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Serving Dealers in the Vehicle Sales Industry

June 2019

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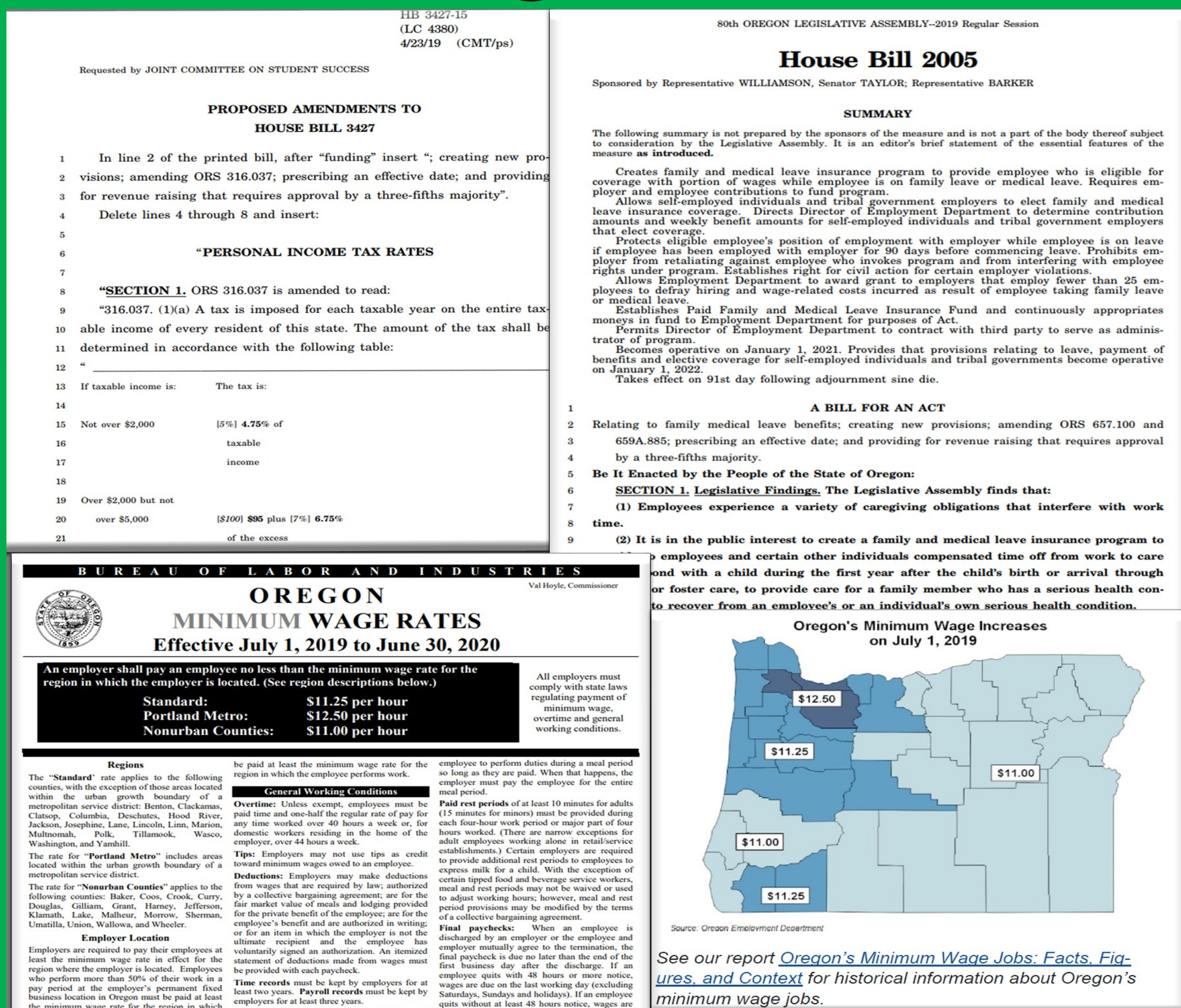

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Phone: 503-399-9199, Email: OVDA@ordealers.org. Articles are not legal advice. For legal advice, contact an attorney.

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PAID family leave for employees coming

SALEM — Nearly all workers in Oregon would gain the right to take paid leave for family and medical reasons under a proposal advancing through the Legislature, but it likely won't become available until 2023.

