto to a car dealership that don't understand what's going to happen once they get in the business office, and that those additional items -- extended service contracts, et cetera -- are going to be offered and are negotiable as well. So you need to focus on the entire transaction and educating the consumer on what that whole experience is going to be like.

>> Jim Chen: Susie?

>> Susie Irvine: I agree totally. I mean, the credit history affects the APR, the total amount financed, the monthly payment. So it really is a holistic approach.

>> Jim Chen: Now, we've just heard that we need to look at a holistic approach. But I do want to touch on one aspect of one of the subgroups, especially because we have Jeremy here, who mentioned previously that Edmunds was one of the first, if not the first, publicly available source of invoice pricing for new cars. Is there anything equivalent to that for used cars? And if not, should there be? Jeremy?

>> Jeremy Anwyl: In terms of something publicly available about pricing guides? There's obviously no comparable thing in terms of invoice price. There's wholesale price.

>> Jim Chen: Is that as useful to consumers as invoice pricing is, compared with new cars?

>> Jeremy Anwyl: Yeah, when you're thinking about used cars, there's probably three prices to focus on. There's the wholesale price, which is similar to the auction value. That's basically what the dealer's gonna offer the consumer as a trade-in, usually within a couple hundred dollars for reconditioning and transportation. And you've got a private-party price, which is what a consumer would sell the car to the consumer. Then you've got the retail price. This is what the dealer would be selling the car to the consumer for. And there's also various tiers. Sometimes you've got sort of a relatively new category of certified cars, which tend to sell for premiums over just regular cars. Both things sold by dealerships, but one's generally got a better service contract and might be in better condition than just a regular used car. So there's really three, maybe four, prices to think about. The two that really matter for the consumer, if you're buying a car, is the private-party price and the retail price. And if you're selling the car, obviously looking to either sell it yourself or to trade it in, you need to know the trade-in, or wholesale price, and, again, the private-party price. So it's actually a little bit more complicated than even on the new car side.

>> Jim Chen: Al.

>> Alan Mosher: I would both agree and disagree with Jeremy. I don't think there is a number in the used-car market that equates with invoice price in the new-car market. There are certainly guides that make sense that give you some semblance of the value of a used car. But every used car is unique. It's gonna have different mileage. It's gonna have different tread depth left on the tires. It's gonna have a different amount of parking-lot dings it's picked up in its life. And so while every Ford Mustang, since that tends to be our new car of choice we've used all day, comes off the lot with the same equipment, carries the same invoice price, and the same manufacturer's suggested retail price and is precisely the same, except perhaps for its color, that's not true in the used-car market. And so you can get some guides, and there are some good national guides and figures available, via the Internet or other forms that give you a pretty good idea of a small range of value for that used car. There is nothing that is the same as the invoice price.

>> Jim Chen: Alberto.

>> Alberto Mesta Jr.: I represent a lot of low-income individuals, and having something like the Blue Book and have them use it even more is essential, especially because they don't have that much money to spend on a car anyways. So they tend to go to the used cars. And the difference between \$1,000 will be a significant impact on them. So if there's anything, you know, that could be done to provide more of a used-car invoice equivalent, I think that would benefit most of my clients.

>> Jim Chen: Jeremy.

>> Jeremy Anwyl: Just to clarify what I was saying earlier, I think the wholesale value and the invoice price would be the closest thing to being equivalent. I agree that there's a lot more variability when it comes to thinking about a used car versus a new car. Obviously, mileage and condition would be the two big ones. But there are tools that take that into account, so you can actually enter the options on the vehicle -- the mileage, the condition -- and get wholesale values, private-party values, retail values, and do that on the Internet. There's always gonna be local

market conditions, and some of these tools get down to the zip code. There's an emotional aspect of buying a car, so there are always this random element that's kind of hard to quantify. But mathematically, there's pretty good data. And when you start looking at the mass of vehicles that gets sold, there is this consistency where you can start to put values on vehicles with some degree of accuracy.

>> Jim Chen: And do we know if more people are taking advantage of those tools, as compared with tools for purchasing new cars? Jeremy?

