



1701 Pennsylvania Avenue
Suite 300
Washington, DC 20006
Phone: (202) 351-6855
Fax: (202) 351-6855
www.federaladvocates.com

November 30, 2012

To: NIADA
From: Federal Advocates
Subject: November 2012 Monthly Report

Auction Sales

Still no further developments from the Congress on this issue. However, as previously reported, we believe that there is still interest from the Hill (specifically Senator Pryor and the House Energy and Commerce Committee) in exploring the impact of the current auction sale process on consumers and law enforcement. On August 15, Steve Lehrman, Legislative Assistant to Senator Pryor, visited the Adesa Washington, D.C. area auction facility to view firsthand the auction process. At the end of the visit, Lehrman indicated that “they don’t have a problem with what goes on at the auction but what happens with the auctioned cars.” He asked if we could give some thought on how best to address that situation especially as it relates to law enforcement. While we took that under advisement, we still prefer not to initiate a response until we receive more clarification from the Hill as to exactly what issue/problem they are trying to solve. While legislation, if it comes to that, would not materialize this year, there may be efforts to pursue informally issues that would involve the Association and other key stakeholders. For example, we continue to wait on a list of questions from the Democratic staff of the House Energy and Commerce Committee and staff of Congressman Henry Waxman (D-CA).

Status UPDATE: unchanged from the October report.

Rental Cars (S.1445; S.3502; and, H.R. 609

Senators Charles E. Schumer (D-NY), Barbara Boxer (D-CA) and Claire McCaskill (D-MO) announced late September that they have reached an agreement with the top four rental car companies in the U.S. to stop the renting or selling of vehicles that have been recalled by their manufacturer.

Under the agreement, rental car companies Enterprise/National/Alamo, Hertz/Advantage, Avis/Budget, and Dollar/Thrifty, as well as the American Car Rental Association, have all endorsed new legislation authored by the Senators to ensure recalled vehicles stay off the road. Together, the four companies represent 93 percent of the rental car market.

The deal caps a years-long push by the senators and consumer safety advocates to fix a loophole in current law. While car dealers are prohibited from selling a recalled automobile, rental car companies are not barred from renting or selling one. The new Senate bill would change this, requiring that vehicles under a safety recall will be grounded as soon as possible. Rental companies will have up to 48 hours for recalls that include more than 5,000 vehicles in their fleet.

Also under the legislation, the National Highway Traffic Safety Administration will, for the first time, have authority to investigate and police rental car companies' recall safety practices.

The Senators were joined for the announcement by longtime safety advocate Cally Houck of California. Houck's two daughters—Raechel and Jacqueline Houck—were killed in a 2004 crash due to a safety issue with their rental car that went unfixed despite a recall by the manufacturer.

In memory of the Houck daughters, the Senate bill is named the “Raechel and Jacqueline Houck Safe Rental Car Act of 2012.”

The agreement with the rental car industry was also hailed by consumer safety groups and endorsed by AAA, Advocates for Highway and Auto Safety, Consumers Union, and State Farm Insurance.

The legislation includes revisions from earlier bills introduced by Schumer and Boxer. For instance, though the bill stipulates that vehicles may not be rented or sold until the vehicles are fixed, one exception is allowed for rental companies to sell a recalled vehicle with a junk title for parts or scrap.

Another revision notes that if a manufacturer's recall notice specifies temporary steps that can be taken to eliminate the safety risk until new parts are available, a rental company may continue to rent the vehicle if those measures are put in place but must ground and repair the vehicle once the new parts become available.

The timing of consideration of the new legislation is still unclear.

To review, S. 1445, the Raechel and Jacqueline Houck Safe Rental Act of 2011, was introduced on July 28, 2011, by Senator Schumer (D-NY) and cosponsored by Senators Feinstein and Boxer, both of California (new cosponsors and Senators Blumenthal and Gillibrand). The bill makes it unlawful for a rental company, unless the defect or noncompliance has already been remedied, to rent, lease, or sell a covered vehicle on or after the earlier of: (1) the receipt by the company of a Secretary of Transportation (DOT)

