



NATIONAL AUTOMOBILE DEALERS ASSOCIATION
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Legal & Regulatory Group

April 25, 2005

Via E-Mail

Federal Trade Commission
Office of the Secretary
Room H-159 (Annex Z)
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Re: FACT Act Scores Study

Dear Sir/Madam:

The National Automobile Dealers Association (“NADA”) submits the following comments in response to the Federal Trade Commission’s (“FTC” or “Commission”) Notice of Proposed Rulemaking requesting comment on the study it will conduct under the Fair and Accurate Credit Transactions Act (“FACT Act”), regarding the effects of credit scores and credit based insurance scores on the availability and affordability of financial products. 70 Fed. Reg. 9652 (February 28, 2005).

NADA represents approximately 20,000 franchised automobile and truck dealers who sell new and used vehicles and engage in service, repair and parts sales. Our members employ more than 1.3 million people nationwide. A significant number of our members are small businesses as defined by the Small Business Administration.

The Commission seeks comment on specific studies, data, or other evidence that might be useful for the study. Because automobile dealers receive credit scores from credit reporting agencies (“CRAs”) and do not engage in the practice of developing credit score models, our commentary will be limited to the use of credit scores and their effect on the automobile industry.

The Commission requests information on how credit scores are used and how widely they are used. Automobile dealerships routinely obtain credit reports and credit scores from CRAs after a consumer completes an application for vehicle financing. Based on the score and other information in the credit report, a dealership finance manager is able to determine which finance sources would likely provide financing for the consumer. The vast majority of our members submit completed credit applications to banks and finance companies, who ultimately evaluate the consumer’s creditworthiness and whether they will take assignment of a retain installment sales contract or lease involving that consumer.

The Commission also seeks comment on how the use of credit scores has affected the costs of underwriting and/or the time needed to underwrite. Since credit scores provide a useful indication of a consumer's history with credit, they provide dealership finance managers a time-efficient method of reviewing and submitting credit applications to various finance sources. Today's consumer appreciates effective, timely service and this is a common expectation in automobile purchase transactions.

In addition, since processes vary from dealership to dealership, it is important to keep in mind that although a credit score is a helpful tool, it is usually accompanied by a full credit report, which is also fully analyzed by dealership finance managers and assignee finance sources.

NADA appreciates the opportunity to comment on this matter.

Sincerely,

Smitha Koppuzha
Staff Attorney