



NEW YORK STATE SENATOR

Jeffrey D. Klein

## State Senate Passes Klein & Savino Bills to Combat Predatory Auto Lending Practices in New York State

JEFFREY D. KLEIN June 16, 2015

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**Albany, NY— Independent Democratic Conference Leader State Senator Jeff Klein (D-Bronx/Westchester) and State Senator Diane Savino (D-Staten Island/Brooklyn)** announced Tuesday that the State Senate passed two critical pieces of legislation they sponsor aimed at predatory subprime auto lending in New York.

Senator Klein's bill (S.5485A) increases required surety bonds used car dealerships must hold as a consumer protection from \$10,000 to \$100,000 if the used car dealership sells more than 50 cars annually. Smaller used car dealers can take out \$20,000 bonds if they sell fewer than 50 vehicles a year.

"Predatory subprime auto lending takes advantage of vulnerable New Yorkers in every corner of our state and often drives people with bad credit further into debt. Even worse, fraud and deceptive tactics are used to lure consumers into signing loans they could never afford to repay. Once a consumer realizes they've been taken for a ride— legal recourse is difficult. This legislation will ensure that if a consumer wins a battle in court, a used car dealership will be backed by a sizeable bond and be able to pay what a conned consumer is due," **said Senator Klein.**

Senator Savino's bill (S.5506A) designates lenders as the assignee of a loan issued at a used car dealership since they play a significant role in the financing of a used vehicle. It also grants courts the power to make the assignee pay reasonable attorney's fees if a consumer sues and wins.

"All too often we've heard stories from used car buyers who realize they've been had and call the bank immediately to report fraud. The lender suddenly claims they're not the one driving the loan application, the dealer is, and process it anyway. In court the dealer shifts blame to the financial institution. This legislation finally says, that in New York State, lenders who work with used car dealers are the assignees and will be held accountable. With the passage of this bill financial institutions will think twice before ignoring claims of fraud and deception," **said Senator Diane Savino, Chair of the Senate's Committee on Banks.**

In April, the IDC released an investigative report , "*Road to Credit Danger: Predatory Subprime Auto Lending in New York*," which highlighted numerous predatory tactics being practiced by used car dealerships throughout New York City. The report detailed ways in which unscrupulous dealers often appeal to consumers with bad credit, no credit, or those living on fixed incomes by offering guaranteed approval for financing through enticing online advertisements. Once at a dealership, unsophisticated or unsuspecting customers fail to realize loan applications contain abusively high interest rates, sky-high financing mark-ups, unnecessary add-ons, and are often being filled in with fraudulent income information. In the end, some consumers wind up with cars costing twice the financing and with terms they could never afford to repay.