

CITY COUNCIL  
CITY OF NEW YORK

----- X

TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONSUMER AFFAIRS

----- X

April 26, 2016  
Start: 2:08 p.m.  
Recess: 3:17 p.m.

HELD AT: 250 Broadway- Committee Rm, 16<sup>th</sup> Fl.

B E F O R E: RAFAEL L. ESPINAL  
Chairperson

COUNCIL MEMBERS:

DANIEL R. GARODNICK  
VINCENT J. GENTILE  
JULISSA FERRERAS-COPELAND  
RORY I. LANCOUNCIL MEMBERAN  
KAREN KOSLOWITZ

## A P P E A R A N C E S (CONTINUED)

Rhoda Branche  
Resident of Coney Island, Brooklyn, Used Car  
Dealership Victim

Amit S. Bagga  
Deputy Commissioner for External Affairs at the  
New York City Department of Consumer Affairs

Adam Blumenkrantz  
Assistant General Counsel for Department of  
Consumer Affairs

Casey Adams  
Deputy Director of Legislative Affairs

Eyan Humphrey  
Consumer

Shanna Tallarico  
Supportive Attorney at the New York Legal  
Assistance Group

1

2

[gavel]

3

CHAIRPERSON ESPINAL: Good morning My

4

name is Rafael Espinal and I'm the Chair of the

5

Consumer Affairs Committee. Today the committee will

6

be holding a hearing on Intro's 1539 and 1540 and

7

voting on proposed Intro 5188. All of today's bills

8

relate to the used car industry in the city of New

9

York. Many New York City residents particularly in

10

the outer boroughs rely on cars to get to work, take

11

kids to school, perform errands and other daily

12

activities. After housing, automobiles are the second

13

greatest expense for city resident households. For

14

many of these households a used car is a more

15

affordable option than a new car. Unfortunately, the

16

used car industry has been a consistent source of

17

consumer complaints. The Department of Consumer

18

Affairs or DCA has received over 826 complaints

19

regarding the industry since 2013. Consumers

20

complained of second hand auto dealers pressuring

21

customers to sign blank financing contracts, selling

22

vehicles with serious mechanical problems,

23

misrepresenting the cash value of vehicles, inflating

24

low interest rates, not honoring warranties, and

25

selling costly add-ons. Some consumers reported being

1 charged interest rates of up to 25 percent. DCA's  
2 data indicates that these unscrupulous practices  
3 disproportionately impact communities of color,  
4 limited English proficient populations and unbanked  
5 or underbanked communities. Used car financing  
6 agreements are particularly problematic. In 2016,  
7 Experian, a credit reporting company noted that 25  
8 percent of all auto loans were subprime and 30  
9 percent of those were in the used car market. In the  
10 same year, the Federal Reserve Bank of New York  
11 reported that subprime auto loans were rising despite  
12 increasing delinquencies. We have seen the results of  
13 predatory lending in the past and the council will  
14 not be able... will not enable these deceptive  
15 practices to continue in this city. The council has  
16 attempted to better regulate the used car industry  
17 over the past several years. In 2012, the Consumer  
18 Affairs Committee heard a package of bills attempted  
19 to curb fraud including legislation requiring broader  
20 disclosure and a consumer bill of rights but none were  
21 enacted. In 2015, Local Law 44 was enacted requiring  
22 second hand auto dealers to display prices that  
23 include all of the administrative and service fees as  
24 well as commonly sold add-ons with signage to  
25

1 indicate such add-ons are optional. More recently I  
2 held a joint... a joint public hearing on October 18<sup>th</sup>,  
3 2016 with DCA, Commissioner Lorelei Salas. We heard  
4 testimony from several consumers and advocates  
5 impacted by the deceptive practices of used... some  
6 used car dealers. I also wish to acknowledge DCA's  
7 efforts in pursuing charges against used car dealers,  
8 most recently against Major World but also several  
9 others in the city. The introductions being heard  
10 today represent a continuation of the council's  
11 efforts to address these issues and respond to  
12 emerging fraudulent trends in the used car industry.  
13 Today the committee will hear Intro 1539, a bill that  
14 will require second hand auto dealers to provide  
15 consumers with greater disclosure with regard to  
16 financing on purchased, purchasing a used vehicle. If  
17 passed some of the highlights of this bills are; the  
18 dealers will be required to notify consumers that  
19 they are not required to accept financing from the  
20 dealer or costly add-ons. Two, dealers would have to  
21 disclose the lowest interest rate offered to a  
22 consumer by a lender as well as the total fee the  
23 dealer will charge to arrange the financing. Three,  
24 dealers would also be required to offer for a  
25

1  
2 purchase... three, dealers would also be required to  
3 offer for purchase a contract cancellation agreement  
4 which would allow consumers to, to return a vehicle  
5 within two days of delivery with some limitations.  
6 The second bill we're hearing today is Intro 1540  
7 introduced by Councilman Dan Garodnick, Dan do you  
8 want to say a few words on your bill?

9 COUNCIL MEMBER GARODNICK: If that's  
10 alright.

11 CHAIRPERSON ESPINAL: Yep.

12 COUNCIL MEMBER GARODNICK: Well thank you  
13 very much Chair Espinal for, for holding this hearing  
14 on both bills and thanks for the opportunity to say a  
15 few words on 1540, which I introduced along with you  
16 of course and Council Member Williams and this is an  
17 important initiative for consumer protection in the  
18 second-hand auto market. Intro 1540 would require  
19 second hand automobile dealers to post and distribute  
20 a consumer bill of rights to perspective buyers. Many  
21 New Yorkers rely on cars everyday especially if they  
22 live or work in areas that are underserved by public  
23 transportation networks and many of these New Yorkers  
24 buy their cars from second hand dealers because like  
25 most of us they want to get a good deal on what can

1 be a very expensive purchase. But just last month the  
2 Department of Consumer Affairs filed charges against  
3 Major World, a second-hand auto dealer in Queens  
4 alleging that they have been engaging in seriously  
5 deceptive practices tempting customers with false  
6 advertisements of great deals and then taking  
7 advantage of them to stick them with overpriced cars  
8 and high interest loans and unfortunately, it's not  
9 just that one dealer. From October 2013 to March  
10 2017, DCA received 826 individual complaints related  
11 to the purchase of second hand vehicles. DCA found  
12 that these complaints came overwhelmingly from areas  
13 that are high poverty, underbanked, and with large  
14 communities of people with limited English  
15 proficiency. This predatory behavior is simply  
16 unacceptable. While of course not every second-hand  
17 auto dealer is a bad actor, the ones that are must be  
18 held accountable for their actions. This legislation  
19 would help create a bill of rights in which  
20 dealerships will have to disclose a variety of key  
21 legal protections so that consumers can make the most  
22 informed decision possible in a fair environment.  
23 Among other components this bill would include full  
24 disclosures of fees, information about people's  
25

1 rights to obtain their own financing, and  
2 explanations of how to retrieve a dealer's complaint  
3 history. The bill would also require that these  
4 dealers actually post the bill of rights for  
5 customers to see and make customers sign a copy of  
6 the bill of rights printed in the language in which  
7 they negotiated the purchase prior to  
8 any sale. This bill will go a long way toward  
9 protecting the interest of some of the most  
10 vulnerable New Yorkers and I urge my colleagues to  
11 support it and again I thank you Mr. Chairman for  
12 hearing this bill and the other today. Thanks.

14 CHAIRPERSON ESPINAL: Thank you  
15 Councilman Dan Garodnick for your leadership on that  
16 bill. Finally, recent years have seen record breaking  
17 numbers of automobile recalls. The Takata airbag  
18 recall alone has affected an estimated 40 million  
19 vehicles in the United States to date. The airbag has  
20 also been implicated in 11 deaths nationwide. Today  
21 the committee will vote on Intro 518-A, which would  
22 require used car dealers to provide buyers with  
23 written notification indicating the recalls affecting  
24 the vehicles equipment and or parts they are  
25



1 purchasing. With that said Mr. Clerk would you please  
2 call the roll.

3  
4 COMMITTEE CLERK MARTIN: Lee Martin,  
5 Committee Clerk roll call vote Committee on Consumer  
6 Affairs Introduction 518-A, Chair Espinal?

7 CHAIRPERSON ESPINAL: I vote aye.

8 COMMITTEE CLERK MARTIN: Ferreras-  
9 Copeland?

10 COUNCIL MEMBER FERRERAS-COPELAND: [off-  
11 mic] I vote aye.

12 COMMITTEE CLERK MARTIN: Lancman?

13 COUNCIL MEMBER LAN  
14 COUNCIL MEMBER AN: [off-mic] Aye.

15 COMMITTEE CLERK MARTIN: By a vote of  
16 three in the affirmative, zero in the negative, and  
17 no abstentions the item has been adopted by the  
18 committee.

