

November 13, 2015

Dear Member of Congress:

On behalf of the undersigned organizations, we urge you to oppose H.R. 1737, the so-called "Reforming CFPB Indirect Auto Financing Guidance Act." This legislation is simply an effort to stop the CFPB from enforcing laws against discrimination.

H.R. 1737 hides its intent behind a smokescreen of claims about process and regulatory jurisdiction. However, the bill is really about the unfair and discriminatory impact of car dealer interest rate markups. The bill seemingly targets guidance the CFPB released in March 2013 putting lenders on notice that it had evidence of discrimination in car loans held in lenders' portfolios and gave assistance to lenders on how to avoid fair lending risk going forward. The bill is a misguided attack on the CFPB's enforcement of anti-discrimination laws.

More than two decades of experience and data show that car dealer interest rate markups result in discrimination in auto lending. Car dealers receive a large bonus from lenders for increasing the interest rate above that for which the borrower otherwise qualifies. In the course of a transaction, car dealers reach out to lenders to see who is willing to buy the loan contract. Lenders send the dealers an interest rate they will accept based on the borrower's risk profile. This is also called the "buy rate." The dealer can then add as much as 2 - 2.5% to the buy rate and keep some or all of the difference as compensation. To give a sense of scale, the Center for Responsible Lending (CRL) estimates that consumers who took out car loans in 2009 will pay \$25.8 billion in additional interest over the lives of their loans due to these markups.

The guidance said that the CFPB found discrimination when comparing markups between white borrowers and borrowers of color. The CFPB also noted the lengthy past history of discrimination due to car dealer interest rate markups. In the mid-1990s, a series of lawsuits were filed against the largest auto finance companies in the country alleging that borrowers of color were more likely to have their loans marked up, and paid larger markups. The data used in those lawsuits indicated that borrowers of color were twice as likely to have their loans marked up, and paid markups twice as large as similarly situated white borrowers with similar credit ratings.

Given historic and current data showing discrimination, the CFPB noted that lenders could eliminate fair lending risk by paying compensation to dealers in ways other than allowing them to manipulate the interest rate. If, however, lenders chose to continue allowing dealers to increase the interest rate for compensation, then the lender would need to take steps to ensure there is no discrimination.

Car dealer and lenders are attacking the guidance because they do not want the CFPB to enforce anti-discrimination laws in car lending. They have known for decades that car dealer markups lead to discriminatory lending, and they would prefer the CFPB ignore this particular injustice.

The CFPB's enforcement actions in conjunction with the Department of Justice (DOJ) over the past two years have resulted in more than \$176 million in fines and restitution to consumers who paid more in interest than they should have. Several other cases are pending.

Public opinion is also firmly on the side of the CFPB. In a bipartisan poll released earlier this year, 62% of Americans said that they approve of CFPB action to enforce anti-discrimination laws in car lending.

Buying a car is extremely important for consumers. After a home, a car is often the biggest purchase made by a household. The CFPB has found discriminatory pricing in the auto financing market and should have the ability to use the full range of its regulatory tools to address it. The clear intent of H.R. 1737 is to tell the CFPB to stop enforcing the law to stop discrimination, and as such we urge you to oppose it.

Sincerely,

Alliance for a Just Society

Alliance of Californians for Community Empowerment

Americans for Financial Reform

Bucks County Women's Advocacy Coalition

California Rural Legal Assistance Foundation

California Reinvestment Coalition

CALPIRG

Center for Digital Democracy

Center for Economic Integrity – New Mexico Office

Center for Economic Justice

Center for Global Policy Solutions

Center for Popular Democracy

Center for Responsible Lending

Center for Working Families

Central Ohio Fair Housing Association

Citizens Council of Missouri

Color of Change

Communities Creating Opportunity

Consumer Action

Consumer Federation of America

Consumer Federation of California

Consumer Federation of the Southeast

Consumers for Auto Reliability and Safety

Consumers Council of Missouri

Consumers League of New Jersey

Consumers Union

CT Citizen Action
East Bay Community Law Center
Fair Housing Center of the Greater Palm Beaches
Financial Pathways of the Piedmont
Florida Alliance for Consumer Protection
Georgia Rural Urban Summit
Housing and Economic Rights Advocates
Idaho Community Action Network
Iowa Citizen Action Network
Keystone Progress
The Leadership Conference on Civil and Human Rights
Long Island Housing Services, Inc.
Main Street Alliance
Maryland CASH Campaign
Maryland Consumer Rights Coalition
Miami Valley Fair Housing Center
Missouri Faith Voices
NAACP
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
National Consumers League
National Council of La Raza
National Fair Housing Alliance
National People's Action
National Urban League
Neighborhood Housing Services of Greater Cleveland
New Economy Project
Oregon Consumers League
Pennsylvania Council of Churches
Public Good Law Center
Reinvestment Partners

SC Appleseed Legal Justice Center
South Carolina Appleseed
Syracuse Habitat for Humanity, Inc.
The Other 98%
U.S. PIRG
Virginia Citizens Consumer Council
West Virginia Citizen Action Group
Woodstock Institute
Working Families Organization