



Legislation Details (With Text)

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Title: Resolution calling upon the automobile industry to stop enticing consumers to purchase a new car while still paying a remaining balance on an old car loan that exceeds the old car’s trade-in value.

Sponsors: Yvette D. Clarke, Charles Barron, Gale A. Brewer, Leroy G. Comrie, Jr., Sara M. Gonzalez, Miguel Martinez, Annabel Palma, Christine C. Quinn, James Sanders, Jr., David I. Weprin

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Res. No. 588

Resolution calling upon the automobile industry to stop enticing consumers to purchase a new car while still paying a remaining balance on an old car loan that exceeds the old car’s trade-in value.

By Council Members Clarke, Barron, Brewer, Comrie, Gonzalez, Martinez, Palma, Quinn, Sanders and Weprin

Whereas, Certain banks and lenders of auto loans have encouraged consumers to purchase a new car while still paying a remaining balance on an old car loan that exceeds the old car’s trade-in value; this practice is known as an “upside-down car loan;” and

Whereas, The automobile industry has been successfully enticing consumers to purchase new cars with record levels of incentives, which according to Edmunds.com, have reached \$2,459 per car in February 2004, up 15% from the previous year; and

Whereas, In addition, J.D. Power & Associates has reported that consumers are getting longer term car loans in order to lower their monthly car payments and has specifically found that the average car loan term has increased from 53 months to 58 months since 2001; and

Whereas, When purchasing a new vehicle, cars owners with long-term car loans are more likely to owe far more for their old car than its trade-in value, therefore having a much higher upside-down car loan; and

Whereas, A study released in March 2004 by J.D. Power & Associates stated that 38% of new-car buyers are upside down on their trade-ins, up 25% since 2001; and

Whereas, Edmunds.com reported that in January 2004, new car buyers with upside-down loans had risen to 27.9%, up from 24.5% in 2002, and that the average upside-down loan was \$3,763; and

Whereas; Historically economically disadvantaged groups will ultimately accrue debt through upside-down loans, which will adversely affect their credit ratings further and increase the risk of bankruptcy; now therefore, be it

Resolved, That the Council of the City of New York calls upon the automobile industry to stop enticing consumers to purchase a new car while still paying a remaining balance on an old car loan that exceeds the old car's trade-in value.

SD
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