19 CHAIRPERSON ESPINAL: Thank you, I ask  
20 the Clerk to please keep the roll open for another 15  
21 minutes. The committee looks forward to hearing from  
22 the Department of Consumer Affairs, the industry,  
23 advocates, and other interested parties on these  
24 topics. Now if the sponsor... okay, we did that  
25 already, sorry. So, again I just want to really

1  
2 acknowledge that my colleagues who are here today, we  
3 have Rory Lancman from Queens, we have Dan Garodnick  
4 who is a sponsor of one of the bills and was the  
5 former Chair of the Consumer Affairs Committee from  
6 Manhattan, we have Julissa Ferreras from Queens, and...  
7 [cross-talk]

8 COUNCIL MEMBER FERRERAS-COPELAND:

9 Copeland, I worked really hard on that.

10 CHAIRPERSON ESPINAL: Julissa Ferreras-

11 Copeland from Queens and I would love to hear from  
12 Rhoda Branche.

13 RHODA BRANCHE: Branche.

14 CHAIRPERSON ESPINAL: Rhoda Branche on

15 her, her experiences with the used car auto dealers  
16 in the city.

17 RHODA BRANCHE: Good evening everyone,

18 should I start?

19 CHAIRPERSON ESPINAL: Not she... just you

20 guys. Yeah, we believe our constituents. You, you can  
21 start.

22 RHODA BRANCHE: Okay, again thanks for

23 having me. My name is Rhoda Branche and I just want

24 to share my story again. I was a victim of Hurricane

25 Sandy back in 2012 so therefore I lost my, my vehicle

1  
2 and I had 28 days to get another vehicle because I  
3 had the insurance car however on the 27<sup>th</sup> day I  
4 started looking and I went over to a car dealership  
5 in Brooklyn, Bay Ridge which is Giuffre and when I  
6 went there I met a salesman very charming and he  
7 showed me a few vehicles and the one that I chose is  
8 what I could afford when he explained to me. So, he  
9 said okay we'll get you this vehicle, it's not going  
10 to take long and stuff like that. So, I went in and  
11 he gave me some papers, the first thing he did is get  
12 an insurance for me. Well as he's getting the  
13 insurance he was getting the paperwork together for  
14 me. Within a few minutes, he called me in another  
15 room to start signing the paper. They gave me a long  
16 yellow sheet and I started... all I had to do was just  
17 put my signature, didn't explain anything and he  
18 just... the... they were very, very charming as I stated  
19 however when I first started writing somewhere down  
20 the first long yellow sheet I noticed that my name  
21 was misspelled so I brought that to his attention, he  
22 just said okay, okay let's swap it and give me  
23 another one so I had to start signing and again it  
24 was late in the evening, it was around dusk, again  
25 it's in November so you know it gets dark early.

1  
2 However, they gave me this long sheet and I signed  
3 and when I signed everything no one said anything  
4 they just sign here, sign here and that's it and they  
5 would also give me... a third party which I didn't know  
6 it was called a third party, they said they would  
7 have someone to help me to pay my bill on time, I  
8 don't have to worry about going to the bank so I  
9 thought wow that was great, I never had that  
10 opportunity at that time. So, I bought the car, I did  
11 everything that he asked me to do for them and during  
12 that time two weeks after I had the car it started  
13 giving problems meaning that it would shut down  
14 different things that happening so I call him, this  
15 is around Christmas time, I call him and I told him  
16 I'm having problems so they told me around the  
17 holidays, you know it was difficult that they would...  
18 you know see me after the holiday. So, I went back to  
19 them after the holiday which is after... you know in  
20 December after Christmas and they said okay they  
21 would take my vehicle and see what they can do, I  
22 gave them the vehicle, they kept it meanwhile I had  
23 to rent a, a car to get me to and from. Now I needed  
24 a car desperately because I had to go to work and I  
25 live in Coney Island, Brooklyn and I work in Port

1 Washington, Long Island which is about... if I were to  
2 commute on my own it takes about two and a half hours  
3 and it could go up to four hours one way because I  
4 had one bus from where I live to the train then the  
5 two trains and so forth and another bus and get off  
6 and walk so it's better I get a vehicle. However... so  
7 I took the vehicle to, to them and they kept it and  
8 then no one called me so I went back and they said oh  
9 we didn't get the part, we have to get the part from  
10 Volvo because it was a Volvo s-u-v that I had  
11 purchased from then and nothing happened so then they  
12 gave me back my vehicle and they said when they do  
13 get it they would call me, they never did and I  
14 started fixing it on my own and I spent a lot of  
15 money going to Volvo to fix my vehicle only to find  
16 out that Volvo decided to take the vehicle because  
17 they see me there like every... one week, two weeks I'm  
18 there fixing something and they said they would trade  
19 it in and that's when I found out that the vehicle  
20 wasn't good because they said they can trade it in...  
21 was... it wasn't good and that's how I, I call...  
22 actually Consumer Affair and thank god for you all  
23 that you took it up to help me. So, basically, I  
24 bought a lemon and that's when I found out that my  
25

1 percentage was 24 percent, wasn't aware of that,  
2 wasn't aware that when they signed the paper, they  
3 gave me the paperwork there were things that I was..  
4 should have been aware of that I wasn't aware of,  
5 that's another thing. The third thing is that I never  
6 was given the opportunity to even test drive the  
7 vehicle, they just gave me the keys and I left. So,  
8 with that having said all of that Consumer Affair  
9 picked it up and that's when I found out a lot of  
10 things that wasn't right that I was robbed of and  
11 they were able to get me approximately 5,000 back  
12 from money that I spent and from the bank and so  
13 forth. Then with that now Consumer... this company that  
14 I was paying what they did they decided to take me..  
15 after I got the money back and everything they  
16 decided to take me to small claim court to see what  
17 money they can retrieve however because of DCA I was  
18 able to get my collection loan from this financial  
19 company dismissed because of the paperwork and  
20 everything that DCA helped me with. So, that is what  
21 happened so far with, with me.

23 CHAIRPERSON ESPINAL: Thanks for sharing  
24 your story and again I'm sorry for everything that  
25 you had to go through and I commend DCA for all the

1  
2 restitution... all the money they were able to get...  
3 they were able to get you back... [cross-talk]

4 RHODA BRANCHE: ...yes... [cross-talk]

5 CHAIRPERSON ESPINAL: So, I guess... so,  
6 again you, you were looking to purchase a vehicle  
7 because you wanted to make the commute to work a lot  
8 easier, correct?

9 RHODA BRANCHE: Yes.

10 CHAIRPERSON ESPINAL: When you went to  
11 the dealership did you go with the optimistic view of  
12 you purchasing a vehicle that you believe would best  
13 suit your needs?

14 RHODA BRANCHE: Absolutely, yes.

15 CHAIRPERSON ESPINAL: When you saw the  
16 price tag on the vehicle and went to pay for the  
17 vehicle did you feel that this was probably one of  
18 the better deals that you have seen than in any other  
19 dealership or probably could have gotten?

20 RHODA BRANCHE: Well actually they did  
21 not even have a price tag on the vehicle they just  
22 told me how much it would be and I said okay, yes, I  
23 could... [cross-talk]

24 CHAIRPERSON ESPINAL: ...you felt... [cross-  
25 talk]

1 COMMITTEE ON CONSUMER AFFAIRS 16

2 RHODA BRANCHE: ...I could afford... [cross-  
3 talk]

4 CHAIRPERSON ESPINAL: ...you felt  
5 comfortable with the price... [cross-talk]

6 RHODA BRANCHE: ...comfortable... [cross-  
7 talk]

8 CHAIRPERSON ESPINAL: ...they were... [cross-  
9 talk]

10 RHODA BRANCHE: ...and... [cross-talk]

11 CHAIRPERSON ESPINAL: ...right... [cross-  
12 talk]

13 RHODA BRANCHE: ...and then when they run  
14 my, like my social and things like that it came up  
15 showing that I was a victim of Sandy... [cross-talk]

16 CHAIRPERSON ESPINAL: Uh-huh... [cross-  
17 talk]

18 RHODA BRANCHE: ...and that they would give  
19 me 4,000 dollars back and that was not true.

20 CHAIRPERSON ESPINAL: So, throughout the  
21 whole process they made you feel comfortable... [cross-  
22 talk]

23 RHODA BRANCHE: ...absolutely... [cross-talk]

24

25



2 CHAIRPERSON ESPINAL: ...and you felt very  
3 optimistic that you were getting the best deal you  
4 can get... [cross-talk]

5 RHODA BRANCHE: Yes... [cross-talk]

6 CHAIRPERSON ESPINAL: ...but it wasn't  
7 until you left the lot and you actually saw the  
8 numbers that were coming... [cross-talk]

9 RHODA BRANCHE: Yes... [cross-talk]

10 CHAIRPERSON ESPINAL: ...the invoices and  
11 the issues your car was going through that you felt  
12 that you were wronged... [cross-talk]

13 RHODA BRANCHE: Absolutely, about a week  
14 to two weeks after is when I realized when the  
15 vehicle... when it started giving problems, I didn't  
16 know that the interest rate was high because again  
17 the way they broke it down to me, they were very  
18 charming, is that I would be paying a third party so  
19 when you break it down to a third party the money  
20 wasn't much but the interest rate wasn't that, that  
21 safe was hidden, I wasn't aware of it.

22 CHAIRPERSON ESPINAL: When you were there  
23 signing documents did you feel rushed by the... [cross-  
24 talk]

1 COMMITTEE ON CONSUMER AFFAIRS 18

2 RHODA BRANCHE: Yes, absolutely but I  
3 thought it was good because I'm saying wow, you know  
4 these people are really nice, they're helping me.

