April 16, 2018

Dear Senator:

We, the undersigned organizations which represent businesses that make, sell, finance, auction and service vehicles are writing to express our strong support for S.J. Res. 57, a joint resolution to disapprove the Consumer Financial Protection Bureau's (CFPB) 2013 auto finance guidance. The CFPB guidance pressures indirect auto lenders to limit a consumer's ability to receive a discounted auto loan from a dealer, resulting in less competition, higher financing rates, and loss of credit access for many vehicle buyers.

Access to affordable credit, including a dealer's ability to discount credit, is essential to meet the transportation needs of our customers. Since more than 80 percent of vehicle purchases are financed, adequate retail credit is vital to facilitate vehicle sales. The current system benefits consumers as dealers' access to multiple lending institutions frequently allows dealers to help consumers, including the marginally credit worthy who often have limited options, secure financing at competitive interest rates.

The CFPB auto lending policy, issued through a guidance, directed fundamental market changes without a transparent rulemaking process to assess the impact on consumers. This guidance was issued *without* any public comment, consultation with CFPB's sister agencies (including those that Congress authorized to regulate auto dealers), or transparency. Indeed, by the CFPB's own admission, the agency did *not* study the impact of its guidance on consumers.

This controversial guidance also enabled the agency to skirt Congress' express prohibition on its exercise of authority over auto, recreational vehicle, and motorcycle retailers engaged in indirect lending, (Sec. 1029(a) of Dodd-Frank). Under the Dodd-Frank law dealers continue to be regulated by the Federal Reserve Board, Federal Trade Commission and Department of Justice, as well as rigorous state laws and regulations.

The auto industry takes fair credit laws extremely seriously and has proactively promoted a comprehensive compliance program to enhance fair credit lending. Under the Department of Justice (DOJ) modeled program, a dealer can reduce the consumer's APR by documenting one of seven "legitimate business reasons" identified by the DOJ as a legitimate reason for a dealer to discount credit. Legitimate business reasons include "meeting or beating" a competitive offer that is available to the customer from another dealer or lender. Preserving this vigorously competitive market for vehicle financing lowers the cost of auto credit for consumers across the board. When Congress created the CFPB, surely it did not intend the agency to use its power to stop vehicle retailers from offering consumers discounts.

In a rejection of the auto finance guidance, last Congress the House overwhelming approved a bill similar to S.J. Res. 57, H.R. 1737, the "Reforming CFPB Indirect Auto Financing Guidance Act." H.R. 1737, which would have rescinded the guidance, passed by a bipartisan vote of 332-96, including 88 Democrats (November 18, 2015).

Despite the House's overwhelmingly bipartisan approval of the legislation and additional bipartisan efforts in the Senate to seek a resolution on this issue, the CFPB rebuffed extensive industry efforts to work together to fashion a solution that would preserve discounted auto loans by dealers within the parameters of the DOJ-based model. In addition, the CFPB continued to pressure finance sources to limit a dealer's ability to discount credit based on a deeply flawed method for measuring lender compliance with fair lending laws.

S.J. Res. 57 is narrow and purely a process resolution that preserves fair lending protections and does not hinder enforcement of fair lending laws or regulations. In fact, even the House Financial Services Committee minority report accompanying H.R. 1737 stated that "H.R. 1737 does not alter regulated entities' obligations under the Equal Credit Opportunity Act (ECOA) or the CFPB's examination or enforcement activity pursuant to ECOA." Proponents of S.J.Res. 57 take fair credit laws very seriously, and this joint resolution protects these laws and their enforcement to safeguard equal opportunity in vehicle financing.

Senators should disapprove the auto finance guidance that operates to eliminate dealer discounts, threatens to raise credit costs and push marginally creditworthy consumers out of the vehicle financing market, and harms the vehicle industry and its associated U.S. jobs. Vehicle sales play an important role in the economy, as they constitute almost 20 percent of all retail spending in the U.S. Nationwide the vehicle industry provides jobs for more than 7 million workers and their families. It is in the best interest of consumers, dealers, and vehicle manufacturers to keep vehicle financing competitive and affordable.

Keeping auto financing competitive and affordable is not only warranted, it is essential for the vehicle industry and its customers. That is why similar legislation easily passed the House, and why the Senate should pass S.J. Res. 57.

We respectfully ask you to vote for S.J. Res. 57 to maintain loan competition and affordable credit for vehicle buyers. Thank you for your consideration.

Sincerely,

Peter Welch
President, National Automobile Dealers Association

Mitch Bainwol
President and CEO, Alliance of Automobile Manufacturers

Chris Stinebert
President and CEO, American Financial Services Association

Phil Ingrassia
President, The National RV Dealers Association

Steve Jordan
CEO, National Independent Automobile Dealers Association

Frank Hugelmeyer
President, Recreation Vehicle Industry Association

Cody Lusk
President, American International Automobile Dealers Association

Frank Hackett
CEO, National Auto Auction Association

Tim Buche
President and CEO, Motorcycle Industry Council