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FTC Action: Texas Car Dealers to Pay \$85,000 Civil Penalty

Allegedly Violated Order that Barred Deceptive Advertising of Vehicle Costs

FOR RELEASE

August 18, 2016

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Three Dallas area auto dealers, collectively known as [Southwest Kia](#), have agreed to pay an \$85,000 civil penalty to settle Federal Trade Commission charges that they violated an FTC administrative order barring them from deceptively advertising the cost of buying or leasing a car.

According to the FTC, [New World Auto Imports Inc.](#), [New World Auto Imports of Rockwall Inc.](#) and [Hampton Two Auto Corporation](#) concealed sale and lease terms that added significant costs or limited who could qualify for vehicles at advertised prices, in violation of a 2014 [order](#).

In a TV ad, for example, the dealers offered two cars for “under \$200 per month,” but in fine print that appeared for two seconds, disclosed that the offer applied only to leases, not sales, and required a \$1,999 payment at lease signing. One dealer mailed ads claiming a new car could be purchased for \$179 per month, but in print too small to read without magnification, disclosed that \$1,999 would be due up front, along with tax, title and license fees, and that \$8,271 would be due at the end of a 38-month financing term.



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The FTC's complaint also cited a TV ad targeted at people with major credit problems, such as repossessions or foreclosures. The ad touted vehicles for \$250 per month, but in fine print disclosed that the offer was based on a 4.25 annual percentage rate that few, if any, consumers with such major credit issues could obtain. In addition, the FTC alleged that the dealers advertised credit and lease terms without clearly and conspicuously disclosing information required by federal law, and failed to keep records required by the 2014 order.

In addition to the \$85,000 civil penalty, the proposed order prohibits the dealers, in any ad for buying, financing or leasing vehicles, from misrepresenting the cost of purchase with financing, the cost of leasing, or any other material fact about price, sale, financing or leasing. It also prohibits misrepresentations that anyone, including those with poor credit, is likely to receive financing or leasing, including particular finance or lease terms.

The proposed order also bars the dealers from violating the Truth in Lending Act and the Consumer Leasing Act, which require clear and conspicuous disclosure of credit and lease terms.

The case was part of [Operation Steer Clear](#), a nationwide crackdown on misleading advertising regarding motor vehicle sales, financing and leasing.

The Commission vote to authorize the staff to refer the complaint to the Department of Justice and to approve the proposed stipulated order was 3-0. The DOJ filed the documents on behalf of the Commission in U.S. District Court for the District of Texas, Dallas Division, on August 18, 2016.

NOTE: The Commission authorizes the filing of a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. Stipulated orders have the force of law when approved and signed by the District Court judge.

To learn more, read the FTC publication [A Dealer's Guide to the Used Car Rule](#).

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CONTACT INFORMATION

MEDIA CONTACT:

Frank Dorman
Office of Public Affairs
202-326-2674

STAFF CONTACT:

Michelle Schaefer
Bureau of Consumer Protection
202-326-3515