

# **Car Salesmen, Lobbyists, and Charts**

## **Illustrating the Dangers of the Biased Use of Data**

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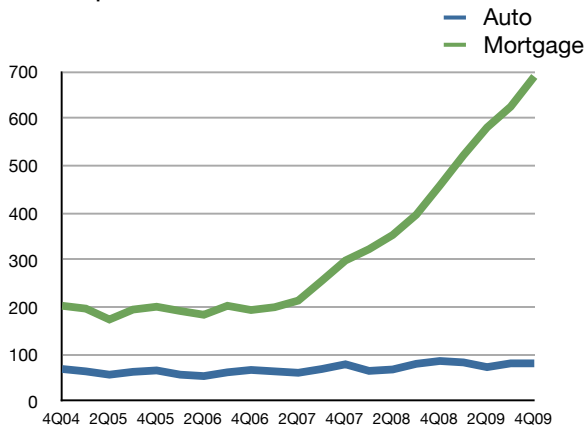
May 31, 2010

Over the past weeks, the politically powerful auto dealer lobby has besieged members of the Senate, requesting a special exemption from a new consumer protection regulatory framework. Although it is not especially clear why it is relevant to the debate, the dealers have insisted, through the use of a chart like the one on the left, that auto credit has been rock-solid through the crisis. The auto dealer lobby's own data, though, suggests that the opposite is true. The dealers have deliberately chosen to present data in an unfortunately distorting way to pitch their case to public officials.

## CAR SALESMEN, LOBBYISTS, AND CHARTS

**Mortgage and Auto 60+ Day Delinquencies, 4Q04-4Q09**

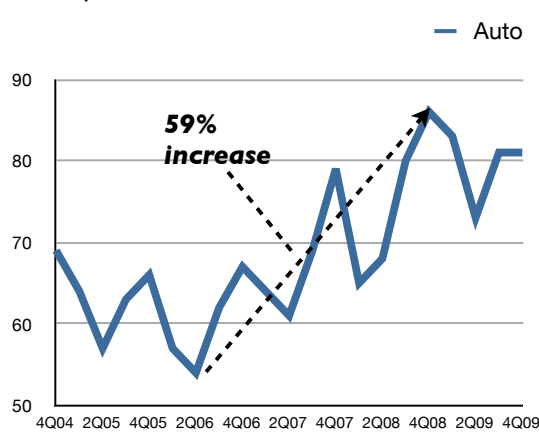
Basis points



Credit performance data, as presented by auto dealers' lobbyists to U.S. Senators and their staffs ...

**Auto 60+ Day Delinquencies, 4Q04-4Q09**

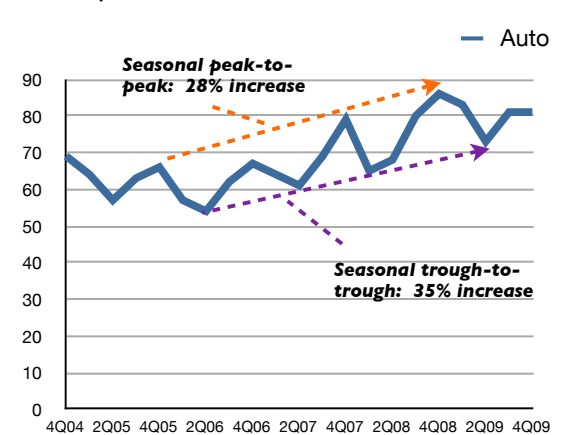
Basis points



... and the same exact data, as it might be portrayed by a similarly cavalier lobbyist making the opposite argument ...

**Auto 60+ Day Delinquencies, 4Q04-4Q09**

Basis points



... and the same exact data, as it might be used by an objective policy analyst.

Source: National Automobile Dealers Association data; Cambridge Winter Center analysis

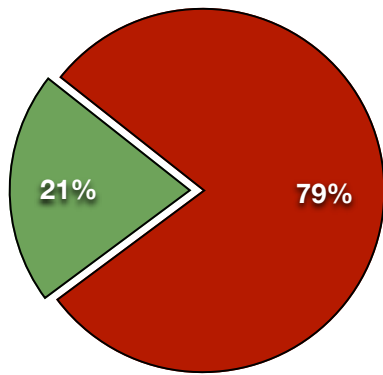
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Also central to the auto dealers' rhetoric is the notion that they are "Main Street" stalwarts unconnected to "Wall Street" miscreants. Again, reality intrudes. Wall Street funds more than 70% of auto dealer loans. Indeed, the alliance of Wall Street funding (through the ABS and unsecured markets) provided to auto dealer loans accounts for more than half of the market.

## CAR SALESMEN AND WALL STREET

### Auto Finance Channel Mix, 2007

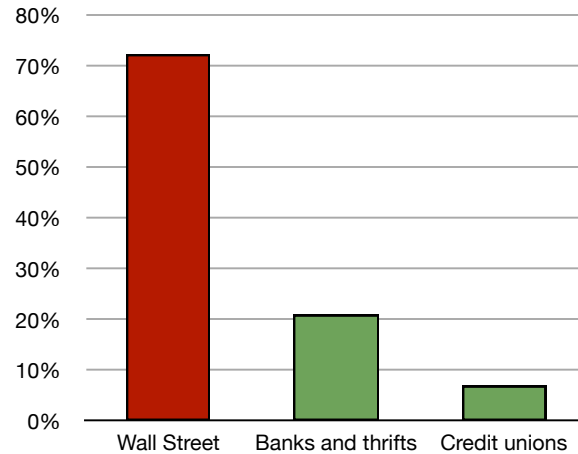
Percent of loan & lease originations



Most of auto loans and leases are originated by auto dealers ...

### Dealer-Originated Loans & Leases, by Ultimate Funding Source, 2007

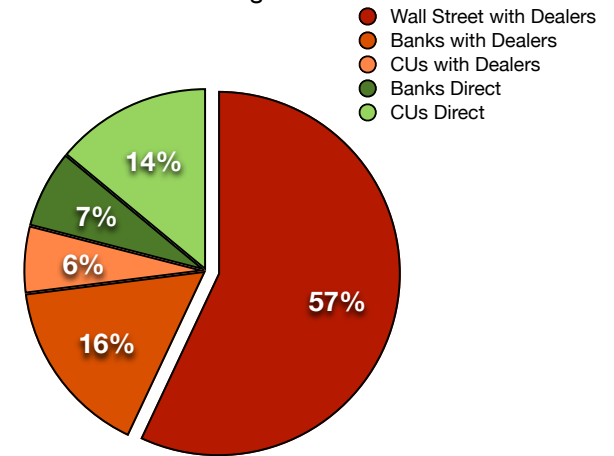
Percent of dealer originations



... and most of dealers' loans and leases are ultimately sold or financed by Wall Street ...

### Auto Finance Market, Channel and Funding Map, 2007

Percent of outstandings



... so it should come as no surprise that the partnership of Wall Street financing and auto dealer loans control more than half the market.

Source: Federal Reserve; J.D. Power; Cambridge Winter Center analysis

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