



CFPB Exams and CIDs for the Auto Finance Industry – Are You Prepared?

Director Richard Cordray and CFPB Bulletin 2013-02 have made abundantly clear that the auto finance industry is now in the crosshairs of the Consumer Financial Protection Bureau. With the CFPB also emphasizing that auto loans are the third-largest source of outstanding household debt, enforcement and supervisory actions are coming. Don't wait until you receive a Civil Investigative Demand (CID) or a 60-day letter announcing a CFPB examination: the time to act is now.

Use the checklist on the reverse side to see if you are ready for an examination or CID.

“Today’s bulletin clarifies our authority to pursue auto lenders whose policies harm consumers through unlawful discrimination.”

~ DIRECTOR CORDRAY
March 21, 2013

“Our experience indicates that there is a significant risk that [dealer] discretion [to mark up interest rates] may result in pricing disparities on the basis of race, national origin, and potentially other prohibited bases.”

~ DIRECTOR CORDRAY
March 22, 2013

FOR MORE INFORMATION, CONTACT:**Alan S. Kaplinsky**

Practice Leader

Consumer Financial Services Group

215.864.8544

kaplinsky@ballardspahr.com

John L. Culhane, Jr.

Consumer Financial Services Group

215.864.8535

culhane@ballardspahr.com

Christopher J. Willis

Consumer Financial Services Group

Chair, Fair Lending Task Force

678.420.9436

willisc@ballardspahr.com

Do you have written policies and procedures that cover:

- Federal laws under the CFPB's authority (e.g., ECOA, TILA, FCRA, EFTA, GLBA, FDCPA, and even ESIGN)?
- Practices the CFPB may consider unfair, deceptive, or abusive (e.g., simple interest financing and sales of GAP protection, extended warranties, and other add-on products)?
- Oversight of third-party service providers (e.g., lead generators, providers of add-on products, collection agencies, and repossession and storage companies)?
- Receiving and resolving customer complaints, regardless of the channel by which they are transmitted, as well as evaluating and tracking customer complaints to detect compliance trends?
- Taking appropriate corrective action, including remediation, where necessary, to address any and all problem areas identified by those compliance assessments?
- Have you conducted, directly or through a third party, a recent comprehensive compliance assessment?
- Have you conducted, directly or through a third party, both portfolio- and dealer-level fair lending assessments?
- Did your fair lending assessments look not only at contract rates, but also at document preparation fees and charges for add-on products?
- Have your governing body and senior management documented their commitment to and involvement in consumer compliance?
- Does your employee training program adequately address compliance issues? What about your incentive compensation plan?
- Have you reviewed the CFPB's Supervision and Examination Manual? Are your systems ready to provide information in the manner the CFPB requests it?

We Can Help

Ballard Spahr has extensive experience with the auto finance industry and the CFPB. Our ABA award-winning blog, *CFPB Monitor*, provides the most relevant and up-to-date information about developments at the CFPB. In addition, we are helping numerous clients deal with the CFPB in the following ways:

- Designing and overseeing self-assessments
- Conducting compliance assessments and fair lending assessments
- Drafting, reviewing, and revising policies and procedures
- Handling responses to Civil Investigative Demands

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