>> Jeremy Anwyl: Yeah. When you start to think about what people are doing on the Internet, getting pricing is a very big feature. And at least on our site, about 50% of the traffic focuses on new cars, and about 50% focuses on used. About half of the people who are looking at used are actually looking to find out what their trade-in is worth. So they're actually really thinking about it in the context of a new-car transaction. But there is an awful lot of interest when it comes to pricing information online.

>> Jim Chen: And further to that, do the panelists feel that information on car pricing is readily available to all populations? Or are there some groups that need more guidance on where to find car pricing?

### >> Alberto?

>> Alberto Mesta Jr.: I think with my client base that tends to be recent immigrants or people that their language is primarily not English -- Many times, that information is difficult to find. One is that most tend not to have Internet access, even under smartphones. So they have to rely on either word of mouth or try to see if maybe somebody else can give them some sort of Internet access. So for most low-income consumers that tend to be lower-educated, Internet access is, I think, an issue, especially if their language is not primarily English.

>> Jim Chen: Jeremy?

>>> Jeremy Anwyl: There's one factor that's related to your question that's kind of interesting, and that is that we've noticed over the last 15 years that the price band, or, not to get into statistics, but sort of the standard deviation of pricing is really narrowing. So, it used to be that --- I'll speak a little glibly -- but dealers would kind of charge whatever the market would bear. And if you weren't that good of a negotiator, you'd end up paying more. If you were a good negotiator, you'd end up paying less. That range of pricing is really narrowing, not to the point where it's gone away, but you can see where the day is not that far away where getting pricing in a very up-front way is gonna be pretty common. There's already dealers looking at doing that. Now, the difficulty they always have is that when you're up front with a price, then often the customer runs off to the dealer down the street to compare prices, and it can actually work against the dealer, being transparent. But generally speaking, the variation in pricing is narrowing. And the reason I mention this is even if you don't have Internet access, you benefit just if these pricing bands aren't as wide as they used to be. And I do think that it's not gonna be very long before dealers learn how to price vehicles up front so that there's no negotiation at all.

>> Jim Chen: Does that narrowing hold true for both new and used cars?

>> Jeremy Anwyl: Yeah, it's a phenomenon. You just see it. But all aspects of the negotiation -- finance rates, as well.

>> Jim Chen: So, are there new programs that -- or anticipated programs regarding shopping around for finance rates? Do we have anything coming down the pike that we can look forward to? Jeremy?

>> Jeremy Anwyl: I think this goes back to what we were talking about earlier. The issue here is customizing the information you're providing to the credit profile -- the credit score of the individual -- and that's the difficulty. We have tried. We actually worked with Fair Isaac's 10 years ago. We created a self-assessment tool that... [Speaks indistinctly] But it asked consumers to basically ask five basic questions. And you could put them into -- give them a rough idea of what their credit score was and then start to direct them to what market rates might be for financing. It didn't seem to get a lot of interest. But that's always the issue, is how do you personalize the

presentation of the information? And if you're providing a set of comparisons about interest rates, you have to know something about the consumer in order to do that in a way that's meaningful.

>> Jim Chen: Now, we've also heard a lot over this day about the various types of disclosures that are being made to consumers. I'd like to see the panel's opinions on what are the most helpful disclosures that are out there and what the least helpful ones are. Jeremy?

>> Jeremy Anwyl: It just seems -- I've heard a lot of horror stories today. I guess maybe I'm a little bit optimistic, but I think most vehicle transactions don't have problems, and I think from a disclosure perspective, the thing that people do care about is, what are they paying on a monthly basis for the vehicle, what the interest rate is, what the down payment is. It's the same sort of thing we were talking about. The in-depth disclosures you're talking about become, really, a factor when there's a problem. But that's despite all the bad situations we've heard about today. That is still a rarity. So I think for most consumers, they're not that -- They're just not gonna sit down and listen to a lot of that. You even find that in -- We just did a safety conference in Washington, and one of the issues we were running into there is that consumers don't know how to operate these cars they're buying. And the dealers are correct when they're saying that the consumers don't want to get walked around the car at the point of delivery and shown how all these new technologies work. And it creates risk, 'cause then people can have accidents. So it's the same sort of issue with disclosures. How do you get them to the point where they're actually interested before it's a problem?