5 CHAIRPERSON ESPINAL: Uh-huh... [cross-  
6 talk]

7 RHODA BRANCHE: ...you know... [cross-talk]

8 CHAIRPERSON ESPINAL: ...and they just kind  
9 of rushed you through signing the documents... [cross-  
10 talk]

11 RHODA BRANCHE: ...everything... [cross-talk]

12 CHAIRPERSON ESPINAL: ...not really...  
13 [cross-talk]

14 RHODA BRANCHE: ...yes... [cross-talk]

15 CHAIRPERSON ESPINAL: ...feeling like you  
16 had the time to read... did you have... did you have the  
17 feeling like you had the time to sit there and read  
18 the documents you were... you were given... [cross-talk]

19 RHODA BRANCHE: No, as I said the only  
20 thing that I noticed because it was on the top was my  
21 name because I can read... [cross-talk]

22 CHAIRPERSON ESPINAL: Uh-huh... [cross-  
23 talk]

24 RHODA BRANCHE: ...my name was misspelled.

25 CHAIRPERSON ESPINAL: Right... [cross-talk]

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

COMMITTEE ON CONSUMER AFFAIRS

19

RHODA BRANCHE: Everything else was small and it just had X so you just sign.

CHAIRPERSON ESPINAL: Uh-huh...

RHODA BRANCHE: That's what I... they said I had to do and they were... again it was late and I assume everybody wanted to go and they were charming and they give me the reassurance that it's great so... you know they're helping me with, with some of the money that, that I... they would put for me to help with my vehicle.

CHAIRPERSON ESPINAL: Uh-huh. Okay, the, the reason I bring these questions up is I feel a lot of New Yorkers go through the same experience, me personally I'm... I've just purchased my second used car vehicle and I felt rushed throughout the entire process and I can only understand... I can't understand... you know I can only imagine how someone who doesn't really understand what their rights are or what the laws are must feel when they... when they're feeling that same pressure.

RHODA BRANCHE: Right, because at that point I didn't know that I was being rushed I just thought that they were helping me... [cross-talk]

1 COMMITTEE ON CONSUMER AFFAIRS 20

2 CHAIRPERSON ESPINAL: Uh-huh... [cross-  
3 talk]

4 RHODA BRANCHE: They were very charming,  
5 they were very... you know sitting there with the paper  
6 just giving me just sign.

7 CHAIRPERSON ESPINAL: Alright, thank you.

8 RHODA BRANCHE: You're welcome.

9 CHAIRPERSON ESPINAL: Thank you so much  
10 for your story.

11 RHODA BRANCHE: You're welcome, thank you  
12 for having me again.

13 CHAIRPERSON ESPINAL: Thank you. I'd like  
14 to call up our first panel who we do have to put  
15 under oath, it's DCA, we have Amit Bagga, Deputy  
16 Commissioner, we have Michael Tiger, DCA, we have  
17 Adam... again forgive me if I mispronounce your name  
18 so... we have Adam Blumenkrantz.

19 ADAM BLUMENKRANTZ: [off-mic] close  
20 enough.

21 CHAIRPERSON ESPINAL: Close enough, DCA;  
22 Casey Adams. Please raise... raise your right hand allow  
23 us to administer... allow us to administer the oath; do  
24 you affirm to tell the truth, the whole truth and  
25 nothing but the truth in your testimony before this

1  
2 committee and to respond honestly to all council  
3 member's questions?

4 ADAM BLUMENKRANTZ: Yes.

5 CASEY ADAMS: Yes.

6 CHAIRPERSON ESPINAL: Thank you, you may  
7 begin.

8 AMIT S. BAGGA: Thank you. Before I begin  
9 I would just like to thank Miss Rhoda Branche for  
10 coming here today to tell her story. Good afternoon  
11 Chairman Espinal and members of the committee and  
12 Council Member Garodnick. My name is Amit S. Bagga  
13 and I am the Deputy Commissioner for External Affairs  
14 at the New York City Department of Consumer Affairs  
15 or DCA. I am joined today by several colleagues from  
16 the agency as you mentioned and we are particularly  
17 pleased to be here today on behalf of the agency and  
18 Commissioner Salas. I would like to thank the  
19 committee for the opportunity to testify about these  
20 two bills which would increase protections for  
21 consumers that buy or finance used cars in New York  
22 City and would also require dealers to post and  
23 distribute a consumer bill of right. As you know,  
24 protecting New Yorkers from predatory lending and  
25 deceptive practices are top priorities for DCA and we

1  
2 strongly commend Chair Espinal and Council Member  
3 Garodnick for introducing bills that will help the  
4 city address our slice of this growing national  
5 problem. The department is proud to have partnered  
6 with the council on this package of legislation and  
7 we look forward to working with you during the  
8 legislative process to enshrine the strongest  
9 possible protections for consumers into law. Today, I  
10 will detail for the committee how DCA identified and  
11 investigated used car financing as a consumer issue,  
12 surfaced stories of consumer harm, and how we have  
13 taken a strong, strong enforcement actions against  
14 dealers engaged in predatory and deceptive business  
15 practices in our city. As DCA licenses approximately  
16 780 used car dealers across the five boroughs the... we  
17 believe that the potential scope of consumer harm  
18 could be quite large. We should note that the...  
19 approximately 800 complaints that you mentioned in  
20 your opening remarks are exclusively complaints that  
21 we believe are related to finance. In addition to  
22 those complaints we've received thousands of  
23 complaints since January 2014 about used car dealers  
24 and problematic practices in New York City. I would  
25 also like to mention that since January 2014 and

1  
2 these are calendar year numbers, we have obtained  
3 more than 1.4 million dollars in restitution for  
4 consumers that have been harmed by used car dealers  
5 and we have assessed more than 923,000 dollars in  
6 fines. We know that risky and predatory lending can  
7 derail the lives of individuals and destabilize  
8 entire communities. Unclear or confusing terms as  
9 well as high pressure sales tactics can leave  
10 consumers saddled with loans they don't understand,  
11 didn't want, or in many cases cannot afford. These  
12 loans trap consumers in a cycle of debt that is  
13 difficult and in many cases impossible to escape.  
14 Victims of predatory lending may be forced to forego  
15 educational opportunities and delay or abandon other  
16 necessary investments in their careers, their  
17 families, and their futures. Ruined credit scores can  
18 prevent victims from accessing mainstream financial  
19 products, purchasing a home, or in many  
20 jurisdictions, although not here, securing new  
21 employment opportunities, robbing them of the chance  
22 to improve their lives and often deepening the cycle  
23 of debt they might have found themselves in.  
24 predatory lenders also often target minority  
25 communities where the use of alternative financial

1 services is higher, English proficiency is lower, and  
2 more individuals are likely to lack access to a bank  
3 account or other mainstream financial services. Since  
4 the Great Recession of 2008, lending by second hand  
5 auto dealers has become a big business with national  
6 implications. Like the risky mortgages that  
7 precipitated the credit market collapse in 2008, many  
8 loans issued by used car dealers are issued to  
9 subprime buyers and are loaded with complex terms and  
10 risk spreading mechanisms. Auto loans have grown to  
11 an over 1.2 trillion-dollar market and a quarter of  
12 those loans are now classified as "subprime" or "deep  
13 subprime", a figure that based on our research we  
14 believe has doubled since 2009. DCA's investigations  
15 and research suggest that used car lending and its  
16 attendant problems, are likely widespread and growing  
17 in New York City, at least among certain populations.  
18 Demographic and socioeconomic factors make our city a  
19 prime target for predatory lenders. More than 20  
20 percent of New York City's families live in poverty,  
21 more than 1.1 million households are unbanked or  
22 underbanked, and almost 40 percent of the city's  
23 population is foreign born. DCA data bear out that  
24 this issue is affecting consumers in our city. Since  
25



1  
2 2013, the agency has received more than 800  
3 complaints as I mentioned earlier. In light of these  
4 factors, it is crucial that our city government step  
5 up to protect New Yorkers and our local economy from  
6 deceptive practices and predatory lending. DCA's  
7 mission is to protect and enhance the daily economic  
8 lives of New Yorkers to create thriving communities.  
9 In pursuit of that mission we have set out to  
10 identify areas where we could leverage our existing  
11 tools to have the most positive impact on the lives  
12 of consumers and communities. An analysis of DCA  
13 complaint data and investigative files, information  
14 gathered from city agencies, and external reports  
15 have confirmed that used car lending is a major issue  
16 for New York City consumers. Complaints from  
17 consumers are concentrated in neighborhoods with  
18 large minority, immigrant, or low English proficiency  
19 populations or with... in neighborhoods with high  
20 poverty rates many of which are in the boroughs  
21 outside of Manhattan. The pre-existing regulatory  
22 relationship that we have with the used car industry  
23 presented us with a unique opportunity to study and  
24 understand the problem and also to leverage all of  
25 our existing tools to target predatory lending while

1  
2 working with the council to develop new policy  
3 approaches. In October of last year, DCA invoked its  
4 Charter authority to hold public hearings on issues  
5 affecting consumers. In partnership with Chair  
6 Espinal, the agency invited consumers to share their  
7 stories by testifying about the experiences they have  
8 had with used car dealers. DCA also invited legal  
9 experts and advocates some of whom are here today as  
10 well who work with consumers to speak about common  
11 problems faced by consumers and discuss possible  
12 solutions. Over several hours, DCA heard stories from  
13 consumers who had been rushed, rushed, misled, duped,  
14 and deceived by used car dealers into taking on  
15 unaffordable loans for unreliable vehicles. DCA is  
16 using its legal authority to investigate dealers that  
17 might be violating the law and we are moving  
18 aggressively to hold them accountable. In the course  
19 of our enforcement work we have identified used car  
20 dealers that have been engaging in what we believe to  
21 be many different types of predatory or deceptive  
22 conduct such as the falsification of consumer income  
23 and expense information on credit applications as  
24 well as the falsification... or excuse me, falsely  
25 inflating the value of automobiles so consumers could

1 secure loans from financing companies. We have also  
2 found that dealers often target advertising on  
3 consumers with limited proficiency in English.

