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The used-car blues

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It's hard to escape life at the low end of the income scale, where there's no such thing as minor money troubles.

Ruby Farrow says she was made to pay \$85 to recover her purse and medications from the used-car dealership that repossessed her 1996 Ford Explorer.

Across town, Jennifer Joshua says the car she bought to take her to work at Target overheated and broke down a month after she drove it off a used-car lot. After having made more than \$1,000 in payments, Joshua refused an offer requiring a second down payment to get another car, and is now using public transportation.

Public transportation doesn't take some people where they need to go. And a lack of reliable personal transportation limits opportunities for jobs, housing, affordable groceries and education. It traps the poor in a cycle of poverty.

Consumer advocates say poor, minority and uneducated consumers are particularly vulnerable, sometimes victimized by used-car lots, where they must make weekly or biweekly payments at exorbitant interest rates.

The Florida Attorney General's Office says complaints against car dealerships ranked fourth among those received in 2007, behind debt collectors, Internet-related scams and the travel industry.

Once in trouble, car buyers often are hamstrung by mandatory arbitration agreements that take away their right to pursue disagreements in court, consumer advocates say.

This month a House subcommittee held hearings on a bill that would limit such arbitration.

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On Feb. 4, a day after she picked up her disability check, Ruby Farrow, 50, and her husband, Nathaniel, 65, drove to Suncoast Auto Brokers and Financing, at 3401 34th Ave. N in St. Petersburg, to make their car payment. It was a Monday and they were a day late, she said. Their payments were often made days early, she said.

As always, Nathaniel Farrow went into the dealership to make the payment while his wife, who has asthma, diabetes and high blood pressure, remained in the car. This time finance manager Darren Robertson said he wanted to speak with Ruby Farrow.

Robertson asked her how to reach a friend who had bought a car at the same time. Ruby Farrow said she told Robertson that the friend had left the state and that she had the information at home.

When the Farrowes left his office, their car had disappeared. Back inside, she said, the manager told her she could not get the car unless she delivered the information about the friend and bought additional car insurance.

"I said, 'Can I have my purse?' I said, 'Can I have my pump (inhaler)? My chest is tight.' He said, 'I can't give you anything,'" she said.

Farrow called her godmother to give her a ride home. "I took my light bill money and water money and took it straight to the insurance company," she said.

Back at the car dealer, she again asked for her purse and inhaler, but was told she would have to pay \$85 for their return.

"So I begged him and begged him. I gave him the \$85. He had taken everything in the car and thrown it in one big, black garbage bag, all my medicine, my sugar medicine, my blood pressure medicine, my nerve pills," Farrow said.

In a Feb. 14 lawsuit, the Farrows, who are black, said employees at Suncoast Auto Brokers "laughed and 'high-fived' each other" and used racial slurs.

Robertson disputes the Farrows' account. "They are wonderful people. ... We've dealt with them for a very long time, but unfortunately, nice people become in default. Repossession is not a fun thing.

"Personal property out of a vehicle is usually inventoried. Customers are not supposed to keep valuables in the vehicle. No repossession company will keep a person from getting their medicine."

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A reliable car to take her to and from her 4 a.m. to 2 p.m. job at Target in Pinellas Park was all she wanted, Jennifer Joshua said. Instead, she got a vehicle that overheated after a month, a pay cut because she changed her shift to coincide with the bus schedule, and a bill for a car that she no longer owns.

As Joshua tells it, on Jan. 3 she bought a 1995 Oldsmobile Achieva from Pinellas Auto Brokers, at 4590 66th St. N in St. Petersburg, for \$5,400. The car started overheating a month later, she said. When she called the car lot, she said she was told they'd send a tow truck, but for a fee she couldn't afford.

"They told me it was \$98," she said. Her solution was "to cool it off a bit and try to make it over there." By the time she got to the dealer, the car was steaming again, she said.

Ben Rogers, 41, who owns Pinellas Auto Brokers, blames Joshua for letting the car overheat and said she should have waited for the tow truck. He said the cost was \$35.

"She blew the car up, because it overheated. So I have a useless car. Legally, I could pursue her for the balance, but I'm choosing not to," he said.

Joshua, 26, said she was promised a replacement if something happened to the vehicle she bought. The company will not give her another car without an additional \$600 down payment. She declined the offer, left the car at the lot and has since received a letter saying her vehicle was repossessed and full payment was required.

Joshua is now taking the bus to work and has taken a \$1.75 an hour pay cut because of her shift change. "I wasn't expecting to ride around the world in this car. It was just something to get me to work," she said. "Poor people don't have a chance in this world."

But Rogers, of Pinellas Auto Brokers, says it is used-car dealers who are unfairly maligned.

"What we do is secondary financing. If you don't have credit and you go and rent to own a washer and dryer, you are going to pay a higher price," he said. "It's unfortunate, but that's the name of the game. It's a very risky business, because you probably lose about 25 percent of the deals you make. They leave the state and you never find them."

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The buy-here-pay-here car business is a \$5-billion-a-year market, according to the Annie E. Casey Foundation, a private charitable organization that works to improve the lives of disadvantaged children.

Jack Gillis, director of public affairs for the Consumer Federation of America, said: "Generally the people who tend to use the buy-here-pay-here lots are those people who can least afford to be ripped off by the exorbitant interest rates charged and the overpriced cars, but unfortunately, they get lured in by artificially low weekly, biweekly and monthly payments."

How high are the interest rates? "Usually ... in excess of 30 percent for used vehicles," said Deborah Berry, operations manager for Pinellas County's Justice and Consumer Services.

"A car can be in any condition for sale on a lot. We receive complaints where people may have bought a car and they have mechanical problems, so they are in a bind because of repairing the car and making payments. And then the car is repossessed and the dealer can easily put the car back on the lot and sell it to the next person that comes along."

There are about 8- to 16-million people of low and moderate income with poor credit subjected to the subprime lending market, according to the Casey Foundation. Many have incomes under \$14,000 a year.

Rosemary Shahan, president of Consumers for Auto Reliability and Safety, says buy-here-pay-here car lots are "bad news."

"If the deal doesn't go well, it can have a huge impact on your life," she said. "It's not like a toaster. You can get another toaster. If your car doesn't work, you can lose your job."

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"Buying a used car, as a rule of thumb, is a great way to save money, because the initial car owner has absorbed one of the most expensive aspects of car ownership and that's depreciation," Gillis said.

"Secondly, because the quality of cars has improved, there are plenty of good choices in the used-car market. The bad news is that it is very hard for most of us to pick out the peaches from lemons."

Consumer advocates say car buyers also should be aware of arbitration agreements tucked into the sheaf of documents they are asked to sign. After the Farrow's filed their lawsuit, Suncoast Auto Brokers sent them a copy of a document they signed saying that any disagreement would be settled in arbitration rather than in court.

"They gave us all those papers to sign when we got the car, but we didn't know what we were signing," Nathaniel Farrow said.

David Gruskin, a St. Petersburg lawyer who practices consumer law, said such agreements are common. "You're giving up your key to the courthouse," he said.

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