



Credit Union National Association

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March 28, 2011

Federal Trade Commission
Office of the Secretary
Room H-113 (Annex V)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: Motor Vehicle Roundtables, Project No. P104811

Dear Federal Trade Commission,

On behalf of the Credit Union National Association (CUNA), we appreciate the opportunity to provide comments in connection with the Federal Trade Commission (FTC)'s Public Roundtable: Protecting Consumers in the Sale and Leasing of Motor Vehicles. CUNA is the largest credit union advocacy organization in this country, representing approximately 90% of our nation's 7,600 state and federal credit unions, which serve 93 million members.

More than twenty years ago, CUNA tried to persuade the FTC to look into the regulation of automobile dealer car financing arrangements, but with no real success. It goes without saying, then, that we support the FTC's proposed efforts to protect consumers with respect to motor vehicle loans and leases. To that end, we urge the FTC to apply consistent consumer protection rules for motor vehicle dealers offering motor vehicle financing, in order to achieve a level playing field for all entities providing motor vehicle lending or lease arrangements. Consistent consumer protection requirements for all providers of car loans or leases are needed because motor vehicle dealers are the single point of contact for many consumers during the financing process. Additionally, the business interests of motor vehicle dealers may not be aligned with consumer protection, even using today's loan and lease underwriting and other standards.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), the Consumer Financial Protection Bureau (CFPB) will not have examination and enforcement authority with respect to motor vehicle dealers and consumer protection; instead the FTC will regulate motor vehicle dealers. However, all motor vehicle loans and leases are subject to federal and state consumer protection laws and regulations, such as Truth in Lending, Regulation Z.



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The FTC should regulate and enforce consumer protection laws that apply to motor vehicle dealers in a manner consistent with that of regulators of other lenders. This will enable consumers to have consistent consumer protections whether they obtain a loan or lease through a motor vehicle dealer, direct manufacturer financing, a credit union or another depository institution. Motor vehicle dealers provide a significant portion of all motor vehicle loans and should not have a special exemption to inflate rates, charge hidden fees, or engage in other harmful practices.

Without consistent regulatory treatment, motor vehicle dealers may be able to operate under inconsistent lending rules, and consumers would not be adequately protected when they apply for a motor vehicle loan or lease. Motor vehicle dealers that provide prudent and consumer focused practices should welcome a level playing field.

Credit unions can provide both direct loans to consumers and indirect loans, in which a motor vehicle dealer works with a credit union to facilitate the origination process. CUNA estimates in December 2010 that about 95% of all credit unions offer motor vehicle loans. These loans for new and used motor vehicles represent about 29% of all loans at credit unions. Credit union motor vehicle loans provide rates and terms that are often the most favorable in a particular market. CUNA estimates that a consumer at year's end who used a credit union instead of a bank to purchase a new \$30,000 car saved on average over \$276 in interest fees per year on a five year term or more than \$1,300 over the life of the loan.

Credit unions must comply with all applicable federal laws and regulations for motor vehicle loans and leases from the Federal Reserve Board (under Regulation Z and Regulation M), National Credit Union Administration (NCUA), and FTC, as well as state laws. Credit unions must provide adequate disclosures, engage in prudent underwriting, and continue ongoing due diligence and risk management for all types of loans, including motor vehicle loans. Credit unions are also subject to at least annual consumer compliance examinations by regulators.

If consistent regulatory standards are not enforced for all types of lenders providing similar motor vehicle financing, American consumers will be disadvantaged. We urge the FTC to ensure that outcome is avoided and that all consumers seeking to finance a car purchase or arrange for a lease will receive consistent information and equal protection, regardless of the entity that provides the loan or lease.

Thank you for considering our views on this important topic. We would welcome an opportunity to discuss our concerns at your convenience. If

you have any questions concerning our letter, please feel free to contact
Regulatory Counsel Dennis Tsang or me at (202) 508-6733.

Sincerely,

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Mary Mitchell Dunn
CUNA SVP and Deputy General Counsel