4 Reports of harrowing consumer experiences, compounded  
5 by the findings of our investigations make clear that  
6 the city needs to take more action to protect  
7 consumers. Given that predatory lending is a complex

8 issue, we have adopted a comprehensive strategy to  
9 address it, particularly in the used car context. DCA

10 is employing a three-pronged plan to tackle predatory  
11 lending here in New York City. Education,  
12 enforcement, and in partnership with all of you,

13 legislation. The bills before you today are a

14 critical part of this plan. The first step to

15 tackling predatory lending is arming consumers with

16 the knowledge they need to protect themselves from

17 scams and make informed decisions. DCA has a strong

18 history of direct outreach, consumer education,

19 earned and paid media investments, and partnerships

20 with community organizations. We plan to utilize this

21 experience to engage more closely with communities

22 and stakeholders to raise the alarm about common

23 predatory practices and educate consumers before they

24 step onto a lot. Used car dealers who prey on

25

1  
2 vulnerable consumers and use deceptive practices must  
3 be held accountable. DCA is using its legal authority  
4 and investigatory resources to root out consumer harm  
5 and punish dealers who break the law. Rigorous  
6 enforcement of the law, both through patrol  
7 inspections as well as through legal actions, will  
8 put unscrupulous dealers on notice and we believe  
9 help to promote a culture of compliance among  
10 businesses. DCA will leverage its experience as a  
11 licensing authority and a regulator over second hand  
12 auto dealers, an educator of consumers and  
13 businesses, and a consumer watchdog to help forward  
14 thinking lawmakers such as yourselves craft  
15 thoughtful legislation like the two bills before us  
16 today. Taken together, we believe that this  
17 comprehensive approach will help the city make real,  
18 measurable progress against predatory lending in the  
19 used car dealer industry. I will now turn to the  
20 specifics of the two bills, a package that the  
21 administration strongly supports. 1539 would make  
22 major improvements to the law in the areas of  
23 prohibitions, contract flexibility, disclosures, and  
24 enforcement and DCA is proud to support its passage.  
25 Specifically, the bill would prohibit used car

1 dealers from requiring a consumer to accept financing  
2 through the dealer as a condition of the purchase or  
3 making a contract voidable if the dealer isn't able  
4 to sell or assign the loan to a third party. The bill  
5 would also require clear disclosure of what we refer  
6 to as quote, "price packing," a common practice that  
7 involves dealers informing buyers that they must  
8 purchase expensive add-on services or accessories to  
9 qualify for financing. In addition, dealers would be  
10 required to clearly itemize and disclose the cost of  
11 any such add-ons or accessories to the consumer and  
12 obtain written acknowledgement of that disclosure if  
13 the products are in fact purchased. DCA believes that  
14 the price packing provision could be strengthened by  
15 prohibiting dealers from conditioning the financing  
16 of a vehicle not just the sale on the purchase of  
17 add-ons or accessories in addition of course to  
18 requiring the disclosure. This approach would be  
19 consistent with our other laws as dealers are already  
20 barred from conditioning the sale of a vehicle on  
21 additional purchases pursuant to an earlier priced  
22 posting law. This bill would also prohibit dealers  
23 from submitting false information to lenders or to  
24 finance companies as we have seen some dealers do.  
25

1  
2 Predatory dealers often modify incomes, expenses, or  
3 other employment histories on credit applications  
4 without the knowledge of consumers in order to  
5 qualify them for excessively large loans. During a  
6 recent investigation, DCA found that a company had  
7 turned an applicant who is in fact a grocery store  
8 clerk into a grocery store owner, the same dealer  
9 substantially inflated his income and slashed his  
10 monthly rent in half, the consequence of which was  
11 essentially making him seem more credit worthy than  
12 he really was. 1539 would also dramatically increase  
13 contract flexibility for consumers by giving them the  
14 opportunity to purchase a contract cancellation  
15 option for a nominal fee. Dealers would be required  
16 to offer this option, which would allow the consumer  
17 to pay no more than 50 dollars for the ability to  
18 cancel their contract and receive their money back  
19 within two days of when the purchase is made subject  
20 to a maximum of a 200-dollar restocking fee. This  
21 change would give consumers the ability to think over  
22 their purchase and potentially uncover any problems  
23 with the car they couldn't necessarily identify from  
24 a test drive around the lot. As we heard from Miss  
25 Branche earlier in many instances consumers are not

1 even given the opportunity to test drive a car.  
2 Dealers would also be required to disclose important  
3 information about transactions to consumers. A new  
4 statement required in every retail installment  
5 contract would clearly alert buyers of their right to  
6 receive a copy of the contract, the lowest possible  
7 APR loan that was solicited from financing companies  
8 by the dealer, the amount of any fee the dealer is  
9 charging for arranging that financing, and that they  
10 are not required to obtain financing through the  
11 dealer. The dealer would also be required to offer  
12 the contract cancellation option in a separate  
13 document. Finally, 1539 would give DCA the tools to  
14 hold predatory used car dealers accountable and  
15 assist the consumers that they have harmed. The bill  
16 would allow DCA to impose penalties of up to 1,000  
17 dollars for violations and revoke the licenses of  
18 second hand dealers if they commit three violations  
19 in a three-year span. The bill would also create  
20 robust recordkeeping requirements. As we've testified  
21 at other council hearings recordkeeping requirements  
22 are critical to ensuring that DCA is able to identify  
23 consumer harm and pursue enforcement action. These  
24 recordkeeping requirements are absolutely essential  
25

1  
2 to our ability to enforce. Without clear, complete  
3 records, DCA cannot reconstruct transactions to  
4 determine how or whether a consumer was harmed. In  
5 cases where DCA cannot prove a sequence of events  
6 because the dealer, perhaps deliberately, failed to  
7 keep records, the penalties for record keeping  
8 deficiencies can stand in as a proxy punishment for  
9 the consumer harm that has potentially been  
10 deliberately concealed. Introduction 1540, sponsored  
11 by Council Member Garodnick and Council Member  
12 Williams would create a brand-new consumer bill of  
13 rights to educate and inform consumers about their  
14 rights and protections under the law. DCA has found  
15 that these document... that... DCA has found these  
16 documents to be helpful and informative in other  
17 regulated industries such as tax preparers and we  
18 support the passage of this bill. The consumer bill  
19 of rights would be prepared by DCA and would contain,  
20 at a minimum, information about the following; the  
21 contract cancellation option, the prohibition on  
22 mandatory financing, the requirement that dealers  
23 sell a car at the price that is advertised, quoted,  
24 or posted on the vehicle, the ability to file a  
25 complaint or retrieve dealer complaint histories from



1  
2 311, the right to receive the Federal Trade  
3 Commission's "Used Car Buyers Guide" and information  
4 about the New York State Lemon Law, the requirement  
5 that dealers clearly disclose certain information in  
6 the sales contract, and the requirement that dealers  
7 clearly disclose and itemize the cost of any add-ons  
8 or extras. Dealers would also be required to post the  
9 bill of rights conspicuously at their place of  
10 business. In addition, the dealer must provide a copy  
11 of the bill of rights to each consumer individually  
12 and in the language used to negotiate the sale or  
13 financing of the car. I should note that we have seen  
14 in several instances that the deal to buy a  
15 particular vehicle is negotiated in one language  
16 whereas all of the contract documents are only in  
17 English making it often very difficult for the  
18 consumer to understand what it is they are signing.  
19 This bill will arm consumers with the information  
20 about the protections and information to which  
21 they're entitled, help to level the playing field  
22 between buyers and sellers, and curb common predatory  
23 practices that rely on consumers being thrown off  
24 balance and unaware of their rights under the law.  
25 I'd like to thank the committee for the opportunity

1 to testify today. DCA is grateful for the thought  
2 leadership of Chair Espinal, Council Member's  
3 Garodnick and Williams and to all the members of the  
4 committee in taking on this important issue. Today,  
5 you've heard once again Rhoda Branche's story, which  
6 highlights the importance of cracking down on  
7 predatory lending and its associated practices. Rhoda  
8 is an example of thousands of New Yorkers we believe  
9 might already be victims of or could easily fall prey  
10 to unscrupulous dealers who exploit our city's  
11 residents, often in their greatest time of need. We  
12 look forward to working with you closely on these two  
13 bills, my colleagues and I are happy to answer any  
14 questions you might have.