ordered notification from the manufacturer that the vehicle or equipment is defective or is noncompliant with federal motor vehicle safety standards; or (2) when the vehicle or equipment manufacturer gives notice to owners, purchasers, and dealers that the vehicle or equipment contains a defect or is noncompliant. It requires a rental company that receives a notification of a vehicle or equipment defect or noncompliance during the vehicle rental or lease period to: (1) contact the renter or lessee and any authorized driver of the covered vehicle about the defect or noncompliance; and (2) offer to provide them, at no additional cost, with a comparable alternative vehicle until the defect or noncompliance has been remedied; treats violations of the requirements of this Act as unfair or deceptive acts or practices under the Federal Trade Commission Act and subjects persons who violate such requirements to certain penalties; and, requires the Administrator of the National Highway Traffic Safety Administration (NHTSA) to report to Congress on: (1) sales of motor vehicles to rental companies without standard safety features, and (2) sales by rental companies of covered vehicles known to include safety defects before they are recalled. Thirdly, Senator Boxer formally requested that Enterprise, Avis, Hertz, and Dollar Thrifty sign a pledge promising not to rent or sell cars under safety recall until those cars are fixed. To date, only Hertz has signed the pledge. While all three of the remaining companies support Federal legislation to ensure rental car safety, all maintain that their companies address safety recalls in a timely fashion, and that any legislation should also cover other businesses that transport passengers, like limousine and taxi companies. Accordingly, on August 2, Senator Boxer introduced S. 3502, the Rachel and Jacqueline Houck Safe Rental Car Act of 2012, with Senator Feinstein (D-CA) as cosponsor. The bill requires notification by car rental companies to renters of any defect or noncompliance regarding the rented vehicle at issue; imposes certain limitations on sales, leases or rentals by rental companies; holds rental companies to the same standard of responsibility as dealers with respect to various vehicle inspection, investigation and records requirements; and, authorizes the US DOT to study “the effectiveness of the amendments made by (the bill) and other related activities of rental companies.” Fourthly, on July 10, Congresswoman Lois Capps (D-CA23) introduced H.R. 6094, same title as the Senate bill, with three cosponsors. The bill was referred to the House Energy and Commerce Committee. It prohibits the rental of motor vehicles under a safety recall because of a defect related to motor vehicle safety or noncompliance with an applicable motor vehicle safety standard until the defect or noncompliance is remedied, and for other purposes.

Status UPDATE: reported “deal/agreement” with rental car companies..

MAP21/S.1449, the Motor Vehicle and Highway Safety Improvement Act

Earlier this month, Senator Barbara Boxer announced she’s already working on legislation to succeed MAP-21. MAP-21 expires in about 750 days. Congress is likely to be in legislative session for only about half or less that time, and is likely to be preoccupied with a number of higher priority issues. In her announcement, Boxer said that her *“goal is to find a dependable funding source and to work in a bipartisan way to find that funding source. I really believe that the Highway Trust Fund should be funded through user fees.”* That might include indexing the gas tax to inflation, but probably not

a vehicle miles traveled fee, which raises privacy concerns for the California senator. Even a gas tax bump won't be enough if vehicles keep getting more and more efficient. "We've got to figure out other ways. For example, I drive a hybrid car and I get about 50 miles to the gallon, I'm not paying my fair share at all. If I get an electric car, I won't pay anything."

On July 6, the President signed the \$105B MAP21 bill. The bill contains several provisions designed to increase transparency and accountability at NHTSA and in the auto industry. The bill adopts a modified S.1449 approach on establishing public accessibility to vehicle recall information and further modifies provisions addressing the set of communications with dealers that must be made available to the public. The bill strikes the provision regarding public availability of early warning reporting data. The bill also strikes a provision imposing new post-employment restrictions for vehicle safety officials at NHTSA, but retains language calling on the inspector general to report on the issue. The bill slightly modifies the whistleblower protection provision and calls on the Government Accountability Office to examine this and other such provisions. The bill slightly modifies the provision directing NHTSA to study crash data collection. And the bill makes slight modifications to NHTSA's authority to require additional recall notifications. All of the above are in lieu of S.1449, as passed by the Senate. The bill does NOT include any provisions regarding auction sales, rental cars, or recall requirements imposed on dealers. Most of the provisions of interest require the promulgation of regulations.

On November 14, the reported bill, with an amendment, was filed and placed on the legislative calendar. It is not clear if this action was taken simply because the reported bill was never filed (and thus, made public) or because the intent is to seek Floor action on it. The latter is questionable given that many of the provisions of S. 1449 have already been enacted into law via MAP21 and because the House has indicated no interest in revisiting the S.1449 issues.

