

Banking and Finance Law Daily Wrap Up, CONSUMER FINANCIAL PROTECTION BUREAU—NIADA supports CFPB reform proposal, seeks broader auto dealer exemption, (Aug. 20, 2026)

Banking and Finance Law Daily Wrap Up

By George M. Gullo, J.D.

NIADA urged Congress to expand the CFPB's automobile dealer exemption, arguing that independent dealers already operate under extensive federal and state oversight.

The National Independent Automobile Dealers Association (NIADA) has endorsed a House Financial Services Committee discussion draft that would restructure the Consumer Financial Protection Bureau (see [Banking and Finance Law Daily](#), Jul. 27, 2026), arguing that the proposal would improve accountability, transparency, and regulatory certainty. In a [comment letter](#) submitted to the committee, the association also urged Congress to expand the CFPB's automobile dealer exemption and further restrict the bureau's use of enforcement actions to establish regulatory standards.

Reforms supported. NIADA, which represents more than 13,000 members nationwide, said the draft advances reforms long supported by independent dealers, including greater congressional oversight, increased transparency, and a more focused approach to CFPB rulemaking, supervision, and enforcement. The association supports subjecting the CFPB to the annual congressional appropriations process and creating a dedicated Senate-confirmed Inspector General, arguing that both measures would strengthen accountability and oversight.

Bipartisan commission. The association called for replacing the CFPB's single-director structure with a bipartisan multimember commission. According to NIADA, a commission would promote stability, encourage consensus-based policymaking, and reduce abrupt regulatory shifts that can accompany changes in presidential administrations. Even after recent Supreme Court decisions affecting the independence of multimember commissions, NIADA argued that collective decision-making and bipartisan representation would improve transparency and produce more durable regulatory outcomes.

Expand exemption. A central focus of the letter is NIADA's request that Congress expand the automobile dealer exemption in Section 1029 of the Dodd-Frank Act. The association argued that "Buy Here, Pay Here" dealers that provide in-house financing should receive the same exemption as other dealers because extending credit to facilitate vehicle sales is fundamentally different from operating as a traditional consumer lender. NIADA maintained that extending the exemption would better align the bureau's jurisdiction with Congress's original intent when it excluded most automobile dealers from CFPB supervision and enforcement authority.

Current regulations. NIADA further contended that additional CFPB oversight is unnecessary because dealers already operate under extensive federal and state regulation. The association pointed to Federal Trade Commission oversight, state consumer protection laws, licensing requirements, and state financial regulatory supervision as evidence that dealers are already subject to comprehensive consumer protection requirements. As a result, CFPB supervision of dealers offering in-house financing creates regulatory duplication without providing meaningful additional protections, according to NIADA.

CFPB enforcement. The association also endorsed provisions designed to narrow and clarify CFPB enforcement authority. NIADA supported requiring the bureau to define "abusive act or practice" through formal rulemaking, establishing a statutory definition of "substantial injury," and creating a 180-day right-to-cure period for entities that

voluntarily identify and correct compliance violations. The association said these changes would provide greater regulatory clarity and recognize good-faith compliance efforts. It also backed provisions reinforcing that agency guidance is nonbinding unless adopted through the rulemaking procedures required by the Administrative Procedure Act.

“Regulation by enforcement.” NIADA devoted significant attention to the discussion draft’s efforts to curb what it characterized as regulation by enforcement and asserted that “[r]egulation by enforcement should be eliminated as a practice, full stop.” The association argued that businesses need clear rules established through transparent rulemaking rather than standards developed through enforcement actions, consent orders, or supervisory activities. According to NIADA, when the CFPB establishes new standards through those mechanisms without first providing clear guidance or engaging in transparent rulemaking, independent dealers are left to infer regulatory expectations from enforcement actions against other businesses.

Market-monitoring. The association also endorsed proposed limits on the CFPB’s market-monitoring authority, arguing that information-gathering efforts should not become a means of creating new compliance expectations or enforcement initiatives. In addition, NIADA supported a proposed attestation requirement for consumer complaints, contending that it would help reduce frivolous submissions and ensure that bureau resources remain focused on complaints involving actual consumer harm.

“Novel” interpretations. Finally, to further limit regulation by enforcement, NIADA recommended prohibiting the CFPB from bringing enforcement actions based on “novel” interpretations of statutes or regulations unless the bureau first provides public notice through formal rulemaking. It also urged Congress to establish a safe harbor for good-faith compliance and require new CFPB interpretations to apply prospectively with adequate compliance periods. According to NIADA, these reforms would promote regulatory certainty while preserving effective consumer protections.

Companies: National Independent Automobile Dealers Association

RegulatoryActivity: BankingOperations CFPB ConsumerCredit EnforcementActions Loans OversightInvestigations
Privacy PrudentialRegulation UDAAP

<https://prod.resource.cch.com/resource/scion/document/default/blw01b318f0d98bed457f8f23302a78c99f9c?cfu=Legal&cpid=WKUS-Legal-Cheetah&uAppCtx=cheetah>