Under House Bill 2005, employers would have to let an employee — provided s/he made $1,000 or more during the current or previous year — take up to 18 weeks' leave to care for a new child or ill family member; to deal with serious health problems, a difficult pregnancy or childbirth, or abuse; or some combination thereof. For up to 12 weeks, plus two more for a medical condition related to pregnancy or childbirth, a person could receive much or all of their pay while on leave.

The paid leave system that HB 2005 sets up is similar to workers' compensation, with employers and employees both contributing a fraction of wages to a state-run insurance fund. Workers taking family or medical leave would apply to the state to get their pay while they're away from work.

It will be up to state officials to decide what the contribution rate is, but it can't exceed 1% of a worker's wages. The employee would contribute three-fifths of that amount; the employer, two-fifths. An employee's contribution would be deducted from her paycheck, just like payments into the workers' benefit fund or a retirement savings account.

Employers with 25 or fewer employees wouldn't have to pay into the fund, but their employees would still be eligible to take paid leave.

"Really, truly, we were working to try to make sure that every employee is covered," said Andrea Paluso, executive director of Family Forward.

Paluso's advocacy group worked with Democratic and Republican lawmakers, labor unions, businesses, and others on the paid leave proposal. Paluso said it's also important to her group that the policy is "equitable," so that it's not only available to higher wage earners.

Under the latest version of the proposal, workers who make less than 65% of Oregon's average weekly wage would be eligible for full pay while on leave. Workers making more than that would get 65% of the average weekly wage plus half of whatever they make above that threshold, up to 120% of the average weekly wage.

According to the state Employment Department, the average weekly wage in Oregon is $976. It's recalculated every year based on pay figures throughout the state, and it is tentatively set to increase to $1,013.

House Majority Leader Jennifer Williamson, D-Portland, has been working to pass paid leave for years. It's a top priority of hers this legislative session, and other Democratic leaders are backing the effort as well.

"Oregonians across party and demographic lines believe strongly that parents need time away from work to welcome a new child, to make sure they can care for a newborn without going into debt, to adjust, to bond, to heal, and to set their kids and their families up for success," Williamson said. "And Oregonians believe strongly that no person should have to choose between paying their bills and taking care of themselves or a loved one."

House Speaker Tina Kotek said Monday, June 10, that she was "optimistic" that HB 2005 would pass even as adjournment approaches. Senate President Peter Courtney is also backing the effort, said spokeswoman Carol Currie

The Legislature must conclude its business for the year by June 30.

Williamson has received a boost from business groups, which are backing the paid leave proposal unveiled Tuesday, June 11.

"Paid family and medical leave is a national trend and it was clear that we would see legislation on this issue in Oregon soon," the state's largest business group, Oregon Business & Industry, noted in a statement.

Several elements of the latest proposal are softened considerably from earlier versions. Most notably, implementation of the paid leave program will be delayed. The state would begin collecting contributions for the insurance fund in 2022. The soonest an employee could take paid leave under the new system is 2023.

In the legislative changes, contributions into the insurance fund have also been tweaked to favor employers. Originally, Williamson proposed having employers and employees pay equal amounts. As part of a deal with Democrats not to oppose a new tax on businesses to pay for K-12 education earlier this spring, Oregon Business & Industry lobbied to have the employee pay more than the employer in HB 2005.

"Obviously, there was a lot of compromise involved," Currie said.

For her part, Paluso said she's not surprised that businesses were willing to support a compromise plan. "We've seen a lot of data that indicates that when people have this policy, they come back to their jobs," Paluso said. "And when they come back, they come back ready to work."

(continued on Page 11)

Your Oregon Vehicle Dealer Assn Leadership

The OVDA Board is comprised of active dealers. You likely see them at the auctions. They are volunteering some of their time to ensure the auto industry has a strong voice in Oregon. Would you like to be an industry leader? We are especially looking for dealers in southern, central and eastern Oregon, and for dealers who represent the large minority community of dealers. Are you passionate about the auto industry? Are you willing to donate a little of your time to improve the business in which you work? If you would consider joining our board, please email OVDA@ordealers.com or call 503-399-9199. **<u>If you have already sent an email indicating your interest, we will be in touch. You only need to send one</u>**. Thank you for your interest.