16 CHAIRPERSON ESPINAL: Thank you  
17 Commissioner Bagga for your testimony. I just want to  
18 recognize we've been joined by Jumaane Williams from  
19 Brooklyn, I would love to give my colleague Dan  
20 Garodnick a chance to ask a few questions.

21 COUNCIL MEMBER GARODNICK: Thank you Mr.  
22 Chairman. Just a couple and thank you for your  
23 testimony and for your partnership on this just to  
24 anticipate a little bit what we might hear from folks  
25 in the industry there are a lot of, of federal and

1  
2 state rules that already apply to second hand auto  
3 dealers and disclosures and things like that which  
4 you know they're not... they're not a small number of  
5 them. If, if they were to testify that adding an  
6 additional level of disclosure rather than helping  
7 consumers it might actually overwhelm them and it  
8 might have the opposite effect of what the intent...  
9 the legislation intends, what, what would... what  
10 would... what would you guys say to that?

11 AMIT S. BAGGA: Thank you Council Member  
12 Garodnick. I think DCA as a general rule believes  
13 that the more consumer disclosure there is the higher  
14 the likelihood that the consumer will be protected.  
15 We do know of course that in certain instances  
16 additional requirements especially additional  
17 disclosure requirements could in theory be  
18 manipulated to overwhelm a consumer however, one of  
19 the reasons why we believe your bill is so important  
20 is that not only are consumers are receiving this  
21 bill of rights proposed by your bill individually,  
22 the very same bill of rights would have to be posted  
23 conspicuously in the place where business is being  
24 conducted. This type of disclosure, which we believe  
25 would be clearer and easier for the average consumer

1  
2 to understand we believe would go a long way in  
3 ensuring that consumers understand that there is a  
4 regulatory framework that exists to protect them,  
5 that they do have rights under the law and that  
6 perhaps they should be asking questions about the  
7 deal that they're negotiating. I would also like to  
8 just point out because you did mention that this  
9 industry is regulated not only at the city level but  
10 also at the state and federal levels that our  
11 attorney's at DCA working in close partnership with  
12 the attorneys at the Law Department have conducted an  
13 analysis of, of, of the... of the bills being proposed  
14 today and we believe that these two bills in  
15 particular would be implementable without conflicting  
16 with state or federal requirements.

17 COUNCIL MEMBER GARODNICK: And how about  
18 the... one of the most interesting elements of the bill  
19 as I see it is the obligation to, to have an  
20 acknowledgement in one's language in which they've  
21 negotiated the contract. Are, are you concerned at  
22 all about whether that presents too much of a burden  
23 on an, an automobile business, how, how do... how does  
24 DCA interpret that requirement?

1  
2 AMIT S. BAGGA: Specifically that the  
3 contract also be in the same language, I, I think we  
4 can understand the argument were it to be posed that  
5 that is a burden on the industry. That being said we  
6 very much believe that if the industry wishes to  
7 engage in negotiations in a particular language that  
8 they should also then be held to the same standard in  
9 terms of providing the contract in that language. We  
10 know based on our enforcement work or we believe I  
11 should say based on our enforcement work that  
12 negotiating a contract in a... in a language other than  
13 English often is done so deliberately not simply  
14 because the consumer might have limited English  
15 proficiency but because they can negotiate and, and  
16 sell certain terms in a... in a language while  
17 exploiting the consumer's lack of proficiency in  
18 English to then provide a contract in English that  
19 the consumer believes represents the terms of  
20 negotiation when it does not and so we believe that  
21 that is an appropriate burden, it certainly would  
22 require more work but if... from our perspective if the  
23 dealers want to engage in the negotiation in another  
24 language they should be prepared to offer all of the  
25 relevant documents in that language as well.

1  
2 COUNCIL MEMBER GARODNICK: Makes sense, I  
3 must say you've persuaded me, I think we should pass  
4 these things. Thank you Mr. Chairman.

5 CHAIRPERSON ESPINAL: Thank you Dan.  
6 Jumaane Williams?

7 COUNCIL MEMBER WILLIAMS: Thank you very  
8 much Mr. Chair and thank you for all the, the work  
9 that you're doing and for your testimony and I want  
10 to thank my colleagues for allowing me to be a part  
11 of moving these bills forward. I don't really have  
12 any questions I just want to mention how important  
13 this is, I've talked about my experiences of  
14 purchasing a vehicle from four years ago, I just  
15 recently purchased another used vehicle and found  
16 some of the same tactics which is... which is  
17 unfortunate, again I decided to go out of state  
18 rather than purchase in New York and Brooklyn. It's  
19 unfortunate because you have to travel although New  
20 York still gets the state... the taxes so they're,  
21 they're not harmed that way but there was definitely  
22 some deceptive advertising there for one. I think  
23 folks may have come in... there was one he told me that  
24 was automatically three or 4,000 dollars more above  
25 whatever was advertised, claims it was there in the

1  
2 advertisement and I didn't see it. They've also  
3 gotten a little sneakier so... I don't know if there's  
4 one... any way to legislate this but they have just a  
5 lot of fine print and so there was one that was very  
6 nicely priced, when I called they told me that it was  
7 specific just to a certain kind of program, it was in  
8 very small fine print, it was there I have to admit  
9 but it was very small fine print so I think as my  
10 colleague was talking about over burden with  
11 additional requirements it's only because people keep  
12 ripping people off and so if that would stop we'd  
13 have to do less requirements but until that happens  
14 we have to protect the consumers and someone like me  
15 thankfully I have the information and I even have  
16 some recourse and most folks do not they're going to  
17 be in a high pressure situation and they're going to  
18 fall for these tactics and they may not even know  
19 what their rights are so these bills I think will  
20 help assist on all of those. So, I just want to thank  
21 the Chair again, Consumer Affairs, the, the agencies  
22 and all of my colleagues for the bills they're  
23 putting forward and again for allowing me to  
24 participate. We did have a bill a few years ago that

1  
2 I think helped but obviously, we need to do a lot  
3 more. Thank you.

4 AMIT S. BAGGA: With the Chair's  
5 permission I would like to just acknowledge the  
6 Council's leadership on this issue not only with  
7 respect to financing but Council Member Williams with  
8 respect to the issue you just raised which is that in  
9 many cases the total selling price of the car is not...  
10 has not historically always been made clear to  
11 consumers which is why we very much supported a bill  
12 a couple of years ago that was passed through the  
13 council that requires used car dealers here in New  
14 York City and thank you Chair Espinal for your  
15 leadership, to very clearly display on the car itself  
16 what the total selling price is and, and that was  
17 the, the Shad... what we call the Shad price posting  
18 bill and we believe that that has really helped us  
19 better regulate this industry and, and better make  
20 clear to consumers what the selling price of a car  
21 is.

22 CHAIRPERSON ESPINAL: Sure.

23 COUNCIL MEMBER WILLIAMS: Just one more  
24 thing because what I've heard there are a lot of good  
25 actors and sometimes they, they get frustrated



1  
2 because they're doing everything correctly and we are  
3 not doing enough sometimes to go after the bad  
4 actors. So, I just want to put that out there on  
5 behalf of those who are doing what they're supposed  
6 to do, we definitely had to step up enforcement so  
7 there isn't an incentive to continue doing the bad  
8 things. Thank you.

9 CHAIRPERSON ESPINAL: Thank you Jumaane.

10 So, my... I guess my question is, you know a lot of the  
11 questions that I had actually were answered in your  
12 testimony but what, what are the, the greatest  
13 challenges DCA currently has in enforcing the current  
14 rules and laws against the used car... auto dealers?

15 AMIT S. BAGGA: So, I'm going to ask my  
16 colleagues Adam Blumenkrantz and Michael Tiger to  
17 tackle that question.

18 ADAM BLUMENKRANTZ: I think the biggest  
19 difficulty facing the agency is just the amount of..  
20 just the, the amount of paperwork and, and, and the  
21 amount of difficulty in obtaining all of the  
22 documentation in order to find potential violations.  
23 The, the dealers have many consumers, many customers,  
24 there are many transactions and in order to find the  
25 violations we need to request a lot of documents, we

1  
2 need to review... we need to review them often times  
3 the, the dealers don't have full documentation so  
4 we're trying to piece together stories from what we  
5 can obtain in order to find violations. So, they're  
6 just... they're, they're large investigations, we often  
7 have to contact consumers and try to piece together  
8 stories from the consumer's recollection and so the,  
9 the recordkeeping requirements are very important to  
10 make sure that we can piece together the stories  
11 efficiently and effectively to try to stop the... to,  
12 to enforce the violations.

13 AMIT S. BAGGA: And I would just add to  
14 that to say I think Adam eluded to this, as, as I  
15 mentioned earlier we've received thousands of  
16 complaints generally about used car dealers here in  
17 New York City just in the last few years, 800 of...  
18 more than 800 of which have focused on financing. One  
19 of the challenges and I think this was sort of  
20 identified in Miss Branche's story is that those  
21 individuals who have been victims of predatory  
22 lending don't necessarily realize that they've been  
23 victims of predatory lending and the initial reason  
24 why they're calling DCA could be ostensibly or  
25 initially seemingly unrelated to the loan; the car is

1  
2 a lemon, there's a problem with the car, the  
3 dealership has been unresponsive, the dealership  
4 promised X, Y, or Z and they are not now delivering  
5 on that promise. We then based on an analysis and  
6 assessment of all of the documentation that Adam was  
7 referring to often will, will then be able to  
8 identify that there was a predatory lending issue as  
9 well or we think that there might be and so we  
10 believe that these bills will go a long way in  
11 helping us identify whether or not a predatory  
12 lending practice and not just a predatory sales  
13 practice has occurred a little bit more easily than  
14 we currently can.

