



National Automobile Dealers Association



Preserve Affordable Auto Finance Options for Consumers in the Wall Street Reform Bill

Issue

Both House (H.R. 4173) and Senate (S. 3217) Wall Street reform bills would create a new agency that could have new and extremely broad authority to regulate most financial products, including dealer-assisted financing. The auto finance model is sound, based on due diligence, and decreases the cost of credit to consumers. Dealers are already effectively regulated by the Federal Reserve Board, the Federal Trade Commission (FTC) and state consumer protection agencies. NADA supports language offered by Rep. Campbell and improved by Sen. Brownback that would preserve affordable dealer-assisted financing options for consumers by continuing the current, effective regulation that provides for a competitive market.

Background

The House financial reform legislation (H.R. 4173) which passed in December 2009 included a bipartisan amendment that would not subject motor vehicle dealers (except for “buy here, pay here” financing) to regulation by the proposed Consumer Financial Protection Agency, but would maintain consumer protection regulations administered by the Federal Reserve, the FTC, and state agencies. This amendment was offered in the Financial Services Committee by Rep. John Campbell (R-Calif.) and passed on a 47-21 vote. An amendment to nullify the Campbell amendment on the House floor was withdrawn.

A bipartisan amendment to the Senate bill (S. 3217) was proposed on the Senate floor by Senator Sam Brownback (R-Kansas). Because of Senate procedure, the amendment was withdrawn before passage of the Senate bill. However, Senator Brownback reached an agreement with Majority Leader Reid (D-Nev.) for a vote on a motion to instruct conferees to support the dealer language, which passed on a bipartisan 60-30 vote.

Key Points

- **The Brownback/Campbell language is good for consumers.** Dealer-assisted financing provides more convenience, more competition, and more choices for consumers. Dealerships’ relationships with many lenders them to help find consumers a more competitive rate. Often captive finance companies provide 0% financing, which banks and credit unions do not offer.
- **Under the Brownback/Campbell language, every auto lender and auto loan would be directly regulated by the new consumer agency.** Dealers are not banks. Dealers arrange financing and help consumers find affordable credit. There would be no impact on the ability of the agency to regulate the companies that underwrite, fund, and service auto loans.
- **The Brownback/Campbell language protects all existing Federal and consumer protection statutes that govern dealer-assisted financing.**
- **Main Street auto dealers did not cause the economic meltdown and auto loans are sound.** Congress should not dismantle a sound regulatory structure that has allowed millions of consumers to buy a new vehicle at competitive interest rates in favor of a new and uncertain regulatory regime under the Wall Street reform bill.

Status

The House and Senate bill will proceed to a conference to resolve the differences for a final bill. Dealers should encourage conferees to support the Brownback/Campbell language, and include it in the final legislation.

May 2010