

Minority Auto Buyers Benefit from NMAC Settlement

Agreement Reforms Undisclosed Dealer Finance Markups and Supports Consumer Education

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Washington DC—Nissan Motor Acceptance Corp. (NMAC) and minority car buyers recently finalized the settlement of a lawsuit charging that NMAC's credit financing policy resulted in African Americans and Hispanics paying more in finance charges than whites. Consumer and civil rights groups called the settlement a significant step in their efforts to eliminate the industry practice of hidden markups that lead to discriminatory auto lending rates.

The lawsuit, filed in 1998 alleged that car dealers were more likely to increase or "mark up" the interest rate charged to black or Hispanic car buyers. The suit also contended that when a markup was charged, the average markup for black and Hispanic car buyers was greater than for white buyers with similar financial backgrounds.

"This settlement is important as it marks the first time a finance company has stepped up to be part of the solution to discriminatory lending practices in auto financing," commented Stuart Rossman, an attorney with the National Consumer Law Center who represented the plaintiffs in this suit. "However," Rossman noted, "NMAC is only one small player in the auto finance industry. We are hopeful that this settlement will serve as a starting point for other lenders as we continue our work to eliminate discriminatory lending practices."

Under the terms of the settlement, NMAC will offer preapproved "no markup" loans based on customer creditworthiness to hundreds of thousands of current and potential black and Hispanic Nissan owners. The company will also limit how much it raises the interest rates charged to car buyers above the minimum acceptable rate, (the markup) and will contribute \$1 million over the next five years to low-income and minority consumer education programs.

"This settlement provides real value for car buying consumers," said Rossman. "The family car is one of the largest purchases most families make—second only to buying a home. The preapproved loan program together with funding for consumer education gives us an important opportunity to demystify the financing process for car buyers." Rossman went on to say that, "as a result of this settlement, hundreds of thousands of minority car buyers will be informed of the lowest interest rate they qualify for—armed with this knowledge, they will now be able to negotiate their finance rate just like they negotiate the car's purchase price."

"Recognizing that disparities exist in the auto financing arena is an important step toward ensuring fair treatment for all consumers, regardless of race and ethnicity. We hope and expect that the NMAC case will be a pioneering example that other companies in the industry will soon follow," said Raul Yzaguirre,

National Council of La Raza President. In December, NCLR wrote to NMAC urging them to take steps to ensure greater fairness in the auto buying process.

“NMAC has taken a significant step to address the issue of discriminatory auto lending,” said Stephen Brobeck, Executive Director of the Consumer Federation of America. “CFA has been active in the fight against predatory lending practices and we will continue to raise awareness of this issue with car buying consumers in the future. “

“America’s underserved consumers need to be armed with the realities of automotive financing. The NMAC settlement serves as a proper first step towards acknowledging the inequities within the industry,” said Bonita Parker, National Director of Rainbow/Push, 1000 Churches Connected program a national financial literacy program for African American churches.

An important aspect of the settlement is the \$1 million in grants to national consumer and minority consumer education programs. Through this lawsuit, the plaintiffs sought a major commitment to consumer education around ways to avoid these charges. Funds be granted to Consumer Federation of America’s “America Saves” program, National Council of La Raza’s financial education initiative and the Rainbow/Push Coalition’s 1000 Churches Connected program.

“America Saves is a nationwide campaign that helps individuals and families save and build wealth,” said CFA’s Brobeck. “Through education, advice and encouragement we work to assist consumers to save for a car, a home or for retirement. Funds granted by the NMAC settlement will allow us to tailor America Saves programs and materials to minority car buyers to ensure that they make well informed auto finance decisions.”

“We want to express our appreciation to NMAC and the attorneys for the plaintiffs in this case for recognizing that a critical aspect of this settlement is educating consumers about their rights and responsibilities in the car buying process. Their support will enable NCLR to bolster its financial literacy programs and develop curricula specifically targeted to Latino customers, “ noted Yzaguirre.

“One Thousand Churches Connected is an initiative of Rev. Jesse L. Jackson’s Rainbow/PUSH Coalition,” noted Parker. “The program provides information on debt elimination and credit management, homeownership, asset protection, wealth accumulation and consumer automotive awareness. Rainbow/PUSH Coalition commends the remedies NMAC is implementing to address “mark up” practices in the minority auto lending process. Rainbow/PUSH looks forward to the sustained efforts of NMAC and others in the automotive finance industry. “

The case, *Cason et. al. v. Nissan Motor Acceptance Corp.* was filed in U.S. District Court for the Middle District of Tennessee at Nashville.

A set of Frequently Asked Questions regarding the lawsuit and settlement agreement can be viewed [here](#).

An outline of the settlement agreement can be viewed [here](#).