>> Jim Chen: Al.

>> Alan Mosher: Yeah, I agree absolutely. I think probably the most critical disclosure that they need to pay attention to is the Truth in Lending disclosure and having that available beforehand so that they can compare. That was the original purpose of the Truth In Lending Act, is so that a consumer could compare the material terms of a loan and to standardize the way those terms were disclosed, so that the way I disclosed it to my customers was the same way as any other dealer disclosed it to her or his customers, so that the consumer could compare. And I don't think that happens, but, you know, your analogy with safety concerns and trying to show a customer how the

car works at the end of the delivery, when the only thing they want to do is hop in and take it for a ride, is pretty much the same thing that happens in the business office. They're not going to --Unfortunately, most customers don't spend a lot of times going over the terms of the loan. If the payment's acceptable, they're in a hurry to get out of there, sign the papers, and go drive that car. And so we're really talking about not only educational opportunities, but as I mentioned, how to change consumer behavior. And I don't think that's going to -- It doesn't lend itself to easy solutions.

>> Jim Chen: We're a little bit ahead of the schedule, but I'd like to open up the floor up to any questions that might be for the panel.

>> Male Speaker: Thank you. It occurs to me that trying to think of sort of simple, common-sense things that might aid in consumer education would be useful. I know there was a lot of discussion about all the information available to new-car buyers and the fact that used cars are [Indistinct] goods and every one's different. And there's a whole host of asymmetries of information. And the transaction that the dealer does these every day, and the consumer's doing it once every five years, and specifically I'm thinking, you know, the dealer knows a lot more about the car itself. I'm wondering what the panel thinks of whether or not it would help to have the dealers just disclose any known defects that they know about in the car as part of the transaction and let the consumer get the car inspected.

>> Jim Chen: Anyone like to respond to that? Alberto.

>> Alberto Mesta Jr.: Well, I see that's part of the standard practice when you're buying a house, that you disclose, like, if the roof is leaking and have, like, an inspector do the check for any defects or for termites. I don't see why it shouldn't apply to cars, where it's either the second largest purchase or the largest purchase for a person. That can make the person feel better about buying that particular vehicle. I don't have any problem with that.

>> Jim Chen: Al?

>> Alan Mosher: And I would agree. I think -- You're right. Known defects should be disclosed, and in some states, there are laws that require disclosure over certain dollar amounts, et cetera. I also think that one of the things that is done an insufficient number of times by the consumer is having vehicles inspected by their own mechanic, which goes right along with Alberto's analogy of your home inspector. You should have a vehicle inspector. And I will tell you that if I went to a car dealership looking for a used car and the dealer gave me any kind of trouble about taking that vehicle to be inspected, I would not buy a car there. I would go to a dealer who urged me to have it inspected.

### >> Jim Chen: Jeremy.

>> Jeremy Anwyl: I think it's an interesting idea, 'cause one would argue that everyone would benefit if there was greater transparency around the condition of the vehicle, because consumers would have more confidence and pay more for better-condition vehicles. But there's a couple of thoughts that pop into my head. One of them is defining what a defect actually is, because in many cases with used cars, what one person could call a defect would actually be a wear item, like 20% of the brake pads remaining or whatever. So, generally speaking, when you're buying a car from a good dealer, you're not gonna drive it off the lot and have it break and not have them be willing to at least put the car back together again. But a lot of the variability around this has to do with where seats that might be a little worn. There might be a ding in the metal work or whatever. So the definition of defects, I think, is the area that would need to be nailed down.

## >> Jim Chen: Susie?

>> Susie Irvine: I think it would be really good to, you know, have it looked at. You could almost develop a check list around it. We haven't -- I specifically have not done a lot of education on used cars, but it's given me ideas of just maybe some things that we could do.

>> Female Speaker: My question is to Mr. Alan. The client base that your company, for the most part, deals with -- Is there a high repossession rate?

