

NADA Responds to Consent Order Between and American Honda Finance Corp.:

NADA fully supports our nation's fair lending laws and the commitment of federal agencies to ensure fairness in the marketplace. For this reason, we encourage the adoption of the [Fair Credit Compliance Policy and Program](#) (based on a Department of Justice model) because it remains the most effective way to address fair credit risks while preserving the robust competition that exists in today's auto finance marketplace.

With the Honda enforcement action, the CFPB continues to:

- **pressure finance sources to eliminate dealers' ability to discount credit based on information and analysis that it knows to be flawed.** (For example, a study by the Charles River Associates found that the CFPB's proxy methodology overestimates the African-American population by 41 percent.) The CFPB's own "white paper" on this subject also revealed errors as high as 20 percent in estimating individuals' ethnicity.
- **use enforcement actions against lenders regulate dealers, thereby avoiding the rulemaking process which has safeguards to ensure transparency accountability.**
- **apply an undisclosed methodology.** The Bureau has still not disclosed whether it takes into account legitimate factors, regardless of race, that affect auto finance rates – e.g., a dealer's ability to lower the interest rate to meet a customer's monthly budget or to beat a competing offer.
- **dictate the manner amount a dealer can discount credit without regulatory, enforcement, or supervisory jurisdiction over dealers; and**
- **proceed without considering the impact of its directives on consumers.** Consumer interests are better served by being able to negotiate a lower interest rate. The CFPB's actions will severely limit a dealer's ability to beat a competitor's finance rate and limit the competition that frequently provides customers a better APR in the showroom than those offered by banks and credit unions.

Congress created the CFPB to protect consumers – and an open and transparent process is the best way to ensure that the Bureau develops policy positions that are in the consumer's best interest. The CFPB continues to attempt to alter this \$907 billion auto lending market through guidance without any public input or consideration of the costs on consumers and small businesses.

NADA supports H.R. 1737, a bill that would allow the CFPB to reissue auto finance guidance with certain transparency provisions. The bill also provides for a public comment period, coordination with other regulatory agencies, and a study of the impact of the guidance on small businesses and, most importantly, consumers. The CFPB took none of these essential steps before issuing its far-reaching guidance. H.R.1737, with 123 cosponsors (R-69 D-54), continues to attract strong bipartisan support in Congress.