

July 29, 2011

Ms. Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Via Agency Website

**RE: Regulation B; Equal Credit Opportunity (Docket No. R-1426 and RIN No. 7100-AD-78)**

Dear Secretary Johnson:

The Association of Global Automakers (“Global Automakers”)<sup>1</sup> appreciates the opportunity to comment on the above-referenced proposed rule issued by the Board of Governors of the Federal Reserve System (the “Board”) under Regulation B (“Proposed Rule”). Given the unique nature of the motor vehicle financing industry, and our specific insight into the interaction between dealers and vehicle finance companies, we are writing today to urge the Board to work with the Consumer Financial Protection Bureau (“CFPB”) to issue regulations that are harmonious and that reflect the interdependent nature of dealers and vehicle finance companies in the offering of motor vehicle financing.

#### **Summary of Relevant Law**

The Proposed Rule relates to Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which added Section 704B to the Equal Credit Opportunity Act (“ECOA”). This new section of ECOA requires that financial institutions collect and report information regarding credit applications made by women-owned, minority-owned, and small businesses. While the CFPB has the authority to issue rules to implement Section 704B for most entities, the Board retains authority to issue rules for certain motor vehicle dealers.

On April 11, 2011, the General Counsel of the CFPB, Leonard Kennedy, issued a letter explaining that “financial institutions’ obligations under section 1071 do not go into effect until the Bureau issues necessary implementing regulations.”<sup>2</sup> The CFPB states that “[w]aiting to commence information collection until implementing regulations are in place will also ensure that data is collected in a consistent, standardized fashion that allows for sound analysis by the Bureau and other users of the data.”<sup>3</sup> Taking an approach that is consistent with the views of the CFPB, the

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<sup>1</sup>The Association of Global Automakers, formerly known as the Association of International Automobile Manufacturers (AIAM), represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Our members’ market share of both U.S. sales and production is 40 percent and growing. We work with industry leaders, legislators, regulators, and other stakeholders in the United States to create public policy that improves motor vehicle safety, encourages technological innovation, and protects our planet. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance American’s quality of life. For more information, visit [www.globalautomakers.org](http://www.globalautomakers.org).

<sup>2</sup> See <http://www.consumerfinance.gov/wp-content/uploads/2011/04/GC-letter-re-1071.pdf>.

<sup>3</sup> *Ibid.*



Board has issued a Proposed Rule to except motor vehicle dealers covered by Section 1029(a) of the Dodd-Frank Act from any obligation to comply with Section 704B until the Board issues final regulations to implement that provision and such provision becomes effective.

#### **Recommendation**

Global Automakers agrees with the Board that the temporary exception for motor vehicle dealers that are subject to the Board's jurisdiction from these requirements "is necessary to effectuate the purposes of ECOA and facilitate compliance." We also contend that the objectives of Section 704B will be best served "if there are detailed rules that prescribe the method for collecting and reporting of data" and "[t]he collection of data under such rules will enhance data analysis and enforcement capabilities."

And, while Global Automakers supports the temporary exception for motor vehicle dealers contained in this Proposed Rule, since it is consistent with the approach taken by the CFPB, we would like to take this opportunity to request that the Board and the CFPB coordinate their implementation of the Section 704B requirements. We believe that this coordination is imperative given the nature of the relationship between dealers and vehicle finance companies when originating motor vehicle financing. We describe this relationship in more detail, below.

In the case of a motor vehicle retail installment sale, a consumer contracts with a dealer, and the dealer is the person to whom the retail installment sale obligation initially is payable. It is only after: (i) the dealer submits the consumer's credit application to a bank or a sales finance company; (ii) the financial institution agrees to buy the consumer's contract; and (iii) the dealer sells that contract to the bank or finance company, that the bank or finance company deals directly with the consumer.

The credit application information that financial institutions would need to collect and report on under Section 704B comes from the *dealers* who assign their retail installment sales contracts to them. Given this indirect structure, it is crucial that CFPB and the Board work to coordinate the simultaneous implementation of these requirements to ensure that each entity can meet its obligations. We are concerned that, for example, the Board could require that the dealer collect certain data points which are not aligned with the data collection and reporting requirements placed on the vehicle finance companies. Accordingly, Global Automakers believes that coordination between the two agencies is imperative. This coordination is needed to facilitate compliance by providing guidance on how financial institutions that purchase motor vehicle retail installment sales contracts and motor vehicle dealers "can comply with the statutory requirements in a manner that effectuates the legislative purposes" of Section 1071 of the Dodd-Frank Act.

Global Automakers thanks the Board for the opportunity to comment on the Proposed Rule and commends the Board for its recognition "that detailed rules to implement ECOA Section 704B are necessary to ensure that data collected and reported under that provision are useful." If you have any questions, please contact Paul Ryan, Director of Government Affairs, at (202) 650-5554, or myself at (202) 650-5550.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Stanton".

Michael J. Stanton,  
President & CEO, Global Automakers

CC: Leonard J. Kennedy, General Counsel, Consumer Financial Protection Bureau