

HOUSE PASSES JOINT RESOLUTION DISAPPROVING THE CFPB'S INDIRECT AUTO FINANCING GUIDANCE

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Washington, D.C. (May 8, 2018) Congressman Steve Pearce released the follow statement after the U.S. House of Representatives voted and passed S.J.Res.57, disapproving of guidance passed by former Consumer Financial Protection Bureau (Bureau) Director Richard Cordray that attempts to regulate auto dealers without being authorized to do so under the Dodd-Frank Act:

“Since its creation, the Bureau has been working in its own interests without accountability or transparency, enacting rules that have only undermined consumer protections and hurt those it was created to protect. Under Cordray’s direction, the Bureau used questionable reasoning to extend jurisdiction over the automobile dealer industry, even though they’re specifically prohibited from doing so. The Bureau’s auto-lending guidance blatantly ignored due process for businesses and imposed regulations on an industry that relies on competition. Their activism not only demonstrated another major power grab by the Bureau, but ultimately harmed consumers’ access to fair rates for car loans in the

long-run. I'm pleased to stand with my colleagues today to disapprove this guidance and put consumers back in the front seat."

Background

On March 21, 2013, Richard Cordray, former CFPB Director, issued guidance for automobile lenders in an attempt to control automobile dealer compensation policies or prohibit dealer markup practices all together without having proper authority to do so under the Dodd-Frank Act. This guidance was an effort to indirectly control automobile lenders, accusing U.S. businesses of racial discrimination against consumers without due process or reliable statistical support. An article was published in the Wall Street Journal on September 1, 2015 entitled "Crackdown on Racial Bias Could Boost Drivers' Costs for Auto Loans," which highlights an example of the guidance's harmful impact.

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