Status UPDATE: S.1449, as reported, filed with an amendment.

S.474, the Small Business Regulatory Freedom Act of 2011

Senator Olympia Snowe (R-ME) introduced S.474 on March 3, 2011. To date, it has 12 cosponsors. The bill was referred to the Committee on Homeland Security and Government Affairs.

The "Small Business Regulatory Freedom Act of 2011" amends the Regulatory Flexibility Act to revise the rulemaking process with respect to small entities (i.e., small businesses, small organizations, and small governmental jurisdictions).

It defines "economic impact" with respect to a proposed or final rule to mean: (1) any direct economic effect of a rule on small entities; and, (2) any indirect economic effect on such entities, including potential job creation or job loss.

It expands review of agency rulemaking to permit small entities to seek judicial review of initial regulatory flexibility analyses and to obtain an injunction of a proposed rule that is noncompliant with RFA requirements.

It requires each agency to establish a plan for the periodic review (every eight years) of: (1) rules that have a significant adverse economic impact on small entities; and, (2) any small entity compliance guide required to be published by an agency. It sets forth criteria for review of a rule, including the continued need for the rule, the complexity of the rule, and the impact of the rule on small entities. It terminates any rule if the issuing agency has failed to complete a required periodic review.

In addition, it expands to all agencies the procedures for gathering comments on rules that will have a significant economic impact on small entities. Requires each agency to review on a periodic basis its policies or programs for imposing regulatory penalties on small entities; imposes certain additional requirements on agencies prior to the issuance of a final rule.

Status UPDATE: unchanged from the October report.

S.330, the Consumer Recall Protection Act of 2011

Senator Charles Schumer (D-NY) introduced S. 330 on February 14, 2011. To date, it has no cosponsors. The bill was referred to the Committee on Commerce, Science, and Transportation.

The bill prohibits a person from selling to consumers any covered product that is subject to a recall. It defines a "covered product" to include a motor vehicle or replacement equipment, food, drugs, devices, cosmetics, a biological product, a consumer product, a meat or meat food product, a poultry or poultry product, and an egg or egg product. It defines "recall" with respect to a motor vehicle or replacement equipment when the Secretary of Transportation makes a determination that a motor vehicle contains a defect related to safety or does not comply with specified motor vehicle standards.

The bill exempts from such prohibition the sale of a covered product that was subject to a recall because of a defect in such product if: (1) such defect was remedied prior to such sale; and (2) the seller of such product notifies such consumer of such recall, defect, and remedy. It treats a violation of such prohibition as a violation of a rule defining an unfair or deceptive act or practice described under the Federal Trade Commission Act, and requires the Consumer Product Safety Commission (CPSC) to establish, maintain, and make available to the public a searchable list of covered products that are subject to a recall.

Status UPDATE: unchanged from the October report.

H.R.860 and S.110, "Promoting Charitable Donations of Qualified Vehicles Act of 2011"

Senator John Ensign (R-NV) introduced S. 110 on January 25, 2011. To date it has no cosponsors. It was referred to the Committee on Finance. Congressman John Larson (D-CT) introduced H.R. 860 (identical to S. 110) on March 1 with 183 (now 332) cosponsors. The bill was referred to the Committee on Ways and Means.

Ordinarily, with the large number of bill sponsors with bipartisan support as is the situation with H.R.860, one would expect the bill to move expeditiously and without controversy through the legislative process. However, that has not happened with H.R.860 owing to a number of reasons: the somewhat problematic tax deduction history of motor vehicle donations; the fact that no revenue bills are moving in the House; the uncertainty as to the revenue impact of the bill; the lack of Senate interest/support; the fact that the issue is not a priority for the House Leadership; and, the limited amount of time remaining in the Congress to consider legislation.

To review, the bill amends the Internal Revenue Code with respect to the charitable tax deduction for contributions of qualified vehicles (i.e., motor vehicles, boats, or airplanes) to: (1) set forth revised acknowledgment requirements for vehicles valued at \$2,500 or less and vehicles valued at more than \$2,500; and (2) revise the penalty for submitting a fraudulent acknowledgment.

