FTC's Vehicle Shopping Rule Will Harm Car Buyers with Added Costs, More Paperwork and a Longer Sales Process
Cosponsor the Bipartisan "FTC REDO Act" (H.R. 7101/S. 3014)

ISSUE

The Federal Trade Commission's (FTC) Vehicle Shopping Rule "VSR" (also known as the "CARS Rule") will add more time, complexity, paperwork and costs to the car buying process. The FTC finalized the rule amid ongoing congressional oversight into the agency's vast regulatory overreach in proposing the rule, its lack of credible data-driven analysis, and other significant process flaws. All harms the rule is purportedly designed to address are already addressed under existing law. This unnecessary rule will make vehicle shopping worse, not better. **Members of Congress should cosponsor the "FTC REDO Act" to stop the flawed VSR and ensure that if the FTC opts to redo its rule, the agency must follow essential regulatory safeguards to avoid needlessly imposing significant burdens and costs on consumers and small business dealers.**

BACKGROUND

After ignoring congressional inquiries into the flawed rulemaking process and repeated congressional requests to provide a fact-based analysis of the rule, the FTC finalized the VSR on Jan. 4, 2024. A study by the Center for Automotive Research (CAR) found that this rule will increase costs on consumers and small business dealers by $24.1 billion over 10 years and affect over 40 million consumer vehicle transactions and hundreds of millions of vehicle shopping inquiries each year. The mandates of the rule will add an additional 60-80 minutes to the car buying process and cost consumers at least $1.3 billion per year in lost time.

Additionally, the FTC flouted its own procedures by proposing the rule without first issuing an Advance Notice of Proposed Rulemaking (ANPRM). The agency also neglected to consumer test any of the new disclosures in the rule, which is a major departure from past practice where the FTC has used robust consumer testing to determine whether proposed requirements enhance consumers' understanding of the transaction. Through bipartisan letters, members of Congress expressed concerns that the proposed rule was rushed and would adversely affect consumers and small business dealers.

NADA supports the "FTC REDO Act" (H.R. 7101/S. 3014), introduced by Rep. Kelly Armstrong (R-N.D.) and Sens. Jerry Moran (R-Kan.) and Joe Manchin (I-W.Va.), which would stop the VSR and require the FTC to follow basic regulatory safeguards should the agency choose to redo the rule. The bill requires the FTC to: 1) issue an ANPRM; 2) conduct a quantitative study on auto retailing; 3) conduct consumer testing; and 4) publish a cost benefit analysis based on actual data. The FTC failed to perform any of these essential steps before proposing its rule. NADA also supports efforts to stop the FTC from enforcing the flawed VSR in the FY25 Financial Services and General Government (FSGG) appropriations bill (H.R. 8773).

KEY POINTS

- **This FTC rule will add time, costs, and complexity for car-buyers and make it harder to conduct online sales**. Vehicle sales are already extensively regulated with a document-intensive process, yet the FTC finalized these mandates without testing whether they enhance consumer understanding, education or protection. Under the rule, every time a consumer asks about a specific vehicle or monthly payments, it would involve new written forms harming the industry's ability to streamline and modernize the car buying process.
- **The VSR is duplicative as all the harms the rule is aimed at addressing are already against the law, and the agency presently has sufficient enforcement authority to police any alleged wrongdoing.** The rule will duplicate and, in some cases, conflict with, extensive state and federal laws that protect consumers (*e.g.*, the Federal Truth-in-Lending Act and federal and state prohibitions against unfair and deceptive practices). The rule introduces ambiguous terms such as "express informed consent" and states that a customer signature by itself will NOT suffice, contrary to many state laws.
- **The VSR dramatically increases the FTC's power without an informed regulatory process and will harm small businesses.** The rule empowers the FTC to issue $51,744 fines against dealers for violating any of its unnecessary and vague requirements. The rule also imposes new recordkeeping burdens that *more closely resemble retention requirements for supervised financial institutions,* such as forcing dealers to capture every written communication with vehicle shoppers, including texts.

STATUS

On Jan. 18, the FTC postponed the VSR's effective date of July 30, 2024 pending judicial review in response to a petition for review filed by NADA (See NADA's opening brief). NADA-supported language to deny FTC funding to enforce the VSR was included in the FY25 FSGG appropriations bill that passed the House Appropriations Committee on June 13.

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