



**National Automobile Dealers Association
Office of Legislative Affairs**

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July 28, 2015

Dear Representative:

On behalf of America's approximately 17,000 franchised dealers, the National Automobile Dealers Association (NADA) is writing to urge a "Yes" vote on H.R. 1737, the "Reforming CFPB Indirect Auto Financing Guidance Act." This legislation is scheduled to be considered by the House Financial Services Committee beginning July 29.

H.R. 1737, introduced by Reps. Guinta (R-NH) and Perlmutter (D-CO), would rescind the Consumer Financial Protection Bureau's (CFPB) flawed 2013 auto finance guidance and allow the CFPB to reissue it under a more transparent and better informed process. H.R. 1737 is also supported by the Alliance of Automobile Manufacturers, the American Financial Services Association, the American International Automobile Dealers Association (AIADA), the Motorcycle Industry Council, the National Auto Auction Association, the National Independent Automobile Dealers Association, the National RV Dealers Association, and the Recreation Vehicle Industry Association.

H.R. 1737, drafted by members of the House Financial Services Committee on a bipartisan basis, currently has 125 cosponsors (70 Republicans, 55 Democrats). In addition to rescinding the 2013 guidance, H.R. 1737 would require that, prior to issuing any new guidance related to indirect auto financing, the CFPB:

- provide notice and a period for public comment;
- make public any studies, data, and analyses upon which the guidance is based;
- consult with the Federal Reserve Board, the Federal Trade Commission and the Department of Justice; and
- study the cost and impact of the guidance on consumers as well as women-owned, minority-owned, and small businesses.

This is the entire scope of the bill. By design, H.R. 1737 does not impinge on the CFPB's structure, jurisdiction, funding, or authorities.

H.R. 1737 is needed to prevent the closed and insulated process that produced the 2013 guidance, which lacked public input, transparency, consultation with the CFPB's sister agencies that oversee dealers and, by the CFPB's own admission, any study of the impact of the guidance on consumers. As a consequence of being issued without these essential safeguards, the CFPB's guidance could potentially (1) eliminate a dealer's ability to discount credit in the

showroom; (2) raise credit costs; and (3) push marginally creditworthy consumers out of the auto credit market entirely.

Apart from the fact that guidance should not be used as a means to make sweeping policy changes, the CFPB guidance does not effectively manage fair credit risk in the showroom, which is its purported goal. The Department of Justice (DOJ), however, has created a better approach to address fair credit risk without decreasing competition and harming consumers. The DOJ model was used as a template for a robust compliance program that NADA, AIADA and the National Association of Minority Automobile Dealers issued last year to their respective members. This compliance program addresses fair credit risk where it matters -- in the showroom -- while preserving a dealer's ability to discount credit.

Thirteen Congressional letters, signed by over 90 Members and Senators on both sides of the aisle, have been written to the CFPB asking questions and expressing concern regarding its auto guidance. Many essential questions still remain unanswered. The open and transparent process required by H.R. 1737 would provide a framework for those questions to be answered, and to ascertain whether the CFPB's policy can withstand public scrutiny.

The CFPB's goal of limiting or eliminating a customer's ability to receive a discounted APR in the showroom, being done through enforcement actions based on a methodology the agency knows to produce significant inaccuracies, rightfully deserves review by this committee. H.R. 1737 is a moderate, bipartisan process bill that does not direct a result or tie the CFPB's hands, but merely gives the public an opportunity to scrutinize and comment on the CFPB's attempt to change the auto loan market via "guidance."

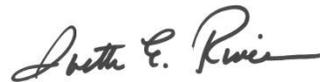
We urge a "Yes" vote on H.R. 1737, which requires an open and transparent process to help ensure the CFPB's auto finance policy is based on accurate analysis and is in the best interest of consumers. **This will be a key vote for NADA.**

Thank you for your consideration.

Sincerely,



Peter Welch
President



Ivette E. Rivera
Vice President, Legislative Affairs