Eliminating dealer interest rate mark-ups will make financing a car through the dealership more expensive and less convenient.

FACT: In fact, there’s no reason that price or convenience should be affected at all. Dealers will continue to be compensated for their role in the car loan, and they already get compensated in other ways. For instance, in most promotional interest rate programs (like 0% financing) dealers are compensated with a flat fee. Why? The manufacturer has paid to buy down the interest rate. Most credit union lending programs are flat-fee programs. And some publicly-traded auto dealer groups have said that a move to compensation other than dealer interest rate mark-ups would have little impact on their business.

Consumer groups think that dealers should not receive any compensation at all.

FACT: The vast majority of consumer groups agree that dealers should be compensated for the work they do in securing financing for consumers. However, dealer discretion over interest rate mark-ups harms consumers and, therefore, should be discontinued.

If dealers cannot mark up the interest rate, they will stop making loans.

FACT: Eliminating one form of compensation is not the same as stopping dealers from making loans – some groups seem to be trying to conflate the two. Dealer interest rate mark-ups have an unfair impact on many consumers, and there are better ways for dealers to receive compensation that don’t negatively impact consumers. Further, those other compensation systems provide greater incentive for dealers to find the loan that best fits the borrower’s needs.

Disparities in interest rates are due to other factors, not race.

FACT: African Americans and Latinos are not only more likely to be subject to interest rate mark-ups – they’re more likely to be subject to higher markups—regardless of credit history or shopping strategy.

Members of the military receive special discounts when purchasing automobiles and are always treated fairly.

FACT: Because military service members are typically young, financially inexperienced and receive a regular paycheck, they are often a target for abusive financial practices. Car lending has been a particular concern for the military.

For more information about auto loan abuses, visit: http://www.responsiblelending.org/other-consumer-loans/auto-financing/