15 CHAIRPERSON ESPINAL: So, has DCA had  
16 any... does DCA have any interaction with the lending  
17 companies or the banks that provide these loans like  
18 do you make those inquiries after the fact or do you  
19 just strictly deal with the dealership?

20 CASEY ADAMS: Well I, I, I would say in  
21 the... in the first instance as you know the second  
22 hand auto... dealer, dealer industry is a licensed  
23 category for us and so it's our easiest entrée into  
24 the lending... into the lending field. We have had  
25 interactions with lenders, we have received documents

1  
2 pursuant to subpoenas from lenders but we see as... we  
3 see as... the cause of our licensing authority we see  
4 this as our best route to be able to get to the  
5 bottom of predatory lending and that's why we are so  
6 vigorously working with the council to strengthen the  
7 laws regarding second hand auto dealers because we  
8 think that's the best route to go for us given our  
9 licensing authority.

10 CHAIRPERSON ESPINAL: So, currently if,  
11 if, if a, a consumer feels as if they've been a  
12 victim of some sort of fraud or, or being sold a  
13 lemon they'd just have to call 311 in order to get  
14 help from DCA?

15 CASEY ADAMS: Yes, that's exactly right.

16 CHAIRPERSON ESPINAL: Alright, because  
17 I've been getting a lot of inquiries on how they can  
18 address those same problems because they... you know  
19 all of the attention that this issue has been getting  
20 we've been getting a lot of inquiries from, from  
21 consumers who feel like they've been victims of fraud  
22 to one, one degree or another. Now there... we have... we  
23 have the, the bill also requires the translation of  
24 documents and, and of the bill of rights, I think  
25 we've heard earlier on from some... from the industry

1  
2 that that would be too burdensome for them because  
3 they paid thousands of dollars for some... for, for the  
4 technology they're using to transcribe the documents  
5 or to print out the documents, is it... do you see it  
6 as being burdensome or do you think there's a way  
7 around it to make it easier for second hand auto,  
8 auto dealers to be able to translate those documents?

9 AMIT S. BAGGA: I think we would  
10 acknowledge and agree that it is certainly a burden  
11 on, on car dealers, I think the extent to which we  
12 would make a value statement about whether it's too  
13 much of a burden I, I don't know but what I think we  
14 would say is that certainly if a dealership feels as  
15 though they have a commercial interest in negotiating  
16 a deal in a particular language there should be a  
17 level of accountability where at least some documents  
18 that are being provided to the consumer are provided  
19 in that language or and this is perhaps something for  
20 the council to consider that there is an adequate  
21 translation mechanism that's built into the process  
22 whether it's real time, whether it's you know  
23 something that the dealership then pays for, I think  
24 that's something we'd be open to discussing with you.

1  
2 CHAIRPERSON ESPINAL: Okay, great. Before  
3 I move forward, Billy it's okay to close the roll.  
4 Yeah, yeah, we didn't close the roll.

5 COMMITTEE CLERK MARTIN: Final vote on  
6 Introduction 518-A now stands at three in the  
7 affirmative, zero in the negative, and no  
8 abstentions.

9 CHAIRPERSON ESPINAL: Thank you. how  
10 often does DCA currently inspect used car dealers  
11 records to ensure compliance with existing laws and  
12 how many inspections would you say DCA conducts  
13 throughout... for the... throughout the year?

14 AMIT S. BAGGA: So, there are different  
15 ways in which we exercise our regulatory authority over  
16 used car dealers. One, is patrol inspections, of  
17 course used car dealers are brick and mortar  
18 operations and so our inspectors will at times go  
19 visit them to assess whether or not they're complying  
20 with whatever laws we can determine on patrol are,  
21 are sort of identifiable. We do of course also  
22 conduct enforcement through legal... through subpoenas  
23 and legal investigations and so being that they are a  
24 license category they must produce documents to us  
25 when we subpoena them and then we will review those

1 documents to determine whatever it is that we feel we  
2 need to be looking for given a consumer complaint  
3 etcetera. So, in 2016 in terms of patrol inspections  
4 we conducted 616 and we issued violations in  
5 approximately 30 percent of those inspections, 295  
6 separate notices of violation were issued each of  
7 those violations could have had different charges, I  
8 don't have the full list of charges but 295 separate  
9 notices were issued and as I mentioned earlier in the  
10 last three years we've, we've obtained about... over  
11 1.4 million dollars in restitution for consumers and  
12 about assessed approximately 923,000 dollars in fines  
13 and I should just add that of those 295 notices of  
14 violations those added up to a total of 439 charges.

15  
16 CHAIRPERSON ESPINAL: Okay, great. DCA...  
17 does DCA currently do any sort of outreach or events  
18 to used car auto dealers about what the laws are and  
19 what... you know what they should be doing, always be  
20 compliance with current laws?

21 AMIT S. BAGGA: So, we do run many  
22 different trainings sort of open houses if you will  
23 for a variety of different industries. In terms of  
24 the used car industry we do have relationships and  
25 conversations with the different industry groups that

1  
2 represent used car dealers in New York City, there  
3 are a couple of different industry groups that do and  
4 we have met with them on many occasions often at  
5 their request to discuss a variety of issues. It  
6 could be pending, pending legislation, it could be  
7 questions about the way in which DCA enforces the law  
8 and certainly our door is always open and, and if any  
9 particular car dealer or industry group has a  
10 question about how to comply with the law we would of  
11 course not only be willing to but we would happily  
12 answer it. I should note that we have a position in  
13 our agency that's called the Business Compliance  
14 Counsel, that person is an agency attorney whose job  
15 is essentially exclusively to provide the right type  
16 of guidance primarily to businesses in New York City  
17 and so we of course through, through that position  
18 and, and through our external affairs team do, do  
19 respond to any requests we get.

20 CHAIRPERSON ESPINAL: Okay, great I mean  
21 that, that deals with most of my questions, I think a  
22 lot of the questions I had have been answered, you  
23 know I, I have one more question and it's, it's more...  
24 I know the industries not here to testify so this is  
25 the question they actually brought up to me, I know



1  
2 the bill will allow for consumers to purchase the  
3 vehicle and hold the vehicle for two days and then  
4 return the vehicles after that two days, I guess the,  
5 the concern from the industry is that someone might  
6 have the great idea of saying, you know well it's  
7 cheaper to purchase a vehicle for two days and return  
8 it instead of renting a vehicle and paying 150  
9 dollars a day for this rented vehicle, do you see an  
10 issue with that two day window period, is that  
11 something that you foresee being a problem in the  
12 end?

13 AMIT S. BAGGA: I think that's an  
14 interesting point and I think it's one that we'd  
15 certainly be happy to further discuss with you.

16 CHAIRPERSON ESPINAL: Okay, great. Okay,  
17 before you go if you all just want to plug in the,  
18 the reports that DCA and our offices have worked  
19 together on as the used and abused.. the used.. by the  
20 used car industry, predatory, predatory lending and  
21 the second-hand auto industry, how can.. how can  
22 someone get a copy of this report?

23 AMIT S. BAGGA: I'm so sorry Council  
24 Member?

25

1  
2 CHAIRPERSON ESPINAL (???): No, how can  
3 someone maybe receive a copy of this report?

4 AMIT S. BAGGA: It is available on our  
5 website, NYC dot gov slash DCA... [cross-talk]

6 CHAIRPERSON ESPINAL: Uh-huh... [cross-  
7 talk]

8 AMIT S. BAGGA: And of course, if you'd  
9 like an actual printed one you can... you can send it  
10 to us, we also have... you can send us a request, we  
11 also have several printed copies available in the  
12 room please feel free to take one. Council Member I  
13 do want to add to my answer that I just gave you  
14 about the two-day cancellation period, I should note  
15 that there are some protections built in for  
16 dealerships into, into the proposed legislation. One  
17 is that there would be a 200-dollar restocking fee  
18 and so if you as a consumer are, are purchasing a  
19 vehicle and, and in theory, you know that, that  
20 requires some, some degree of a down payment which is  
21 likely to be at least several hundred dollars if not  
22 more. Once you consider that plus the 200-dollar  
23 restocking fee in terms of the specific concern about  
24 that being cheaper than renting a vehicle, it sounds  
25 to me like it might end up being more expensive but

1 of course on that particular issue any other concerns  
2 you have or the industry has we'd, we'd be open to  
3 talking to you about them.  
4

5 CHAIRPERSON ESPINAL: So, you feel a  
6 deposit of 2,500 dollars, aka a down payment would  
7 deter people from thinking that buying a vehicle  
8 would be a lot more affordable than renting a vehicle  
9 for consumers... [cross-talk]

10 AMIT S. BAGGA: I, I would imagine... I  
11 would imagine.

12 CHAIRPERSON ESPINAL: Great, well thank  
13 you so much... [cross-talk]

14 AMIT S. BAGGA: Thank you so much...  
15 [cross-talk]

16 CHAIRPERSON ESPINAL: ...for your  
17 testimony, yep. I would like to call up Miss  
18 Humphrey... Mr. Humphrey, sorry. Thanks for joining us  
19 Mr. Humphrey. When you have a seat just state your  
20 name for the record and you may begin.