According to the Internal Revenue Service, as a result of Congress tightening the deductibility rules in 2005, the volume of used car donations reduced by approximately 67%. Specifically, under the 2005 rules, if the charity sells the automobile, the donor's deduction is limited to the gross proceeds from the sale. This impacts the donor in two ways – (1) proceeds are normally less than the private sale value of the car; and, (2) a donor claiming a deduction of \$500 or more cannot claim the deduction until he or she received a written acknowledgement from the charity showing the gross sales proceeds. In addition, if the charity uses the automobile in its programs, the donor can deduct the private party sale value of the automobile, and only needs an acknowledgement from the charity of that use.

The major proposed changes in the legislation are as follows: (1) the charity won't have to sell the automobile before it provides written acknowledgement to the donor; (2) the gross proceeds from the sale of the automobile by the charity will have no bearing; (3) for any car where the donor seeks a deduction of \$2,500 or less, the donor's deduction will be based on the value of the car determined by the charity under rules set by the Internal Revenue Service (the existing rule suggests that this would be private sale value); (4) for a car where the donor seeks a donation greater than \$2,500, the deduction will be based on an appraisal provided by the charity; and, (5) the charity's use of the automobile will have no bearing (the advantage for donating to a charity that will use the automobile in its programs – rather than sell it – will reduce significantly. Under the proposed legislative changes, because charities will now be responsible for providing a statement of fair market value or an appraisal, they are more likely to use commercial dealers to handle their automobile donation programs.

Status UPDATE: thirteen additional cosponsors added on House bill since the October report.

H.R.1449, the Motor Vehicle Owners Right to Repair Act of 2011

Congressmen Edolphus Towns (D-NY) and Todd Platts (R-PA) introduced H.R.1449 on April 8, 2011. To date it has 33 (now 52) cosponsors. It was referred to the Committee on Energy and Commerce.

The “Right to Repair Act” protects motoring consumers from vehicle repair costs by requiring that car manufacturers: (1) provide to the vehicle owner and service provider all information necessary to diagnose, service, maintain, or repair the vehicle; (2) offer for sale to the vehicle owner and service providers any related tool or equipment; and, (3) provide the information that enables tool companies to manufacture tools with the same functional characteristics. The legislation further provides car companies with protections for their trade secrets, only requiring them to make available the same non-proprietary diagnostic and repair information they provide their franchised dealers. Lastly, the bill authorizes enforcement by the Federal Trade Commission and civil actions by the states.

Status UPDATE: one additional cosponsor added since the October report.

H.R.527, the Regulatory Flexibility Improvements Act of 2011

Congressman Lamar Smith (R-TX), Chairman of the House Judiciary Committee, introduced H.R. 527 on February 8, 2011. To date it has 26 cosponsors. It was reported by the Judiciary Committee on July 7, 2011, and reported by the Small Business Committee on November 16, 2011. Passed the House on Dec. 1 by recorded vote of 263-159. Referred to the Senate Homeland Security and Governmental Affairs Committee.

In 1980, Congress passed the Regulatory Flexibility Act (RFA), which was aimed at relieving the stress of onerous regulation on small businesses. The RFA mandates that all Federal agencies examine the impact of their proposed rules on small businesses, and if those impacts are significant, the agency must consider less burdensome alternatives.

Generally, H.R. 527 would ensure that Federal agencies comply with the RFA and close loopholes used by agencies to avoid compliance with the RFA. This bill would also require a better assessment of the impacts that regulations will have on small businesses, forcing agencies to perform better periodic review of rules, and granting the Chief Counsel for Advocacy at the Small Business Administration greater powers for enforcement of the RFA.

Specifically, it amends the RFA to revise the definition of "rule" under such Act to exclude a rule of particular (and not general) applicability relating to rates, wages, and other financial indicators and to define "economic impact" with respect to a proposed or final rule as any direct economic effect on small entities from such rule and any indirect economic effect on small entities that is reasonably foreseeable and that results from such

rule. Includes tribal organizations within the definition of "small governmental jurisdictions" for purposes of such Act.

It requires initial and final regulatory flexibility analyses to: (1) describe alternatives to a proposed rule that minimize any adverse significant economic impact or maximize the beneficial significant economic impact on small entities, and (2) include revisions or amendments to a land management plan developed by the Secretary of Agriculture or the Secretary of the Interior under specified Acts.