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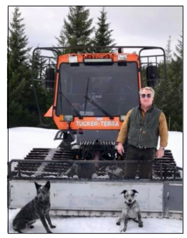

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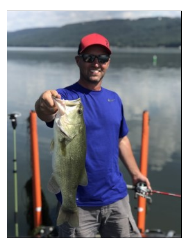

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As Vehicle Sales Soften, Expect Lenders to Play Harder

By: Andrew Stowe

The business of auto lending remains immense. More than half a trillion dollars are borrowed every year by American consumers to buy cars – even as vehicles get more expensive and interest rates hit levels higher than they have been in two years.

The rising costs of both vehicles and money, along with other market dynamics, have led J.D. Power and other industry observers to predict fewer auto buyers will enter the market as we close out the decade.

That means auto financing will become even more competitive, forcing lenders to re-evaluate their strategies for both new- and used-vehicle buyers.

Lenders will focus on maintaining credit quality in their portfolios and improving loan-origination efficiencies.

This will require effective management of the lender-dealer relationship and coordination with manufacturers to ensure consumers are equipped with the resources needed to maintain a healthy market.

Consumers Pivot

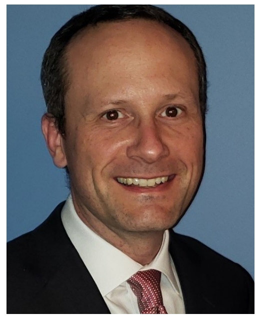
Consumers entering or returning to the market are wrestling with what to make of today's more expensive environment. They are more actively exploring a wider range of financing options.

We are noticing consumers, absorbing the immediate aftermath of the sticker shock that comes with the 2019 model offerings, are expressing a greater willingness to go down market with their next new purchase. Some heretofore new-car buyers may even consider buying a used vehicle.

As vehicle buying gets pricier, we have seen lease penetration rates (nearly 30% of the transactions that move vehicles off dealers' lots) remain strong.

In addition, consumers are willing to extend the terms of their financing over more time. It is not uncommon to see 72- and even 84-month loans to help consumers hold the line in their monthly payments.

We've seen about a 2% rise in deals that have moved in this direction. At today's higher interest rates, this can be good news for lenders. Yet for dealers and manufacturers, it may keep shoppers out of the market for longer periods.



We've also seen a growing number of consumers hang on to their vehicles after loans are paid off, and further harvesting savings by reducing their insurance premiums.

A Prudent Path Forward

Major variables are gradually shifting at this point.

It is too early to tell whether dynamics will accelerate to a pace that causes serious market disruptions. That is more reason for automotive industry supply chains – including independent and captive lenders – to monitor and coordinate responses to changing consumer behaviors in a costlier market.

J.D. Power has seen the positive results that come from partnerships among the manufacturers, dealerships and lenders, including captive and consumer-chosen financial-services providers.

A joint understanding of how to provide proper context and services to consumers has driven alignments in messaging and consistency. That's led to positive customer experiences despite the price hikes.

When the value propositions of all three parties are tightly integrated, it lays the foundation for providing the shopper with the best information for making appropriate purchase decisions.

Andrew Stowe is J.D. Power's senior director-vehicle valuations.

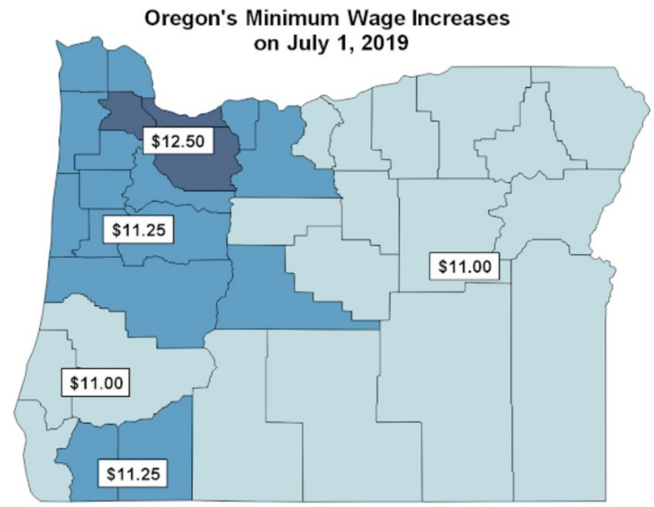
Oregon Minimum Wage Jumps July 1

By Oregon Employment Department,

Oregon's minimum wage increases on July 1, 2019, but the raises won't be the same across the state. The minimum wage increases to $12.50 per hour inside the Portland urban growth boundary, $11.00 per hour in nonurban counties, and $11.25 in other areas of the state.

