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April 1, 2014

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1801 L Street Northwest
Washington, DC 20036-3811

Dear Mr. Cordray,

This letter is a follow-up to previous communications that I have had with the Consumer Financial Protection Bureau (CFPB) regarding the agency's guidance on mechanisms of nondiscretionary compensation for indirect auto lenders. It is a matter that I raised most recently with you during the hearing on the semi-annual report of the CFPB held by the House Financial Services Committee on January of this year. As you know, many of my colleagues and I have expressed concern over a lack of detailed information contained in the CFPB's March 2013 guidance and specifically about the options for compensation available to these lenders. During your testimony on January 28, you agreed in response to a request that I made, to provide examples of acceptable alternatives to the flat fee compensation structure.

In a February 28, 2014 conference call, the CFPB staff, in response to my question, provided my office with three possible compensation options that are at this time considered satisfactory by the Bureau: flat fee per transaction, flat percentage of amount financed, or some combination of the two flat fee structures. The purpose of this letter is to seek clarification on the response that was delivered by your staff.

It would be my request to be supplied with specific and detailed responses for the following questions:

1. The Bureau has identified variations on flat fees of acceptable non-discretionary mechanisms for compensating auto dealers for arranging financing for consumers. However, other than a flat fee or some variation on a flat fee, such as a flat percentage of the amount financed, the agency has not identified any discretionary dealer compensation mechanisms that it would officially define as acceptable. It should be noted that the Equal Credit Opportunity Act does not contain prohibitions on discretionary compensation mechanisms. Other than a potential flat fee or a variation of it, please provide at least one example of a specific discretionary dealer compensation mechanism lenders can adopt that is consistent with your March 2013 guidance to indirect finance sources.

2. If the example of a discretionary dealer compensation mechanism involves monitoring, how should the lender monitor dealers and their portfolio? Please include the precise proxy methodology and regression factors lenders should employ.

Thank you for your continued attention to this important matter. It is my request that the Bureau provide a response to these questions within 30 days of your receipt of this letter.

Sincerely,

Spencer Bachus
Member of Congress