



Article highlights how the Consumer Financial Protection Bureau intends to regulate Auto Dealers

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Cleveland, Ohio (April 25, 2014) – Lenders and auto dealers are warned to expect additional regulatory guidance and enforcement activity from the Consumer Financial Protection Bureau (“CFPB” or “Bureau”), according to an article in the April 15, 2014 edition of the Bloomberg BNA Banking Report. The article – *“How the Consumer Financial Protection Bureau Ensnared Auto Dealers”* – was authored by a team of professionals at McDonald Hopkins LLC and McDonald Hopkins Government Strategies, and details the CFPB’s plan to increase efforts to regulate auto dealers.

When the CFPB was formed, Section 1029 of The Dodd-Frank Wall Street Reform and Consumer Protection Act excluded auto dealers from any rulemaking authority at the Bureau. The current controversy – fueled by recent CFPB guidance to indirect auto lenders – regards potential fair lending concerns related to alleged discriminatory pricing markups by auto dealers. It is becoming increasingly clear that the CFPB intends to use its authority over financial institutions to increase their influence in this area and regulate auto dealers by proxy in an effort to circumvent the exemption afforded by Section 1029. The regulatory scrutiny from the CFPB is expected to increase regulatory costs and compliance requirements for lenders and auto dealers for the foreseeable future, and may force lenders to explore alternatives to dealer participation, such as flat-fee arrangements, changing the way auto dealers do business.

The article was co-authored by Richik Sarkar, Edward Kraus and Matt Henken. Richik Sarkar is a member and Edward Kraus is of counsel in the Litigation Department at McDonald Hopkins LLC. Matt Henken is a legislative director at McDonald Hopkins Government Strategies in Washington, D.C.

Click here to read the article in its entirety.

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