



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

June 10, 1991

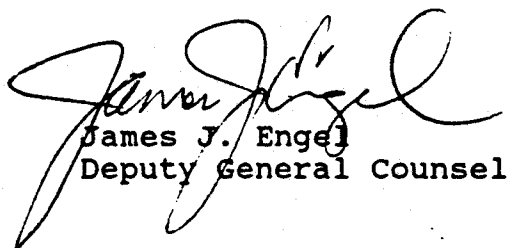
Jean Noonan
Associate Director
Division of Credit Practices
Federal Trade Commission
6th St. and Pennsylvania Ave., NW
Washington, DC 20580

Re: Ratigan Motor Carrier, Inc.
Missouri Valley, Iowa

Dear Ms. Noonan:

The Nebraska Credit Union League has sent the enclosed two letters to the National Credit Union Administration ("NCUA") regarding a potential violation of the Truth-In-Lending Act, 15 U.S.C. §1601 et seq., and applicable regulations by the above-referenced company. As the alleged violator is an automobile dealership, it seems that the Federal Trade Commission is the appropriate enforcing agency. 15 U.S.C. §1607(c). The NCUA has also forwarded the enclosed letters to the Iowa Attorney General for an investigation of any state law violations. If you need any further information from the NCUA, please call Martin Conrey, Staff Attorney, at (202) 682-9630.

Sincerely,


James J. Engel
Deputy General Counsel

Enclosures

GC/MEC:sg
SSIC 3211
91-0532

FOIA
Vol. III, B, 7
Vol. IV, F 2



Nebraska Credit Union League & Affiliates

Nebraska Credit Union League, Inc.

Nebraska Credit Union League Services Corp.

4315 Frances Street

(402) 558-3135

Omaha, Nebraska 68105-2847

800-950-4455

FAX: (402) 558-6887

May 30, 1991

Mr. Robert Fenner
General Counsel
National Credit Union Administration
1776 G Street NW
Washington, D. C. 20456

Dear Mr. Fenner:

As a follow-up to our correspondence of May 22, 1991, enclosed is the response from Ratigan Motor Center, Inc., and an additional copy of their "comparison".

Their sheet shows identical APR's and \$400/month payments. They then equate a \$200 bi-weekly payroll deduction with the \$400/month payment to arrive at their total of all payments and the \$2,000 "savings". Their usage of "simple mathematics" shows either a blatant disregard for the truth or a fundamental intellectual deficiency in calculating payment frequencies and amounts.

In fact, using their data, a \$400/month payment for 60 months at 9.9% APR would indicate a loan amount of \$18,869.82, and a total of all payments of \$24,000. This same loan amount at 9.9% APR and bi-weekly payments of \$200 would repay in 117.12 payments, or 4.5 years, with a total of all payments of \$23,424.50. The payroll deduction plan would save \$575.50. Of course, this is due to the fact that \$200 every two weeks is equivalent to \$433.33/month and, therefore, an accelerated principal reduction.

The Ratigan purchase agreement heading was included for labeling purposes only, and hardly alters the substance of the form itself and its misleading conclusion. If this form has been used by "many auto dealers in this area for at least 15 years" then I submit that a larger problem exists than originally suspected. I further allege that their response serves no purpose other than to admit usage of the form at issue.

Please advise what, if anything, we need to provide to instigate formal complaint proceedings should our letters be insufficient.

Sincerely,

Steve Edgerton
Steve Edgerton
President

RATIGAN

Motor Center, Inc.

Highway 30 West at Missouri Valley Exit on I-29 • P.O. Box 386 • Missouri Valley, Iowa 51555

OMAHA PHONE 402-345-9000 • LOCAL PHONE 712-642-4131 • TOLL FREE IOWA LINE 1-800-432-5830

CHEVROLET • OLDSMOBILE • PONTIAC • BUICK • CHRYSLER • PLYMOUTH • DODGE • DODGE TRUCKS

May 23, 1991

Nebraska Credit Union League, Inc.
4315 Frances Street
Omaha, NE 68105-2847
Mr. Steve Edgerton
President

Dear Mr. Edgerton:

This letter is written in response to your letter dated May 22, 1991. The comparison we used shows a total of payments based on a \$400.00 per month payment versus a payroll deduct payment of \$200.00 every two weeks. Simple mathematics proves this comparison to be an accurate one. It is not intended to be confusing nor deceptive. This same comparison has been used by many auto dealers in this area for at least fifteen years that I am aware of. This particular form was provided to us by a finance and insurance consulting company by the name of Automotive Resources Development, Inc. Their address is 3754 S Glenstone, Suite 103, Springfield, MO 65804.