It expands elements of initial and final regulatory flexibility analyses under RFA to include estimates and descriptions of the cumulative economic impact of a proposed rule on a small entity. It repeals provisions allowing a waiver or delay of the completion of an initial regulatory flexibility analysis.

It requires each agency to publish in the Federal Register a plan for the periodic review of existing and new rules that have a significant impact on a substantial number of small entities to determine whether such rules should be continued, changed, or rescinded; provides for judicial review of an agency final rule for compliance with RFA requirements after the publication of such rule; and, grants federal courts of appeal jurisdiction to review all final rules issued in accordance with RFA.

Status UPDATE: unchanged from the October report.

H.R.229, the Michael Jon Newkirk Transportation Safety Enhancement Act of 2011

Congresswoman Sheila Jackson Lee (D-TX), Ranking Member of the House Subcommittee on Transportation Security of the House Committee on Homeland Security, introduced H.R. 229 on January 7, 2011. To date it has no cosponsors. It was referred to the Committee on Transportation and Infrastructure.

The legislation directs the Secretary of Transportation to withhold a graduated percentage of federal-aid highway funds of states for FY2014 and thereafter that do not enact or enforce a law that requires the annual inspection of registered motor vehicles so that they meet or exceed state motor vehicle standards (including the operability of vehicle seatbelts and speedometers).

The bill is named after Michael Jon Newkirk, an 18 year old who passed away after being involved in a head-on collision while a passenger in a friend's truck. The police report states that he was not wearing a seatbelt. However, on a visit to see where her son died, his mother, Suzanne, discovered why: it was broken. Upon closer investigation, she learned that the only kinds of seatbelts that require checks are lap belts and automatic seatbelts. But three-point harness seatbelts – the kind in most new cars – aren't specifically mentioned. Across the nation, nearly 20 states don't do any safety inspections at all – a process that usually includes checking seatbelts. That's when Suzanne began to work with Representative Lee to enact legislation to establish national inspection standards, including operable seatbelts, and require states to adhere to them.

Status UPDATE: unchanged from the October report.

H.R.164, the Damaged Vehicle Information Act

Congressman Cliff Stearns (R-FL), Chairman of the House Energy and Commerce Committee's Subcommittee on Oversight and Investigations, introduced H.R. 164 on January 5, 2011. To date the bill has no cosponsors. The bill was referred to the Committee on Energy and Commerce.

The bill directs the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) to issue a regulation to require greater disclosure of information relating to the market value and safety of damaged motor vehicles. Specifically, it requires all persons who terminate a contract related to a motor vehicle due to flood or water damage, collision, fire damage, theft and recovery, or any other circumstance that adversely affects the fair market value of such motor vehicle, to disclose to the public, in a commercially reasonable, electronically accessible manner, the following: the vehicle identification number of the motor vehicle; the date of the termination of the contract; the odometer reading of the motor vehicle on the date of the termination of the contract; whether, as a result of the incident that resulted in the termination of the contract, one or more airbags in the motor vehicle were deployed; and, the cause of the termination of the contract, including whether such cause was flood or water damage, collision, fire damage, theft and recovery, or another cause. The proposed legislation also states that the private sector will be responsible to collect, aggregate and disclose to the public the fair market value and safety information with respect to the damaged vehicle and all such information shall be accessible by vehicle identification number.

In January 2009, The National Motor Vehicle Title Information System was implemented, providing a national database of vehicles compiled from state, salvage and insurer reporting. It requires insurance companies and salvage yards to report vehicles that are severely damaged or totaled, giving consumers access to such information as odometer readings and theft records. The implementation stemmed from a 2008 court case in which Public Citizen Inc. filed the suit to fight for a used car database that was established by Congress in 1992 in the Anti-Car Theft Act. However, the U.S. Department of Justice had never made the system available to the public.

Status UPDATE: unchanged from the October report.

H.R. 4471, the "Gasoline Regulations Act of 2012"

On May 17, the House Committee on Energy and Commerce reported H.R. 4471, the "Gasoline Regulations Act of 2012." It has 15 (now 25) cosponsors.