>> Alan Mosher: You know, I -- I would tell you no. it is not substantially higher than the repossession rate of dealer-assisted financing, where a used-car or new-car dealer helps someone arrange financing with a third party. The repossession rates -- In fact, one of the things that we teach in particular is "repossess the customer, not the car." Find a way to work it out with the customer. Take the car as a last resort.

>> Female Speaker:. And then second question to that. What is the average interest rate that someone would get offered, based on their score?

>> Alan Mosher: Surprisingly enough for what most people think, the average interest rate at "buy here, pay here" dealers across the country is just under 15%, which, in many cases, is lower than the interest rate they get from subprime finance companies.

>> Male Speaker: I've listened to what we've said today, and it seems like when we're dealing with financial literacy and fraud, the issue is always money. And I was wondering if there was a way to make consumers protectors of the financial industry by incentivizing their disclosing fraud. So if you went to a dealer and you got a loan, then the bank would follow up and say, "Well, were these things disclosed to you?" And if they weren't, you'd get a percentage off for some funds for whistle blowing, essentially. Or if there was a way when you applied for a loan online, as part of that application process with the credit union or with the bank, you would take a quick pop quiz on, like, Edmunds, where you could find out the fair value of the car and the maintenance and could certify that you knew all these things before you bought the car, and then you'd get another percentage point off of your loan, because you're a more informed consumer. So if we empower consumers by incentivizing their knowledge and rewarding them for disclosing fraud, maybe we could start to educate them and they'd want to be educated.

>> Alan Mosher: You know, there's a wide variety of some of those things. First of all, I think that's an excellent idea. "Buy here, pay here" dealers and dealers who do special finance tend to do a pretty good job of verifying the information that's given them on credit applications and other applications, as a necessity of doing business. I want to know if you've lived where you say you lived as long, et cetera, et cetera Prime finance, banks, et cetera, tend to do a little less of that. But I

think you see more and more finance institutions doing some sort of verification of what they're being told. And part of that includes verifying what the dealer has told them, as well. Does the car really have a sunroof? Is it really the XL model? You know, et cetera. And having the consumer verify the details of the transaction seems to be almost a natural step on from there. Now, how you'd build in any kind of incentives -- I'm not sure how that would work, but it certainly is an interesting concept.

>> Male Speaker: Thanks. A couple points that stuck out to me as we've had these conversations on financial literacy -- One is that we're operating under an assumption that if people aren't accessing the information, that it's necessarily apathy, that the reason they're not accessing is because they don't care, versus an issue of, is there too much information available? Is it overwhelming? We're also assuming that this is the only financial transaction that somebody is paying attention to. If you think about the range of financial transactions that people have to deal with and just transactions generally, we're expecting people to be investment experts, because they're having to balance their investment portfolios. We're expecting people to understand the carfinancing business and all the different variables that are in there. There's behavioral economics research that suggests that most people can't handle more than seven different variables in a transaction before they start to oversimplify. And so this issue of, why are they looking at monthly payment versus the other things may play into that. I wonder if the folks on the panel have a reaction to this presumption that if the information's out there and it's not being accessed, that it necessarily has to be that the people who might need it just don't care versus other factors, even just the fact that sometimes people just don't have enough time to access all the different information that's out there.

#### >> Jim Chen: Jeremy?

>> Jeremy Anwyl: Well, I think you've raised some good issues. I think it is -- it's a bit of a broad stroke to just say that it's apathy, 'cause I do think that people are overwhelmed, and they tend to prioritize the things that they focus on. Having said that, when they are doing a lot of research, there's a fair amount of time spent, as I said earlier, on things like photographs, which, at some point, become a little bit redundant. So I think the broader issue -- And this could get to be a pretty negative view of humanity, but when you do talk to some behavioral psychologists, they tend to argue that human beings are pretty bad at making decisions and we're terrible judges of risk. And if you go down that pathway too far, we shouldn't be allowed to be buying cars, because there's no way that the average consumer is gonna be able to weigh all the pros and cons and to be a good judge of the decisions that we're asking them to make. I choose not to go in that direction, but there's certainly a body of evidence that would support that, if you wanted to make that case.