21 EYAN HUMPHREYS: Good afternoon  
22 everybody. My name is Eyan Humphrey. I've got a  
23 little problem, become a bigger problem. I went to a  
24 car dealer... [cross-talk]

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CHAIRPERSON ESPINAL: You're in the right place.

EYAN HUMPHREYS: Yes and I rented my car to trade to buy something else. So, when I look at the vehicle I wanted they said 15,000 so I said okay and I go to do the paperwork, they have me waiting so long that the time go on till, till one o'clock in the morning and I at the car dealer so my wife keep calling me and say what happened, said the guys got me waiting I don't know why and he said hold on you're going to fill out this paper, got me filling out papers, sign this, sign this, sign that, sign that and I sign it, when I go home though... [cross-talk]

CHAIRPERSON ESPINAL: Wait, so they made you wait till one a.m... [cross-talk]

EYAN HUMPHREYS: One a.m. in the... [cross-talk]

CHAIRPERSON ESPINAL: ...to sign all the... [cross-talk]

EYAN HUMPHREYS: ...morning... [cross-talk]

CHAIRPERSON ESPINAL: ...documents... [cross-talk]

EYAN HUMPHREYS: ...I'm there... [cross-talk]

1  
2 CHAIRPERSON ESPINAL: ...what, what time  
3 did you get there?

4 EYAN HUMPHREYS: I get... after work, I  
5 get... I get off of work 1:30, two o'clock I leave  
6 work, I drive down there and I made it like after  
7 four in the afternoon. So, I was sitting there all  
8 the time, they have me waiting. So, when I get home  
9 I'm so upset I just go in my bed and lie down and  
10 sleep so the next morning my... and I wake up my wife's  
11 saying how much you pay for the vehicle, I said  
12 15,000, she said no this guy charged you 26,000 for a  
13 used vehicle so I said no. So, I call him, I said man  
14 you do something wrong you, you charge me over for  
15 this vehicle and I don't like it, I want my money  
16 back, I want my car back, he said no you can't get it  
17 you done signed the paper. So, I take the vehicle to  
18 Nissan in Bay Ridge at a workshop to check it out so  
19 when they check out the vehicle the whole bottom on  
20 the car is rotten out, all the parts everything  
21 rotten out at the bottom. So, I had to hire an  
22 attorney so I hire an attorney, attorney cost 4,000  
23 dollars, had to find the 4,000, one year passed the  
24 attorney do nothing, she just takes my money stop  
25 calling me, I don't know nothing no more, I don't

1  
2 know where she is. I had to hire another attorney,  
3 the other attorney cost 4,500 dollars, I had to find  
4 that money to pay that attorney, he got me.. he got me  
5 running around, running around telling me all kinds  
6 of things when we did meet for, for the case he tells  
7 me oh Mr. Humphrey I got a bid for you, when they did  
8 meet a week before Mr. Humphrey the people got some  
9 problem and they can't see it so we've got to  
10 schedule for another date so he keep cutting me like  
11 this from February to now, yes.. yesterday he called  
12 me because I was supposed to go for the hearing..  
13 [cross-talk]

14 CHAIRPERSON ESPINAL: So, you.. [cross-  
15 talk]

16 EYAN HUMPHREYS: ..Wednesday.. [cross-talk]

17 CHAIRPERSON ESPINAL: ..went to the  
18 dealership in February?

19 EYAN HUMPHREYS: No, 2014.

20 CHAIRPERSON ESPINAL: 2014, okay.

21 EYAN HUMPHREYS: Yes.

22 CHAIRPERSON ESPINAL: This is a long..  
23 this is.. [cross-talk]

24 EYAN HUMPHREYS: ..it's a long time I..  
25 [cross-talk]

2 CHAIRPERSON ESPINAL: ...ongoing problem...

3 [cross-talk]

4 EYAN HUMPHREYS: ...have this car. So, this  
5 guy giving a lot of problem but the, the, the parts  
6 are over 6,000 for fix... [cross-talk]

7 CHAIRPERSON ESPINAL: How much are you  
8 paying per month?

9 EYAN HUMPHREYS: \$426.26.

10 CHAIRPERSON ESPINAL: Five years, five-  
11 year loan?

12 EYAN HUMPHREYS: 72 months.

13 CHAIRPERSON ESPINAL: 72 months, okay...

14 [cross-talk]

15 EYAN HUMPHREYS: Yes. So, I, I supposed  
16 to go Wednesday he called me and tell me he says... I  
17 told.. fire the attorney, every time he offers some  
18 excuse he tell me so I get upset, you know I, I  
19 didn't say anything so I don't know where else to  
20 turn, who to go to because all this money I keep  
21 spending and I don't have this kind of money, I have  
22 to pay back all these credit cards that I take this  
23 money out from and I left in debt now and the vehicle  
24 is no good and driving on the road, I don't know what  
25 to say.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

COMMITTEE ON CONSUMER AFFAIRS

56

CHAIRPERSON ESPINAL: How much would you estimate you've spent since the purchase of the vehicle on maintaining... [cross-talk]

EYAN HUMPHREYS: I, I didn't maintain... I didn't spend any money because they didn't want me to spend it, the, the... [cross-talk]

CHAIRPERSON ESPINAL: So, the car's sitting... [cross-talk]

EYAN HUMPHREYS: ...finish... [cross-talk]

CHAIRPERSON ESPINAL: The car is just sitting in, in your... [cross-talk]

EYAN HUMPHREYS: ...I have it home.

CHAIRPERSON ESPINAL: Wow and you're paying every... are you paying every... [cross-talk]

EYAN HUMPHREYS: ...paying every month for it and I don't know what next to do because I'm just stuck, I left right here I don't know what more to do.

CHAIRPERSON ESPINAL: Okay, well, well thanks for your story we have the Department of Consumer Affairs here I'm sure someone from their office will pull you aside and, and have the conversation of how the city could be helpful and we... [cross-talk]



1  
2 EYAN HUMPHREYS: ...because all of my...  
3 everything's there, I can show you everything.

4 CHAIRPERSON ESPINAL: Okay, great,  
5 that's, that's great. Thank you so much for your...  
6 [cross-talk]

7 EYAN HUMPHREYS: You're welcome... [cross-  
8 talk]

9 CHAIRPERSON ESPINAL: ...testimony.

10 EYAN HUMPHREYS: Thank you.

11 CHAIRPERSON ESPINAL: Thanks for coming  
12 in.

13 EYAN HUMPHREYS: Alright.

14 CHAIRPERSON ESPINAL: Okay, well with  
15 that said after hearing testimony from DCA and from  
16 consumers we do have some written testimony from the  
17 industry that will be put in... put on file and  
18 recorded and looked at, you know we're going to  
19 follow up and, and see how is best to move forward  
20 but, you know this committee strongly agrees with the  
21 Department of Consumer Affairs and really believes  
22 that something needs to be done to further protect  
23 our consumers so that we won't have to continue  
24 listening to stories as just... as the ones that we  
25 just heard if you would like to keep up to date with

1  
2 what's going on again go to DCA's website and if you  
3 have any issues call 311 or you can call my office  
4 and we'll be here to assist you, thank you. With that  
5 said this meeting has been adjourned. Sorry, we'll  
6 back in... the show's back, we don't have your card.

7 [off-mic dialogue]

8 CHAIRPERSON ESPINAL: This meeting is not  
9 adjourned; this meeting has been re-opened. We have  
10 NYLAG who wants to testify, also has been major help  
11 with the cases we have seen.

