



FACTSHEET: Yo-yo car sales in Maryland

On April 25, 2009, Dominga Rodriquez and Julio Benavides Lumus, a couple engaged to be married, went to a local Maryland car dealer to buy a car. They picked out a new Toyota, made a downpayment, and received a copy of the contract signed by the dealer. They drove it off the lot believing the car was theirs and that all the arrangements, including the financing, had been finalized.

About two weeks later, the dealership contacted Ms. Rodriquez to tell her that she had not qualified for financing, and that she needed to return to sign a new contract with a new financing arrangement. She returned to the dealership, which demanded an additional \$800 downpayment and asked her to sign a less favorable loan contract. She signed the new deal and gave the dealer the additional downpayment. A few weeks later, the dealership called yet again, asking for another \$500 downpayment and yet another signed contract. Sadly, before Ms. Rodriquez could return the car, she was involved in an accident and died. When her fiancée called to inform the dealership, the dealer sued him for return of the vehicle. Siding with the auto dealer, the court ordered the car returned.

Source: MCRC Factsheet, Maryland Case Studies on Auto Fraud 2010.

Dominga Rodriquez and Julio Benavides Lumus were victims of a yo-yo sales scam, an illegal but common “bait-and-switch” technique to trick a consumer into paying a higher interest rate, a larger downpayment, or signing a longer contract that may add thousands to the cost of the car.

Here’s how yo-yo sales work:

- A consumer is talked into or unknowingly placed in a conditional-sales contract instead of final sales deal for a car purchase.
- Days or weeks later, the dealer tells the consumer the financing deal has fallen through and that he or she will have to pay a higher interest rate, make a larger downpayment, or sign a longer contract to keep the car.
- Consumers are sometimes threatened with arrest if they don’t return the car they thought they owned and may learn that the dealer has already sold their trade-in.
- Consumers are pushed into signing a new, more expensive contract for the car.

Many complaints, few dealers penalized

Advocates know that most victims of yo-yo sales never file a complaint and that many don’t realize they’ve been the victim of an illegal sales scam. Yet every year yo-yo sales complaints are one of the leading car sales complaints filed with the Maryland Attorney General’s Office

- The Attorney General’s Office received 93 yo-yo sales complaints between Jan. 1, 2009 and Dec. 31, 2011.

- In more than 60% of those cases, the dealers either got a warning letter or the consumer got no relief. Consumers won refunds in only about 20% of those complaints.
- Consumers lost more than \$240,000 in yo-yo sales cases from 2008-2012, with losses ranging from \$500 to \$36,000 and the average victim losing \$4,648.

Yo-yo sales complaints to the Maryland Attorney General’s Office – 2009 to 2011

Year	Complaints	M	F	Refunds	Advice to dealers	Other Corrective Action	No relief	Contract cancelled	Other
2011	35	14	21	8	17	3	4	1	2
2010	35	11	24	8	15	2	7	0	3
2009	23	10	13	3	9	1	5	0	5
Total	93	35	58	19	41	6	16	1	10
Pct.		37.6%	62.4%	20.4%	44.1%	6.5%	17.2%	1.1%	10.8%

Victimizing the Vulnerable

Women, low-income families, and people with troubled credit records are more likely than other consumers to suffer yo-yo sales scams.

- 62% of yo-yo sales complaints in Maryland 2009-2011 were filed by women
- While 4.5% of all car buyers nationally reported yo-yo sales scams, consumers with fair or poor credit scores were almost three times as likely to experience those scams.
- Nationally, 12% of car buyers with incomes under \$40,000/year reported experiencing yo-yo sales scams and 25% of car buyers with incomes under \$25,000/year reported them.

Maryland Law

- While Maryland has no statute that specifically forbids yo-yo sales, since 1980 the MVA has repeatedly issued regulations telling dealers that conditional sales contracts are illegal.
- Yo-yo sales are also considered an unfair and deceptive trade practices under Maryland’s Consumer Protection Act. As such, they are subject to fines of \$1,000 for the first violation and of no more than \$5,000 for each subsequent violation.
- Despite the laws, MCRC has obtained copies of conditional sales agreements recently used by more than a dozen Maryland car dealers, including some of the state’s largest dealers.

To protect consumers against yo-yo sales, MCRC calls for:

- **Right to rescission** -- provide a 3-day cooling-off period in which either the dealer or the consumer can cancel a car purchase.
- **No sale of trade-in** -- prohibit dealers from selling any trade-in until all financing is completed.
- **Return of downpayment** – require that the full downpayment be returned to a consumer if a yo-yo sale takes place.
- **Stronger enforcement** by the MVA and the Attorney General’s Office of existing rules forbidding yo-yo sales.