#### >> Jim Chen: Susie?

>> Susie Irvine: Time is a very important resource, just along with our money. I might mention that with our MoneySKILL, twice a year, I send out an e-mail promoting to all the teachers the Auto Financing 101. We were looking at the hits online on that yesterday, and the lady working with me said it spiked in the months of September and April. What did we do that month? I said we sent it out to the teachers nationwide. And each of those months on a week ago to the day that we sent it out, and it spiked. These teachers respond to this stuff. And they say, "We're gonna take a whole week and concentrate on just using the Auto Financing 101 with what we're doing with the students, and these are high school students. So, you know, it's a week worth of Auto Vehicle Financing that they get.

### >> Jim Chen: Alberto?

>> Alberto Mesta Jr.: I don't think people are being apathetic about the car-buying process. it's simply the process has become very complicated. If you think about all the other financial transactions we enter to, we know what the price is of a gallon of gas. We know what the price is at Walmart or Target, and so forth. It tends to be that the auto -- When purchasing a vehicle, there's all these different factors that we don't really experience anywhere else. Not only do you have to see what the purchase price for the car is, what is the financing, what are the ad-ons? And you're going into someplace where you really haven't been before -- once every five years when you need a car versus, you know, everybody's familiar and comfortable going to the Target or going to Walmart. I think if the process was simplified and more clear, people would get that information and be more at ease when they actually buy a car.

>> Male Speaker: I just want to make a few comments. Many of y'all had referenced the different guides -- the NADA, Kelley Blue Book, and the one which was not mentioned -- Black Book. Ever since 2008, since we sort of entered in our sort of financial calamity in this country, all those guide books are irrelevant today. None of them are representative of the real market prices that are transacted in the auctions day in, day out. I probably frequent auctions almost weekly, and, you know, the prices that I see in these guides are nowhere near what the real prices are in transacting to the auction. And I could line up dealers from here all the way to Washington, D.C. that would agree with that same idea. So whenever the individual consumer comes in and says, "Well, I saw this particular vehicle, and I looked it up on NADA, and you should be selling it for that," well, I'm seeing that same vehicle go through the auction at the retail price of what the book shows. So there's a total disconnect between what the book is and what the real market price is -- wholesale market prices are. And I'm not sure where the entities are getting their numbers from, but they're not getting them from the real data that I can tell. And the second thing I wanted to throw out is that we've talked a lot about that age group of 18- to 25-year-old individual. And how many dealers, financial entities are sort of maybe taking advantage of them? They're not as welleducated. We need to spend more time educating that group. And I would -- This is my own opinion -- I would venture to say, if you decide, "Okay, we're not gonna sell any vehicles to any of these people from 18 to 25 years old." At age 26, they're not gonna change. It still goes back to the very beginning of what they were taught and what they were trained and what was taught to them in their home. So you can't look at that age group and say, "We just got to educate them. We got to educate them." It goes back to the very beginning, and that's where you need to start that process.

>> Jim Chen: Time for one more question.

>> Male Speaker: Just one comment. I have to respond to the last. I can speak only authoritatively for one of them. But all three, I believe, of the guidebooks are based on market data -- on massive amounts of market data with sophisticated protocol. It was developed over years of experience. Certainly, there's volatility in the marketplace. There was volatility in the marketplace when gas prices spiked in the beginning of -- in the summer of 2008. There's been volatility in the marketplace -- more volatility than we've seen in the past in the used-car-pricing marketplace as a basis of -- through the financial crisis. But I just can't let a statement be made publicly that the values in the NADA used-car guide and, to that suspicion, in the Black Book and Kelley Book that are not being based on market data. They are based on massive amounts of market data, and they are exceedingly responsive. And for any one particular transaction going through one auction, they may not be reflective. They're just guides. But they are based on incredibly sophisticated algorithms using massive amounts of market data, and they are very reflective of the market.

>> Jim Chen: Well, thank you very much, panel. As I said, that's the last panel of today, and we'll be reconvening tomorrow at 8:30. [Applause]