Oregon's three minimum wages will be in the top nine state-level minimum wages in the nation. The highest minimum wage will be in the District of Columbia ($14.00), followed by Massachusetts and Washington ($12.00); Colorado and New York ($11.10); and Arizona, California, and Maine ($11.00). The federal minimum wage will remain at $7.25 per hour.

Oregon's minimum wage levels were set by Senate Bill 1532 in 2016. The minimum wage increases on July 1 each year through 2022. There are three tiers of step increases based on geography. Beginning in 2023, minimum wage in all tiers will be adjusted for inflation. This means the minimum wage will maintain purchasing power after the last step increase in 2022.



Source: Oregon Employment Department

See our report Oregon's Minimum Wage Jobs: Facts, Figures, and Context for historical information about Oregon's minimum wage jobs.

DMV to phase out current metal VIN decals

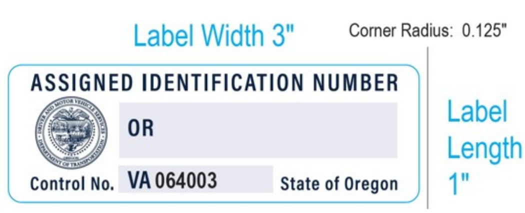
DMV will phase out current metal VIN decals created with typewriters in favor of tamper evident, weather-resistant sticker labels created with thermal printers.

Beginning June 3, 2019, DMV field office staff will begin affixing the new labels on applicable vehicles. DMV will phase out use of assigned VINS on the metal decals.

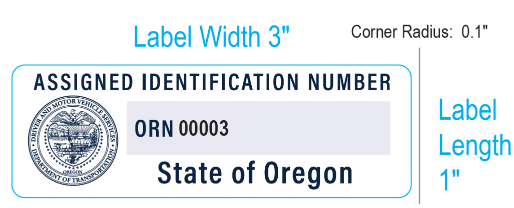
For pre-numbered VIN transactions, the control number will now be the VIN number and will begin with the prefix "ORN".

For unnumbered VIN transactions, field office staff will type an assigned VIN and a label will be generated from the thermal printer, ensuring the control number from the DMV system and the printed label match. Unnumbered VIN label's control number will begin with the prefix "VA" and the VIN will begin with the prefix "OR".

Unnumbered VIN Decals



Pre-numbered VIN Decals



DMV-related questions may be directed to (503) 945-5000 or (503) 299-9999 (Portland Metro Area). For more information about Oregon DMV VIN decals, visit the DMV website at https://www.oregondmv.com.

The CARLAWYER / Fixing Mistaken Repos

By L. Jean Noonan

Your company gets an irate call from a customer whose car you have just repossessed for non-payment. The caller is furious because he made a payment that was supposed to prevent a repossession. After you confirm the payment, you release the car and waive any repossession charges. All good. Or is it?

Every client I know has experienced this situation. Upping your game to prevent mistaken repossessions and taking appropriate corrective action if one occurs have never been more important. This goes double if you are examined by the Consumer Financial Protection Bureau because you are a large bank or are subject to the CFPB's larger participant rule. The CFPB has repossession practices under a microscope, and one of its main concerns is mistaken repos.

Let's look at how this can happen:

- The consumer made a promise to pay and thought that the promise would prevent a repo if the payment was made as promised. This is a situation I encounter often.
- The consumer made the payment, but the repo occurred before the payment posted. Perhaps the payment came in after business hours or over a weekend. By Monday morning, the car had been picked up.
- The payment was posted, but the collections department failed to promptly cancel the repo.
- The collections department canceled the repo, but the vendor had already hooked up the car by the time it learned of the cancellation. Maybe the payment was received in the morning and the repo was cancelled promptly, but the repo agent didn't get the message until the end of his shift. Or maybe the vendor just made a mistake.

