



Consumer Federation of America

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FOR IMMEDIATE RELEASE:
Monday, May 17, 2010

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CONSUMER FEDERATION URGES SENATE TO DEFEAT BROWNBACK LOOPHOLE FOR AUTO DEALERS WHO ISSUE ABUSIVE LOANS

Washington, DC – As a crucial vote on financial regulation legislation approached, the Consumer Federation of America today urged members of the U.S. Senate to vote “no” on Senator Brownback’s amendment to completely exempt auto dealers from the authority of the Consumer Financial Protection Bureau.

“CFA urges a ‘no’ vote on the Brownback amendment because the consumer bureau must have full authority to crack down on auto dealer-lenders who engage in deceptive practices, like bait-and-switch financing or those who take kickbacks to steer consumers into higher priced loans,” said Susan Weinstock, Financial Reform Campaign Director for the Consumer Federation of America. “These abusive practices cost Americans \$20 billion each year.”

CFA identified a number of reasons why the amendment would hurt consumers:

- Exempts auto dealers from oversight by the Consumer Financial Protection Bureau (CFPB), even though dealers negotiate the price, term and structure of car loans, whether they originate the loan or sell the loan. As with mortgages, the structure of the market for car dealer loans encourages tricks and traps and unnecessary added costs like confusing loan terms, hidden costs, and inflated sales commissions.
- Allows the status quo to continue, in which rulemaking and enforcement of consumer protections for auto dealers is fragmented and ineffective, thereby allowing unscrupulous dealers to continue targeting our Service members and minorities with predatory auto loans. [The Secretary of the Army John McHugh](#), the [Undersecretary of Defense Clifford Stanley](#) and [The Military Coalition](#) of 31 organizations representing Service members and their families are opposed to the Brownback Amendment. [The Leadership Conference on Civil and Human Rights](#) also sent a letter to the Senate opposing the carve-out.
- Creates an uneven playing field where auto loans issued by community banks and credit unions are subject to CFPB rules, but loans originated by auto dealers are not. Both the [Independent Community Bankers of America](#) and the [Credit Union National Association](#) oppose the Brownback Amendment.
- Undercuts reputable auto dealers and other lenders who have nothing to fear from the CFPB.

The Consumer Federation of America is a non-profit association of more than 280 groups that, since 1968, has sought to advance the consumer interest through advocacy and education.