The bill would establish a temporary interagency committee, chaired by the Secretary of Energy, to estimate the cumulative impacts of certain EPA rulemakings and actions on

gasoline and diesel fuel prices, jobs, the economy, as well as other cumulative costs and cumulative benefits, and submit a final report to Congress within 210 days after enactment; defer until at least 6 months after submission of the final report the following new regulations: (i) Tier 3 motor vehicle emission and fuel standards; (ii) new or revised performance or emissions standards applicable to petroleum refineries; and (iii) new ozone standards; and, require EPA consider cost and feasibility in setting new ozone standards.

Status UPDATE: unchanged from the October report.

S. 3468, the “Independent Agency Regulatory Analysis Act of 2012”

On August 1, Senator Portman (R-OH) with cosponsors Sens. Collins (R-ME) and Warner (D-VA) introduced S.3468, the "Independent Agency Regulatory Analysis Act of 2012." The bill was referred to the Senate Homeland Security Committee. Under the bill, current and future White Houses would receive explicit authority to influence the rule-making process of non-independent regulatory agencies including the Federal Trade Commission, which is specifically identified as an independent agency pursuant to 44 USC 3502(5), and the Consumer Financial Protection Bureau which is generically referenced therein. The Federal Reserve is exempt.

The President, through an executive order, would be allowed to mandate at the minimum a 13-point test for rule-making. That includes finding “available alternatives to direct regulation,” evaluating the “costs and the benefits,” drafting “each rule to be simple and easy to understand” and periodically reviewing existing rules to make agencies “more effective or less burdensome.”

For more “significant” rules — those that have an annual effect of at least \$100 million on the economy — independent agencies would have to submit their proposals to the Office of Information and Regulatory Affairs, an arm of the White House that acts as a sort of regulatory referee. A negative review from the Office would delay a rule for up to three months and force an agency to explain its approach.

Senator Lieberman, Chair of the Homeland Security Committee, has indicated that the Committee may take action on the bill this month although nothing has been scheduled as yet. While there is little time left on the legislative calendar, it is possible that this issue could find its way into the omnibus FY2013 appropriations bill.

If enacted, the bill would clearly impact various aspects of the regulatory process, the most obvious being timing.

Status UPDATE: unchanged from the October report.



To: National Independent Automobile Dealers Association
From: Shaun K. Petersen
Re: November/December 2012 Regulatory Update
Date: December 14, 2012

I. Federal Trade Commission

A. Congressional Testimony on employers rights under Fair Credit Reporting Act (FCRA)

1. The comments highlighted employer's rights to use prospective employees credit reports in the hiring process. The report highlights the fact that employers must receive written permission to use the consumer report in the employment screening process. Further, the employee candidate is entitled to a summary of the report if the employer is taking adverse action against the employee.

B. Settlement with car loan modification company

1. On November 29, 2012, the FTC entered into a settlement agreement with a motor vehicle loan modification for its unfair and deceptive practices. The modification offered by the company allegedly promised to save the vehicle from repossession and would lower vehicle payments. In order to obtain the modification, the consumer was required to pay high upfront fees. Ultimately, the modification provided no value to the consumer. No civil penalty was assessed to the directors or company; however, both the company and the individual owner have heightened reporting and record retention requirements over the next twenty years.

C. Proposed changes to the Used Car Rule

1. Early this month, the FTC released a proposed rule change to the Used Car Rule. The proposed rule would make the following changes to the Buyers Guide:

- i. Add a statement to the guide that would encourage consumers to seek a vehicle history report and directing to an FTC website with information on vehicle histories
 - ii. Add a statement on English Buyer's Guide that the document is also available in Spanish and Spanish speaking customers could request the Spanish form
 - iii. Adding catalytic converters and airbags to the systems covered on the back side of the Guide
 - iv. Placing boxes on the back of the guide for the dealer to have the option of informing the consumer whether the balance of manufacturer's still applies, whether a manufacturer's used warranty applies (i.e. CPO warranty), or whether another third party used vehicle warranty applies.
2. The FTC is seeking comments relating to the proposed rule change. The comments must be submitted by February 11, 2013. NIADA intends to submit written comments.
3. The FTC also made minor changes to the Spanish language Guide, which takes effect February 11, 2013. The revised Spanish version of the Guide is available for immediate use and can be found on ftc.gov. Dealers are permitted to use up their remaining Spanish language Guides after February 11, but must transition to the new Guide when existing stock is used up.
4. The FTC is also seeking comment on the nature and prevalence of deception in Internet vehicle transactions. NIADA will submit comments on this topic as well.
5. On December 12, COO Steve Jordan, Region III VP Gordon Tormhollen, Illinois IADA Executive Director Bruce Eklund, and NIADA Counsel Shaun Petersen met with the FTC attorneys responsible for oversight of the Used Car Rule to discuss the proposed changes to the rule.