There are undoubtably other scenarios, but these situations are common. In order to prevent mistaken repossessions, you must understand all the ways they can occur. Sometimes you can prevent the problem by improving procedures and training. In other cases, the best strategy is better customer communication. Here's a game plan for avoiding mistaken repossessions, having upset customers, and having examiners with dollar signs in their eyes begin an enforcement action against you.

Step One - Understand the Problem

Analyze your mistaken repossessions and understand why they occurred. Of course, to be able to do this, you must be able to easily identify the mistaken repos. Do you maintain a list? Is it complete? This first critical step won't be possible if you have to engage in a painstaking review of account notes.

Look for process gaps that almost guarantee some mistaken repossessions will happen, such as after-hours payments or routine delays in posting payments and reporting them to collections. The longer the time between the consumer's payment transmission and the cancellation instruction, the greater the risk of a mistaken repossession.

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Can you re-engineer this process to eliminate (or shorten) the gap? Sometimes yes, sometimes no, and sometimes yes but not immediately because process changes take time.

Step Two - Improve Processes
Improving processes to reduce the chance of mistaken repossessions is always the first choice. Some solutions may require improved technology (and the time and budget to implement it). But some changes may be simpler. Finding them can involve creative thinking and brainstorming. Can you learn of a customer's payment more quickly? Can you automate repossession cancellation instructions? Can your vendors send real-time cancellation orders to the truck drivers?

Step Three - Strengthen Customer Communications
Sometimes there will be a gap you simply can't plug or at least not right away. The only remedy then is to be completely frank with your customer, and the CFPB wants this communication to happen before the consumer makes the payment. A customer whose car is out for repossession is almost always having money stresses. He or she should understand the consequences of his or her choices. If a payment still might not prevent a repossession, maybe he or she will use the money for groceries instead. You can be sure the CFPB is thinking this way.

Collectors can believe the customer understands the risk of a repossession. After all, the payments are seriously late, or we wouldn't be in this situation. But customers can be unreasonably hopeful and hear what they want to hear. We must train collectors to be ruthlessly honest, even blunt. "I'm glad you want to make this payment now, Ms. Customer, but I must tell you that the repossession company already has the instructions to pick up the car. We will cancel those instructions when we receive your payment, but there is a chance the car could be picked up anyway. Do you understand?" Of course, you can add that you will try your best and tell the customer to notify you if the repossession happens despite the payment and what you will do in that case.

Be sure your training and scripts make this risk clear, if the risk is present, and check for this clarity when monitoring recorded calls. If you mislead a consumer into thinking the payment will stop a repossession when it might not, the CFPB will call this a deceptive practice. Process changes can be hard, but clear communications are much easier.

Step Four - Fix a Mistake
"Mistake" can be an overbroad term. Yes, forgetting to cancel a repossession is a mistake, but a mistake hasn't really happened if the consumer phones in the payment after the tow truck is halfway down the street with the car behind it. My clients often will not make this distinction in their policies, and this choice is understandable. It may be too hard to tell exactly what happened; all you know is that you repossessed the car around the same time you received a payment. Besides, you want to maintain customer goodwill.

If the mistake was yours (and perhaps even if it wasn't), you will want to return the car in the way the customer prefers. Usually this means having the towing company return the car to the customer, but it also can mean allowing the customer to pick up the car at the tow lot if the customer wants. You will want to ensure that your company and not the customer pays for the tow and that any personal property in the car is returned to the customer. You also must ensure that the repossession is not reported to credit reporting agencies.

Even if you decide to extend these courtesies to a customer when the customer did not make the payment in time to prevent the repo - and was fully informed of this risk - you may not want to code it as a mistaken repossession. Use another term, and another code or a separate list, such as "courtesy repossession return." Here's why: If you treat it as a repossession that was your mistake, or might have been your mistake, that's how the regulator will view it. Any wrongful repo will make you look bad and may set you up to pay damages to the customer in a CFPB enforcement action. Words matter; take the extra effort to use them carefully when classifying a repossession, even if the outcome for the customer is the same.

