Potential Consumer Risks Posed by Truck Lease-Purchase Agreements

Consumer Financial Protection Bureau

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CFPB Information Gathering

- CFPB has offices or initiatives focused on servicemembers and veterans, older Americans, students, traditionally underserved communities, immigrants, rural Americans, and workers in order to help identify emerging issues and inform policy decisions.
- CFPB also has Market Offices, which serve as our in-house expertise on how different financial markets think and operate. Market Offices monitor market trends, products, services, and practices that impact consumers and small businesses.

CFPB Workers’ Initiative and the TLTF

- CFPB is participating on the TLTF in connection with our workers’ initiative which is examining employer-driven debts. These occur when a worker is indebted to their employer or an affiliate for the required purchase of training, equipment, or supplies.
  - We launched a formal inquiry into the potential impacts of employer-driven debts in June 2022. We received responses from drivers, and advocates and attorneys representing drivers.
  - We issued a report on the findings from our inquiry in July 2023 which included information on truck financing products and their impact on earnings.

Issue Spotlight Findings (1 of 2)

- Because debts are inextricably linked to a worker's employment, the worker's ability to repay the debt is controlled by the issuer of the debt itself.
- Employers may be preventing workers from fully understanding the risks, costs, terms, and conditions to which they are agreeing. Workers may be entirely unaware they have agreed to take on debt to secure their job.
- Workers may feel that they are powerless to review or negotiate the agreements before accepting a job, especially workers with limited experience in a new occupation and workers who are financially vulnerable.

Issue Spotlight Findings (2 of 2)

- Workers may be primarily focused on questions of pay, hours, work conditions, and opportunities for career growth rather than valuation, disclosures, and terms and conditions of the debt.
- Employers may restrict workers from leaving their jobs because of the high cost of repaying financial costs related to debt.
- Employers may misrepresent the value and nature of the employer-driven debt, work conditions, or the earnings of the prospective jobs.
- Workers may experience negative impacts on their overall household financial stability due to lower earnings, damaged credit scores, and additional debts incurred to meet repayment obligations.

Trucking Findings (1 of 3)

- Hidden Details: *In a 2021 U.S. District Court case against a truck-leasing company, the Magistrate Judge found, "Not all [the drivers] fully understood all portions of the leasing agreement."*
- No ability to review or negotiate: *When USA Today conducted a year-long investigation into the use of employer-driven debt in the trucking industry, they found truckers were given "take-it-or-leave-it" lease-to-own contracts for equipment.*
- Need for a job: *"Our CDL school students are typically unemployed or underemployed at the time of entry. We understand they have poor credit ratings and few options to access financing."*
- Inability to repay: *"Several students snuck away in the middle of the night, as if escaping some kind of forced labor camp…it became obvious that having to pay back the training was the only thing keeping [them] there."*

Trucking Findings (2 of 3)

- Inaccurate recruitment: *Researchers have found that some truckers may receive fewer hours, and therefore lower earnings, than they were promised.*
- Dubious valuation: *"There were not very many trucks to choose from. Most were broken down and had been leased and returned several times over. They were barely through the detail bay to throw out the previous driver's stuff before they were available to lease again."*
- Low earnings: *Truck drivers may take home as little as $0.67 a week and $20,000 a year on accounts that brought in $95,000 to the company.*
- Paycheck deductions: *Of 300 drivers interviewed by USA Today, many not only paid for their trucks, but also for insurance, fuel, parking in the company lot, and in one case even for office toilet paper and supplies.*

Trucking Findings (3 of 3)

- Debt collection tactics: *"The collection company is called [redacted]and they call once a month to say I owe like over $300,000 on this truck. It isn't on my credit report or anything. I'm sure they have other drivers out there thinking they have to pay this collection company for a truck that is probably junk and worth less than $50k on one of these so-called 'walk away lease' truck programs."*
- Erroneous record keeping: *"I had a hard time believing I was that far past due since I had been making the payment and a half for a while, so I asked for an accounting of all the payments I made to them. They initially ignored me until I asked a lawyer to write a letter. The document they produced was an excel spreadsheet that didn't have payments broken out and many errors. When I compared what I paid to what they had noted there was a huge discrepancy. Then they sent another notice saying I owed even more money, but they could never provide proof."*

Next Steps

- CFPB will continue to work with other federal, state, and local regulators with relevant jurisdiction, as appropriate, to ensure that the workplace is not a source of potential consumer harm.
- To better understand the financial impact of lease-purchase agreements on drivers, the TLTF should solicit more fulsome account-level financial data, including:
  - Gross capitalized cost, residual value, depreciation and amortization, weekly payments, term, insurance costs, driver take home pay, and driver access to loads over the lease term.
  - Underwriting of lease-purchase agreements, if they are underwritten at all, and use of consumer credit scores.
  - Valuation of trucks assigned to drivers along with demographics.

Contact Us

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