12 SHANNA TALLARICO: [off-mic] okay,  
13 alright... [cross-talk]

14 CHAIRPERSON ESPINAL: Thank you and  
15 sorry... [cross-talk]

16 SHANNA TALLARICO: Thank you... [cross-  
17 talk]

18 CHAIRPERSON ESPINAL: ...for the... for the  
19 confusion. Please state your name for the record.

20 SHANNA TALLARICO: Shanna Tallarico from  
21 New York Legal Assistance Group.

22 CHAIRPERSON ESPINAL: Okay, please bring  
23 the mic up closer...

24 SHANNA TALLARICO: It's okay. Council  
25 Member Rafael Espinal and members of the Committee on

1  
2 Consumer Affairs, thank you for the opportunity to  
3 offer testimony concerning the regulation of the sale  
4 and financing of used automobiles offered by second-  
5 hand auto dealers. As stated my name is Shanna  
6 Tallarico and I'm a Supervising Attorney at the New  
7 York Legal Assistance Group. NYLAG is a nonprofit law  
8 office dedicated to providing free legal services in  
9 civil law matters to low income New Yorkers. Thank  
10 you for considering this testimony and for the  
11 opportunity to comment on the vital issue that  
12 affects thousands of New Yorkers. In this testimony,  
13 I will address the impact of predatory second-hand  
14 auto dealer financing and share a few client's  
15 stories who have suffered because of these loans.  
16 Predatory loans have a devastating impact on New  
17 Yorkers who are forced to rely on these deceptive  
18 sources of credit to meet basic needs such as  
19 transportation. Our consumer protection attorneys  
20 often encounter clients directly impacted by  
21 deceptive auto lending practices due to the  
22 overzealous and underregulated lending. We assist  
23 clients who are being pursued for the collection of  
24 an auto loan that threatens to impair their ability  
25 to make basic expenses like rent and utilities

1  
2 because they are being held responsible for unfair  
3 loans that they are unable to pay. Automobiles are  
4 often one of the largest purchases a household will  
5 make after the purchase of a home. Due to the size of  
6 the purchase the sell must often be financed. For  
7 perspective buyers with limited income the options  
8 for financing are often limited and perspective  
9 buyers are often, often rely on the auto dealer to  
10 provide financing for the purchase of the vehicle.  
11 The lack of ability.. of availability of credit is  
12 particularly, particularly problematic in light of  
13 the fact that cars are often essential to ensuring  
14 that someone can get to a job they need to support  
15 their families. When the only credit available to, to  
16 secure this necessary purchase is through the dealer  
17 consumers are tricked into deceptive and predatory  
18 loans with very high interest rates, hidden fees, and  
19 unnecessary add-ons. Though some regulations for auto  
20 lending is already in place, these regulations are  
21 insufficient to adequate, adequately protect  
22 consumers. The lack of New York State laws designed  
23 to regulate auto lending is particularly problematic  
24 given the rampant level of fraud that exists in the  
25 auto.. second-hand auto dealer market. In particular

1 people of color, minority communities are  
2 particularly targeted for predatory lending and are  
3 more likely to have dealers misrepresent the value of  
4 the car, fitness of the vehicle, the terms of the  
5 loan, or have optional add-ons portrayed as mandatory  
6 purchases. Ultimately these loans become, become  
7 unsustainable for purchasers especially when most  
8 second-hand auto dealers push consumers into buying  
9 low priced, high mileage cars that are not sold to  
10 outlast the life of the loan and often malfunction  
11 almost immediately after the cars are driven off the  
12 lot. Predictably most consumers cannot afford these  
13 predatory loans or cannot afford the loan payments  
14 and the cost of repairing a faulty vehicle. As a  
15 result, consumers surrender the vehicles and default  
16 on the loans. Such delinquency can negatively impact  
17 and individual's credit leading to difficulties  
18 obtaining jobs, housing or making other necessary  
19 purchases. One of NYLAG's clients, Wanda purchased a  
20 car from a dealer in Queens who promised a reliable  
21 car that would be quote, "fully checked from top to  
22 bottom," and ready to drive off the lot that day.  
23 Wanda told the dealer, dealer that she had a, a  
24 budget of 8,000 dollars for the car and she had saved  
25

1  
2 approximately 4,000 dollars for a down payment so  
3 that she would only have to finance approximately  
4 half of the cost. After Wanda purchased the car, the  
5 vehicle started experiencing mechanical problems  
6 almost immediately; mechanical problems so severe  
7 that she stalled while driving on the expressway.  
8 Wanda also later learned that the total cost of the  
9 car was not 8,000 dollars as she was led to believe  
10 but she had financed 8,000 dollars, the total of the  
11 cost of the car was actually 16,000. Wanda tried to  
12 stay current on the car payments but at some point,  
13 she had to stop because she could not afford the cost  
14 of the payments and the constant cost of repairs to  
15 the car. Wanda is disabled, she lives on Staten  
16 Island and she has difficulty walking because of an,  
17 an arthritic knee. At the moment, Wanda is defending  
18 a collection suit in Queens where the lender sued her  
19 for defaulting on the installment contract. She lives  
20 primarily on her social security income with  
21 occasional earned wages that she earns caring for her  
22 autistic grandchild. This deceptive loan impacted  
23 Wanda's credit and her ability to meet her necessary  
24 expenses and has left her without reliable  
25 transportation for which she relies on given her

1  
2 disability and her limited access to public  
3 transportation on Staten Island. Another NYLAG  
4 client, Johnson, was fraudulently induced into  
5 purchasing a brand-new vehicle that he did not want  
6 after the car dealer misrepresented to Johnson that  
7 he could not purchase a used, less expensive car  
8 because his credit was so poor. Johnson is a recent  
9 immigrant with little knowledge about credit and very  
10 basic English skills. He works as a home health aide  
11 earning ten, ten dollars an hour and cares for his  
12 two young children. Johnson repeatedly stated to the  
13 dealer that he wanted time to consider the deal... the  
14 deal but the dealer kept providing excuses and kept  
15 him at the dealership. After being told to wait at  
16 the dealership for ten hours, Johnson walked out of  
17 the dealership with a brand-new car and 688 dollars  
18 of monthly payments. The dealer told Johnson that his  
19 payments would be around 250 dollars a month and  
20 Johnson did not realize that this, this was a lie  
21 until he received his first statement from the  
22 financing company. Johnson immediately tried to  
23 return the car but the dealer refused. A month later  
24 the car was repossessed. At this time, Johnson is  
25 facing debt collection letters and calls from the

1 lender and is threatened with, with having to take  
2 off time work to defend a 13,000-dollar collection  
3 suit. Sadly, Wanda's and Johnson's stories represent  
4 typical experiences of so many New Yorkers. All too  
5 often consumers fall victim to misrepresentations and  
6 falsehoods. Consumers are defrauded by dealers into  
7 purchasing cars that are more expensive than was...  
8 than what was initially represented either based on a  
9 misrepresentation as to the cash value of the car or  
10 the interest rate or both. Consumers are deceptively  
11 provided blank contracts to sign which are later  
12 filled in with unaffordable terms, dealers  
13 misrepresent the necessity of add-on products,  
14 vehicles with serious mechanical problems are sold to  
15 consumers, interest rates are marked up, monthly  
16 payments are highlighted, and overall cost of the  
17 loan is downplayed, downplayed or not disclosed at  
18 all. These actions are all too common and are done at  
19 the expense of New Yorkers who can... and can wreak  
20 havoc on many New Yorkers who are already living  
21 financial... you know from paycheck to paycheck. New  
22 Yorkers deserve to have all the facts before entering  
23 into a lending contract to purchase a vehicle. The  
24 legislation discussed today aims to provide that  
25



1  
2 transparency and this legislation along with robust  
3 enforcement will help combat predatory lending and  
4 its deleterious effects on hardworking families in  
5 New York. We'd be happy to discuss our testimony  
6 further and look forward to working together to  
7 ensure that New Yorkers are protected from predatory  
8 loans. Again, we commend you for working on this  
9 issue and addressing it. Thank you for the  
10 opportunity to testify today and provide feedback on  
11 this important issue.

12 CHAIRPERSON ESPINAL: Thank you Shanna  
13 and thank you for all the work that you and NYLAG  
14 does to, to protect our consumers. So, just, just for  
15 the record if, if a consumer needs legal  
16 representation are they able to call NYLAG for that  
17 help?

18 SHANNA TALLARICO: Yes, we have intake  
19 line Monday, Tuesday, Thursday; 212-613-5000 between  
20 nine and three and leave a message, it's routed  
21 actually directly to our paralegal who screens all  
22 the calls.

23 CHAIRPERSON ESPINAL: Would they be able  
24 to avoid paying the same fees that the previous  
25 gentleman paid trying... [cross-talk]

1 COMMITTEE ON CONSUMER AFFAIRS 66

2 SHANNA TALLARICO: We don't... [cross-talk

3 CHAIRPERSON ESPINAL: ...to find a... [cross-  
4 talk]

5 SHANNA TALLARICO: ...charge... [cross-talk]

6 CHAIRPERSON ESPINAL: ...lawyer... [cross-  
7 talk]

8 SHANNA TALLARICO: ...we do not charge our  
9 clients any money at all.

10 CHAIRPERSON ESPINAL: ...so... [cross-talk]

11 SHANNA TALLARICO: ...so... [cross-talk]

12 CHAIRPERSON ESPINAL: ...it's free service...  
13 [cross-talk]

14 SHANNA TALLARICO: ...it's a free service  
15 of course people have to qualify for the... [cross-  
16 talk]

17 CHAIRPERSON ESPINAL: ...uh-huh... [cross-  
18 talk]

19 SHANNA TALLARICO: ...service, they can't  
20 otherwise be able to afford a private attorney so  
21 there are some, you know income requirements and  
22 also, we get thousands of calls.

23 CHAIRPERSON ESPINAL: Right, of course...  
24 [cross-talk]

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

COMMITTEE ON CONSUMER AFFAIRS

67

SHANNA TALLARICO: ...and we can only take on so many cases but absolutely people can contact us... [cross-talk]

CHAIRPERSON ESPINAL: ...sounds like a pitch for the city council to increase your funding.

SHANNA TALLARICO: That would be helpful.

CHAIRPERSON ESPINAL: Alright but... so again thank you for all the work you're doing, thank you for your testimony.

SHANNA TALLARICO: Thank you.

CHAIRPERSON ESPINAL: Thank you. With, with that said this meeting is adjourned.

[gavel]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date

May 16, 2017