Repossessions are upsetting events for consumers, and upset customers complain. Not often do the CFPB, auto finance creditors, and consumers all agree, but everyone agrees that mistaken repossessions are bad. Following these steps will greatly reduce your risk and make everyone a little happier.

L. Jean Noonan is a partner in the Washington, D.C., office of Hudson Cook, LLP. Jean can be reached at 202.327.9700 or by email at jnoonan@hudco.com.

Former DMV Business Reg Director Dennis Koho passes away

Dennis Koho who worked at ODOT/DMV from April 1984 to March 1997, died on June 10, at the age of 67. He lead the Business Regulations Section at the time of his resignation in 1997.

He served as a mayor and city councilor of Keizer. As an attorney, business man and local political figure, Koho maintained a public presence despite health struggles in recent years.

Koho's wife, Lori, said Virgil T. Golden Funeral Home in Salem is handling arrangements and a memorial mass and burial in Bend, are planned.

Notably, Koho is widely viewed as the primary figure in bringing the Salem-Keizer Volcano's baseball team to Oregon.

PAID family leave continued from page 3

The proposal has backing from some labor groups as well, including the Oregon AFL-CIO.

Not all business groups are on board. The National Federation of Independent Business has opposed the paid leave proposal from the beginning. The small-business lobby is concerned about taxing businesses to pay for the program, even if many small businesses are exempt, and it argues the bill doesn't do enough to protect small businesses who will lose productivity if an employee takes extended leave.

“There's not a way to craft this policy where employers aren't without valuable employees for certain amounts of time,” said NFIB state Director Anthony Smith. He appreciates that the latest version of the policy is a compromise, but it's not one the entire business community is comfortable with.

HB 2005 would make life difficult for the smallest businesses because it would require them to let employees on leave return to the jobs they left, Smith said, and he thinks expecting them to line up temporary workers while they're gone isn't realistic: “The idea that you're going to find a qualified person who's willing to do the job for just 12 weeks, that's the hard thing.”

The proposal has some Republican support. Rep. Daniel Bonham, R-The Dalles, actually testified in support of the bill on Tuesday, an unusual step for a minority lawmaker with a Democratic leader's bill. But when the House Rules Committee voted to endorse HB 2005 and send it to the House floor Thursday afternoon, June 13, it wasn't a unanimous vote. Rep. Sherrie Sprenger, R-Scio, voted against it.

The paid leave proposal still has significant hurdles to clear. With an estimated price tag of $15.7 million over the next two years, it will need to be reviewed by the legislative budget-writing committee, which is already considering hundreds of other requests for state money this month.

Because HB 2005 raises revenue, if it advances to a floor vote, it will need at least 36 representatives and 18 senators' support to pass.

Even if it becomes law, Smith noted that it was not uncommon for policies like this to undergo tweaks and changes in the future.

Reporter Mark Miller: mmiller@fgnewstimes.com. Miller works for the Oregon Capital Bureau, a collaboration of EO Media Group, Pamplin Media Group, and Salem Reporter.

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OREGON VEHICLE DEALER ASSOCIATION OPPOSES GROSS RECEIPTS TAX

The Oregon Legislature has passed a new gross receipts tax, which is essentially a hidden sales tax. There is an ongoing effort to refer this new tax to Oregon voters. Oregon voters have voted against every sales tax ever placed on the ballot. If you would like to sign or circulate the petition to place this new tax on the ballot, please CLICK HERE. Please note the following **IMPORTANT** legal rules for signing and circulating a petition:

1. It must be printed front to back; 2. It must be on white paper; and 3. It must be standard weight copy paper.

Please also review the additional requirements on the circulator on the petition. It is important that the circulator personally observe every person who signs the sheet. You cannot just leave a petition on a table and pick it up later. Petitions need to be returned to the association within 7-10 days! Please send them to this address: PO BOX 4290 Salem, Oregon 97302

This petition is to keep money in your pocket! If we can each fill a sheet we can work towards keeping the money we are earning. For additional questions please email ovda@ordealers.com or call 503-399-9199 from 9 AM to 6 PM M-F.

IF NOT YOU, WHO? IF NOT NOW, WHEN?

Join OVDA today and protect your livelihood by being a part of something that is already making a difference for your dealership every day. Join at www.ordealers.com, call 503-399-9199, or email OVDA@ordealers.com for details.

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