D. Interim Red Flags Rule, limiting the definition of "creditor."

1. The interim rule constricts the term "Creditor" which is covered by the Red Flags Rule. Under the new rule, a "creditor" is covered if, in the ordinary course of business, it regularly: obtains or uses consumer reports in credit transactions, provides information to consumer reporting agencies in relation to a credit transaction or advances funds to a person. The FTC has invited comments on the

proposed changes. NIADA will evaluate the proposed changes and consider whether the filing of comments is appropriate.

II. Environmental Protection Agency

- A. The EPA and the Department of Energy released the new fuel economy guide for 2013 models. The guide provides for two “top ten” lists, separating traditional gasoline and diesel fuel vehicles from advanced technology vehicles, such as electric or hybrid vehicles. The guide can be found at fuelconomy.gov.
- B. The EPA settled with two motorcycle importers for violations of the Clean Air Act (CAA). The importers were importing motorcycle engines from China which did not meet the CAA emissions standards. The two companies settled for a combined \$50,000 civil penalty, which was calculated on their ability to pay. If either party violates the CAA in the future, they will be liable for \$25,000 per engine imported and \$5,000 a day for failing to report.
- C. Last month Kia and Hyundai announced a change to their miles per gallon estimates for 2012 and 2013 models. Both companies mileage was reduced, on average, of 1-2 mpg. EPA investigations lead to the companies’ announcement.

III. Internal Revenue Service

- A. The IRS adjusted the optional standard mileage rates used to calculate deductible costs of operating an automobile for business, charitable medical or moving purposes. The adjusted rate takes effect January 1, 2013. The new rates will be:
 - i. \$.565 per mile driven for business,
 - ii. \$.24 per mile driven for medical or moving purposes, and
 - iii. \$.14 per mile driven in service of charitable organization.

A copy of the IRS bulletin can be found at <http://www.irs.gov/pub/irs-drop/n-12-72.pdf>

IV. Consumer Financial Protection Bureau

- A. On December 6, the CFPB submitted their annual report to Congress, as required by the Dodd-Frank Act, relating to their supervisory powers in Equal Credit Opportunity Act and the Home Mortgage Disclosure Act. The report highlighted the CFPB’s investigations over the past year, and it also urged congress to re-examine the transparency of consumer finance, specifically student lending.

- B. The CFPB announced plans to share consumer complaint data with state agencies that have jurisdiction over consumer protection activities. The CFPB will share consumer complaints via a secure channel that protects confidential, personally identifiable information. The Bureau is planning to accept complaints and information from the state agencies in the future.
- C. On November 29, the CFPB released a bulletin to nationwide specialty consumer reporting agencies reminding them of legal obligations to provide a streamlined process for consumers to request a free annual consumer report. The CFPB also issued warning to credit reporting agencies that may be violating the law by failing to provide consumers the required streamlined process for accessing their reports. An example of a warning letter from the CFPB to the nationwide specialty consumer reporting companies can be found at: http://files.consumerfinance.gov/f/201211_cfpb_NSCRA_warning_letter.pdf
- D. The Federal Reserve Board (Board) and the CFPB increased the dollar thresholds in Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing) for exempt consumer credit and lease transactions. Transactions at or below the thresholds are subject to the regulations. For dealers, the Truth in Lending Act and the Consumer Leasing Act generally will apply to consumer credit transactions and consumer leases of \$53,000 or less beginning January 1, 2013.

V. National Highway Traffic Safety Association

- A. NHTSA proposed a new rule that would require event data recorders (EDR) to be installed in all light passenger vehicles beginning September 1, 2014. The EDR's are already anticipated to be in 96% of all 2013 model year vehicles. The EDR tracks vehicle information, specifically when it is in an accident, capturing speed, forces at impact, air bag timing, whether seat belts were in use and whether the brakes were applied. This proposed rule is available for the public to comment on for 60 days from date of publication.

VI. National Motor Vehicle Title Information System

- A. No significant activity has occurred at NMVTIS since the last regulatory update.