



Consumer Federation of America

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**CFA on Financial Reform:
A Daily Look at Reform Proposals and Their Effects on Consumers
April 28, 2010: Consumer Regulator Should Cover All Lenders, Including
Auto Dealers**

Dear Senator:

Yesterday, auto dealers were on the Hill pressing their support for the Brownback Amendment to exempt them from the proposed new Consumer Financial Protection Bureau. But auto dealers don't just sponsor little league teams and Independence Day parades. Unfortunately, some of them also engage in abusive lending practices.

The auto dealers claim that they are "heavily regulated" by the Federal Trade Commission and that in 2009 automobile sales were less than 2 percent of the total complaints received. However, what they fail to mention is that new and used auto dealers are the Better Business Bureau's top source of complaints, and that most consumers don't know to contact the FTC with a complaint. It's also important to note that the FTC has brought very few cases against auto dealers over the last few years.

The National Council of La Raza has developed a [fact sheet](#) refuting the auto dealers' claims in order to set the record straight. For example, the bill will not impose onerous new rules, regulations or supervision on auto dealers, but will merely give the new agency the authority that the Federal Trade Commission currently possesses: to address unfair or abusive lending practices whenever they occur.

Unfortunately, members of the military are well aware of these lending practices, as they have been targeted by auto dealers for predatory loans. In fact, auto-related scams are the leading source of financial readiness problems for active duty military personnel and their families.

CFA recently distributed a [press release](#) with links to two letters, one from the Department of Defense to the Treasury Department about how auto lending has caused problems for the readiness of our troops. The other letter, from 31 organizations that are part of The Military Coalition, opposes the Brownback Amendment, and states that a carve-out for auto dealers "will allow unscrupulous dealers to continue to take advantage of service members and their families."

Reputable auto dealers and other lenders have nothing to fear from the CFPB. The agency will work to support responsible lending and, at the same time, weed out those who engage in deceptive practices, like bait-and-switch financing or those who take kickbacks to steer consumers into higher priced loans, practices currently used by some auto dealers. These kickbacks, in particular, are similar to the incentives provided to mortgage brokers that helped to fuel our recent housing crisis. We urge the Senate to oppose the Brownback amendment, so that auto dealers will compete with other lenders to provide responsible loans to all Americans.

Sincerely,

Travis Plunkett
Legislative Director

Susan Weinstock
Director, Financial Reform Campaign