



Consumer Federation of America

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Opposition to the CFPB Auto Dealer Carve-Out Is Widespread Here's What People Are Saying:

President Barack Obama

"This amendment would carve out a special exemption for these lenders that would allow them to inflate rates, insert hidden fees into the fine print of paperwork, and include expensive add-ons that catch purchasers by surprise. This amendment guts provisions that empower consumers with clear information that allows them to make the financial decisions that work best for them and simply encourages misleading sales tactics that hurt American consumers. Unfortunately, countless families – particularly military families – have been the target of these deceptive practices."

Statement on Financial Reform, May 12, 2010 <http://www.whitehouse.gov/the-press-office/statement-president-obama-financial-reform>

Elizabeth Warren, Professor, Harvard Law School and Chair, Congressional Oversight Panel

"A central premise of the agency is that similar products should be regulated the same way - regardless of who issues them. Regulations for child safety seats, for example, don't differ depending on who makes them. Similarly, regulations for mortgages shouldn't differ, depending on who sells them. It is a recipe for unfairness, arbitrage around rules, even failure. Car dealers, however, want a special carve out so that their loans won't be subject to the same rules as community banks and credit unions. Payday lenders have also looked for a special deal, trying to cripple the agency's capacity to provide accountability."

June 6, 2010 Op-ed in Politico <http://www.politico.com/news/stories/0510/37971.html>

Undersecretary of Defense Clifford L. Stanley

"...the Department conducted an informal, nonscientific polling of military installation Personal Financial Managers, legal assistance officers, and DoD-contracted Personal Financial Counselors about practices they had encountered when counseling military clients such as 'bait and switch' financing, falsification of loan applications or other documents, failure to pay-off liens on trade-in vehicles, 'packing' loans with items whose price tag bears little or no relationship to their actual cost or value, and discriminatory lending. Seventy-two percent of the 659 counselors and attorneys who responded to this question said that they had counseled Service members in the past six months on one or more of these issues when covering auto financing with the client."

February 26, 2010 letter to Michael Barr, Undersecretary of Financial Institutions, Department of the Treasury

NAACP, Hilary O. Shelton, Director, Washington Bureau & Senior Vice President for Advocacy and Policy

"Recent studies prove what many of us have known anecdotally for years; that widespread racial disparities, unrelated to credit risk, exist in the markups added by auto dealers to auto loan interest

rates and fees. Exempting auto dealers from the jurisdiction of the Consumer Financial Protection Bureau would result in consumers losing important protections when making one of the largest and important financial transactions of their lives, and would affect millions of Americans each year.”

May 11, 2010 letter to the Senate

Independent Community Bankers of America, Camden R. Fine, President & CEO

“When automobile dealers offer financing to customers – generally as a conduit for manufacturers’ captive finance arms – the dealers provide consumers loans and leases that are second only to home mortgages in importance to most families. Yet, their financing activities are not subjected to the same level of regulatory scrutiny as the auto lending activities of community banks. Exempting automobile dealers would create a gaping loophole in the CFPB and would give automobile dealers – as well as the manufacturers’ captive finance arms that provide financing through them – a competitive advantage over community banks and reduce consumer choice in auto loans.”

May 11, 2010 letter to Chairman Dodd and Ranking Member Shelby

Senate Banking Committee Chairman Christopher Dodd

“We believe when it comes to financing such as this we should not say to one sector: You are exempt; we will carve you out; you don’t have to worry about any of the laws....We make that local banker, who also might like to extend that loan, subject to the law’s protections. The credit union is subject to the same laws. Why should someone engaged in the financing of a product -- an automobile -- be exempt? The local bank isn’t. They have to meet their requirements under the law to make sure they are not abusing – not that many do but some do--the rights of an individual and protect them from a disadvantage in that second largest purchase a person may make aside from their home.”

Statement on Senate Floor, May 12, 2010 <http://dodd.senate.gov/?q=node/5621>

House Financial Services Chairman Barney Frank

“I was not for treating them harsher than anybody else,” Frank said of auto dealers. “And I didn’t want to treat them more leniently.”

Boston Globe, May 22, 2010 http://www.boston.com/business/articles/2010/05/22/auto_dealers_fight_additional_federal_regulation/

Holly Petraeus, Director, Better Business Bureau Military Line

"It's a fact that military personnel love their cars," Holly Petraeus said in a conference call with reporters this week. "Sadly, many of them end up paying far more for them than they should."

Los Angeles Times, May 13, 2010 <http://articles.latimes.com/2010/may/13/business/la-fi-car-dealers-20100514/3>

Secretary of the Army John M. McHugh

“Over the years, many of our Soldiers have fallen victim to predatory lending practices and have entered into contracts for prohibitively expensive financial products promoted by some unscrupulous car dealerships and lenders. Though the Army does educate our Soldiers about buying cars in our normal financial education curriculum, the fact remains that junior enlisted Soldiers – many of whom are drawing a regular paycheck for the first time in their lives and are inexperienced in financial matters – remain an easy target for dishonest brokers. We owe them the protection and oversight that would be afforded by the CFPB.”

May 12, 2010 letter to Chairman Dodd

Secretary of the Air Force Michael B. Donley

“As you certainly know, we are in an era of constant conflict and multiple deployments, and our Airmen and their families are under increasing stress. It is no surprise that finances rank among the

primary causes of stress for most military families. As automobile loans are often their most significant financial obligation, we believe that greater Government oversight of automobile financing and sales for our Airmen will help protect them and reduce unnecessary financial strain on our already overburdened Air Force families.”

May 13, 2010 letter to Chairman Dodd

The Military Coalition

“The most significant financial obligation for the majority of service members is auto financing. Including the auto dealers financing and sales in the financial reform bill will provide greater protections for our service members and their families. Providing a ‘carve-out’ for auto dealers does just the opposite - it will allow unscrupulous dealers to continue to take advantage of service members and their families.”

April 15, 2010 letter to Chairman Dodd and Ranking Member Shelby

Leadership Conference on Civil and Human Rights, Nancy Zirkin, Executive Vice President

"Auto dealers, whether arranging financing or providing financing themselves, all too often engage in discrimination against minorities. As many academic studies and class action lawsuits have shown, minority car buyers pay significantly higher dealer markups than non-minority car buyers with the same credit scores. That's why it's simply unacceptable to exclude auto dealers from oversight by the Consumer Financial Protection Bureau."

June 11, 2010 Statement http://www.consumerfed.org/elements/www.consumerfed.org/File/PR_No_Auto_dealer_exemption_letter061610.pdf

National Council of La Raza, Janet Murguía, NCLR President & CEO

“For many Latino families, just like that first home, buying a car is a major life purchase that establishes credit history and helps families access better jobs. At a time when millions of Americans are struggling to make ends meet, the Senate should be thinking more about how to put families back on the path to financial security.”

May 6, 2010 press release <http://www.nclr.org/content/news/detail/63205/>

Credit Union National Association, Daniel A. Mica, President and CEO

“Excluding any non-depository institution provider of financial products, including auto dealers, from the rules promulgated by the BCFP [Bureau of Consumer Financial Protection] would defeat the purpose of creating the new consumer regulator, would put credit unions at a competitive disadvantage in the new regulatory regime, and could cause confusion for consumers of financial products.”

May 10, 2010 letter to Chairman Dodd and Ranking Member Shelby