

Historic GMAC Settlement Includes Limit on Dealer Finance Markup

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Boston, February 10, 2004 – In a major victory for African-American and Hispanic car buyers, General Motors Acceptance Corporation (GMAC) has agreed to settle a six year old lawsuit filed by the National Consumer Law Center (NCLC), the Law Offices of Clint W. Watkins, the Gilmore Law Offices, Terry & Gore, P.C., Bernstein Litowitz Berger & Grossmann LLP, and Grant & Roddy on behalf of minority auto finance customers of GMAC.

The class action lawsuit against GMAC, the nation's second largest auto lender, alleges that African-American and Hispanic car buyers pay more for credit as a result of a practice known as finance charge "markup." For decades, GMAC, and other automobile financing companies, have authorized dealers arranging financing for them to "mark up" the interest rate on customers' contracts beyond that required by the customers' credit rating without disclosing that markup to the consumer. Expert reports submitted on behalf of the plaintiffs in the case concluded that minority auto finance customers of GMAC were marked up more frequently and at significantly greater rates than white customers with comparable credit ratings.

GMAC now has agreed to take the historic step of imposing a 2.5% markup cap on loans with terms up to sixty months, and a cap of 2% on extended term loans. GMAC also has agreed to institute a substantial credit program designed to provide minority car buyers with special rate financing. The credit program follows a similar program that Nissan Motor Acceptance Corp. currently is implementing under the terms of a settlement agreement reached last year in a similar case brought by the same group of lawyers. The GMAC program will extend to African-American and Hispanic customers throughout the United States and will offer no less than 1.25 million qualified applicants "no markup" loans over the next five years. In addition, GMAC has agreed to change its contract forms to disclose that the customer's interest rate may be negotiable and that the dealer may retain a portion of the finance charge paid by the customer, and to contribute \$1.6 million toward programs aimed at educating and assisting consumers.

Stuart Rossman, counsel for NCLC, said, "This represents a significant step for GMAC customers. Prior to this lawsuit, there were no limits on how much GM dealers could mark up loans. This [settlement](#) legally guarantees a limit on the markup of 2.5%, and in some cases no more than 2%. This settlement will save consumers tens of millions of dollars each year and will positively change the dynamics of dealer-arranged financing."

Mr. Rossman added, "While this is a negotiated settlement, we applaud GMAC for accepting important protections which will benefit consumers throughout the country. However, we will continue to advocate further changes in credit pricing by other lenders in this industry seeking to provide further relief and more disclosure in order to insure that all consumers are treated fairly."

Vanderbilt University Professor Mark A. Cohen, who analyzed GMAC transaction data said of the settlement, "The markup cap in this settlement amounts to an approximate annual savings of over \$60 million dollars for GMAC customers, based on data examined for the lawsuit. Approximately 90,000 GMAC customers should benefit each year by receiving lower rate auto loans "

Professor Cohen added, "The Diversity Marketing Initiative (DMI) that GMAC will offer minority consumers will amount to an estimated savings of \$16 million per year, or \$80 million total over the 5 year period, if just 10% of customers who receive these offers finance vehicles with GMAC under the DMI program."

Persons with questions concerning the proposed settlement may contact the attorneys for the Class – the National Consumer Law Center, 77 Summer St., Boston, MA, (617) 542-8010, www.consumerlaw.org; Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, (212) 554-1400, www.blbglaw.com; the Law Office of Clint W. Watkins, 3214 Maryland Way, Suite 402, Brentwood, TN 37027, 615-376-7000; Gilmore Law Office, 115 Court St., Grove Hill, AL 36451; and Terry & Gore, P.C., 209 Tenth Avenue South, Suite 310 Cummins Station, Nashville, TN 37203, 615-256-5555.