The only deception that I can see in this matter, Mr. Edgerton, has been committed by you. You have taken the top of our Motor Vehicle Purchase Agreement and attached it to the comparison form via photocopy. This is not the way this form was presented by this firm to any customer. We trust that you have not used this altered form when discussing this matter with any of the agencies you refer to.

Mr. Edgerton, who is trying to deceive who?

Sincerely,



Michael Mathis
Vice-President

cc: Cindy Whannel
Mike Kimmel, Automotive Resources Development, Inc



MOTOR VEHICLE PURCHASE AGREEMENT

NO. _____

DATE 5/11/91

RATIGAN MOTOR CENTER, INC.

Jcts. I - 29 & Hwy. 30 - P.O. Box 386

Missouri Valley, Iowa 51555

Ph. Missouri Valley 642-4131 Omaha 345-9000

BUYER _____
CO-BUYER _____
ADDRESS _____
CITY _____
STATE _____
ZIP _____

68114

COMPARE

CREDIT UNION

9.9

G.M.A.C.

9.9

Monthly Payment

400

Monthly Payment

400

Payroll deduct every two weeks

Amount deducted

200

X

60

Months

X 26 Weeks

TOTAL OF PAYMENTS =

24,000

= 5200

X 5
Years

TOTAL OF PAYMENTS

= 26,000

CREDIT UNION TOTAL OF PAYMENTS

\$ 26,000

G.M.A.C. TOTAL OF PAYMENTS

24,000

TOTAL SAVINGS

2,000



Nebraska Credit Union League & Affiliates

Nebraska Credit Union League, Inc.

Nebraska Credit Union League Services Corp.

4315 Frances Street

(402) 558-3135

Omaha, Nebraska 68105-2847

800-950-4455

FAX: (402) 558-6867

May 22, 1991

Mr. Robert Fenner
General Counsel
National Credit Union Administration
1776 G Street NW
Washington, D. C. 20456

Dear Mr. Fenner:

Ratigan Motor Center, Inc., of Missouri Valley, Iowa, has gone too far in its attempt to persuade a car buyer to finance with G.M.A.C. vs their credit union.

Enclosed for your review is their "comparison" detailing how a savvy purchaser will "save" \$2,000 by opting for the G.M.A.C. plan. As is readily obvious, they have confused terms, integrated non-common denominators, and generally forgotten that "every two weeks" is not equal to "twice a month".

Pursuant to Section 112 of the Truth In Lending Act, 15 U.S.C. 1601 et. seq., I believe that this practice constitutes a willful and knowing violation within the intent of Title 15 as regards consumer protection.

The pre-typed format of the "comparison" sheet would seem to disallow any calculation error and would seem to infer that the bottom line "total savings" is an intentional attempt to receive financing under false and misleading pretenses, and certainly exceeds the doctrine of "caveat emptor".

We welcome healthy competition. Our credit unions can, and, in fact, do advise their members to accept the best deal they can get -- including dealer financing. However, we believe that this practice serves no purpose other than to confuse the consumer, and cannot be tolerated.

We appreciate your attention to this matter.

Sincerely,


Steve Edgerton
President

MOTOR VEHICLE PURCHASE AGREEMENT

NO. _____

DATE 5/13/91

RATIGAN MOTOR CENTER, INC.

Jcts. I - 29 & Hwy. 30 - P.O. Box 386

Missouri Valley, Iowa 51555

Ph. Missouri Valley 642-4131 Omaha 345-9000

BUYER _____

CO-BUYER _____

ADDRESS _____

CITY _____

STATE _____

BUYER _____

68114

COMPARE

CREDIT UNION

G.M.A.C.

Monthly Payment

400

Monthly Payment

400

Payroll deduct every two weeks

Amount deducted

200

X

60

Months

X 26 Weeks

TOTAL OF PAYMENTS =

24,000

= 5200

X 5

Years

TOTAL OF PAYMENTS

= 24,000

CREDIT UNION TOTAL OF PAYMENTS

\$ 26,000

G.M.A.C. TOTAL OF PAYMENTS

24,000

TOTAL SAVINGS

2000