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Nissan proposes settlement of discrimination lawsuit over car financing

By Joe Edwards, Associated Press, 2/19/2003 17:06

NASHVILLE, Tenn. (AP) Nissan's financing arm has agreed to stop marking up loan rates offered to minority buyers under a proposed settlement of a class-action federal discrimination lawsuit.

Nissan Motor Acceptance Corp. also agreed to tell car buyers their interest rate may be negotiable.

The agreement, filed Tuesday, seeks to settle a 1998 lawsuit by 10 black and Hispanic car buyers from Tennessee and Florida who said NMAC charged them higher interest rates on car loans than whites with similar credit ratings.

Under the deal, NMAC would also pay \$5,000 to \$20,000 to each plaintiff plus \$1 million to America Saves, a Washington-based consumer agency. Lawyers said the suit involved about 125,000 plaintiffs.

The case was the first in a series of recent lawsuits against automobile financing companies and banks. Plaintiffs' lawyers have estimated tens of thousands of black consumers were overcharged \$100 million or more by the automotive financing companies.

Under the settlement, NMAC agreed to institute a credit pre-approval program offering "no markup" rates to black and Hispanic buyers who have never declared bankruptcy or had cars repossessed. The company said it will make 675,000 such offers over five years.

The "markup" is a percentage in addition to the minimum percentage rate at which NMAC approves credit. It usually is split between the dealer and NMAC.

For nonqualifying minority buyers, NMAC agreed to keep its markup below 3 percent for each credit classification. The agreement did not address credit terms for non-minority buyers.

NMAC has denied all claims by the plaintiffs, saying it does not collect race or ethnicity information when credit is sought and that all people are treated equally.

Studies prepared for the plaintiffs by researchers from Yale and Vanderbilt showed that rates for minorities could be 30 percent to 50 percent higher than what whites paid. Nissan called the research flawed.

Attorneys on both sides said they agreed not to comment on the settlement, which applies to borrowers at Nissan and Infiniti dealers, until it is approved by U.S. District Judge Todd Campbell.

On the Net:

Nissan: <http://www.nissan-usa.com>

America Saves: <http://www.americasaves.org>

National Consumer Law Center: <http://www.consumerlaw.org>

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