

**Examples of Dealer Activities Considered by the Dept. of Justice to be
Discriminatory, Unfair, and Deceptive**

Compiled By ADR Staff

A joint complaint by the US Department of Justice and the State of North Carolina alleges BHPH dealerships in Charlotte, NC, targeted African-American customers for unfair and predatory credit practices that violated Federal and NC State law. The following allegations in the complaint specify types of activities deemed to be in violation of the Equal Credit Opportunity Act (ECOA) and/or Unfair and Deceptive Acts or Practices (UDAP) statutes.

Discriminatory and/or Unfair and Deceptive Acts or Practices:

- Utilizing Global Positioning System (GPS) devices to locate and repossess vehicles sold to customers without disclosing to the customers that the dealerships had installed GPS devices on their cars.
- Engaging in “reverse redlining,” which is the intentional targeting of a minority or other protected class for the extension and servicing of credit on unfair and predatory terms without meaningfully assessing the customers’ creditworthiness.
- Intentionally targeting a minority or protected class as customers for purposes of predatory lending. The Defendant intentionally established the Dealerships in an area in which the majority of residents were African American. The Defendant also made comments indicating he was specifically interested in having African American customers because he believed them to be of inferior intellect and to have fewer options for credit and thus to be more likely to accept the terms of the installment sale contracts.
- Engaging in unfair and predatory lending actions. Without assessing customers’ credit history or customers’ ability to make required payments, Defendants required:
 - Sale prices in excess of industry standard suggested retail prices and far in excess of the wholesale prices paid for the cars by the Defendants at auction;
 - Disproportionately high down payments as compared to other subprime used car dealers; and
 - Disproportionately high APRs as compared to other subprime used car dealers, including, in the majority of cases, the maximum APRs allowable under state law.
 - Specifically intending to sell cars to minorities or other protected classes with these inflated pricing conditions.
- Having disproportionately high default and repossession rates as compared to other subprime used car dealers. A majority of the Defendants’ sales contracts resulted in at least one default by the customer and a significant percentage resulted in repossession.
- Repossessing the car even though the customer was not in default.
- Failing to send the owner required notices of disposition of a repossessed vehicle, and failing to refund the customer the difference between what was owed and the amount obtained upon resale of a repossessed vehicle.

Case Examples:

The complaint included the following case examples of Defendants' actions giving rise to the allegations of discrimination and unfair and deceptive acts or practices.

Case 1, illustrating Defendants' specific intention to sell credit contracts to African American customers using inflated pricing conditions:

- In 2010, Defendants paid \$7,610 at auction for a used 2001 model-year car with 115,629 miles on the odometer.
- Although the Defendants usually obtained used cars at auction for less than the suggested trade-in value in the NADA Official Used Car Guide, in this instance, the NADA suggested trade-in value for the car was \$7,600, and the NADA suggested retail value of the car was \$10,625 – a suggested dealer markup of approximately 40 %.
- Auto Fare first sold the car at retail three days after it purchased the car at auction, charging the customer a sale price (excluding taxes and fees) of \$12,900 – an actual dealer markup of approximately 70 %.
- Although the customer reported that her only income was unemployment benefits, Auto Fare allowed the customer to finance her purchase through an installment sale contract with a \$2,500 cash down payment – approximately 19% of the actual retail price and approximately 24% of the NADA suggested retail price.
- By comparison, certain publicly traded “buy here, pay here” dealers reported average customer down payments between seven and 12 % of retail price.
- Auto Fare charged the customer 29% APR on the purchase of the car – the highest allowable interest rate under North Carolina law – for a total finance charge of \$6,358.42.
- By comparison, a publicly traded “buy here, pay here” dealer reported interest rates ranging from 5.5 % to 19 %.
- Auto Fare's customer agreed to make 87 bi-weekly payments of \$200 (plus a final payment of \$113.42) on the financed amount.
- If the customer made the minimum payment each time for the entire term of the installment sale contract, she would ultimately pay a total of \$20,013.42 for the car – approximately 155 % of her purchase price and 188 % of the NADA suggested retail value.

Case 2, illustrating the Defendants' practice of repossessing vehicles when the owner was not in default:

- In 2010, Auto Fare sold a car to an African American customer who financed the purchase through an installment sale contract requiring bi-weekly payments of \$200.
- Within the first two weeks of purchasing the car, the customer made payments totaling \$1,200 – enough to keep the account current for several months.
- The customer made an additional payment of \$200 approximately seven weeks after taking possession of the car.

- Yet several weeks later, while the account should still have been current, Auto Fare repossessed the car.
- The customer later met with Defendant Saadeh, who told the customer that she must make bi-weekly payments regardless of the amount already paid.
- Defendant Saadeh also demanded that the customer pay him additional money that day – which she did – in order to get her car back.