

Consumer Financial Protection Bureau (CFPB) 101

Dodd–Frank Wall Street Reform and Consumer Protection Act

Congress passed “The Dodd-Frank Wall Street Reform and Consumer Protection Act” in 2010. This bill enacted the most significant changes to financial regulation in the United States since the 1930s. While the primary focus of the Dodd-Frank legislation was to make significant changes in the mortgage, financial services and derivatives industry, auto finance was not immune to changes. Dodd-Frank also created the Consumer Financial Protection Bureau (CFPB). This new agency has broad authority to regulate most financial products, and has jurisdiction over captive finance companies, banks, credit unions and other financial service companies.

The CFPB is one of the most powerful federal agencies ever created, with broad powers and limited accountability. The CFPB is not funded by Congress, so Congress has no control over its budget or how the CFPB spends taxpayer funds. Furthermore, unlike many other independent agencies, the CFPB is run by a director, and not a commission whose members are appointed by both parties. And unlike **all** other executive branch departments, none of the CFPB’s rules receive White House review before becoming law. These unique attributes make the CFPB an agency with limited accountability to the American people.

Dealer Exemption

Due to the lack of accountability in the CFPB’s structure, as well as a Senate report accompanying its version of the Dodd-Frank bill that was biased against dealers and included false and misleading claims, NADA fought hard for dealers to be exempt from the CFPB’s jurisdiction. The auto dealer exemption received bipartisan support in the House and Senate and was incorporated into the final legislation creating the CFPB that was signed into law by President Obama.

Although dealers are not subject to regulation or enforcement actions by the CFPB, auto loans are subject to regulation, and “Buy Here Pay-Here” dealers are not exempt. Dealers continue to be regulated by the Federal Reserve Board, Federal Trade Commission and subject to the full range of state consumer protection statutes.