



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

October 21, 2009

The Honorable Barney Frank
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frank, Ranking Member Bachus, and Members of the Committee:

RE: Vote NO on the Campbell Amendment

The Consumer Financial Protection Agency is being enacted to oversee consumer financial products and services. Yet the Campbell amendment seeks to exempt car dealers from the CFPA's oversight. This is particularly troublesome, given that car purchases are the second-largest purchase most consumers make. Since the average price of a new car is now more than \$28,000, few car buyers can afford to pay in cash. **The Campbell amendment leaves consumers, particularly moderate and low-income car buyers, vulnerable to predatory auto lending.**

Currently, a majority of dealer profits are derived not from the sales of cars, but from the dealers' "finance and insurance" departments, where managers, paid largely on commission, maximize profits from the financing and add-ons in car sales transactions. Dealers and auto finance lenders have engaged in practices that generate greater profits by placing consumers in more expensive loans with higher interest rates than the consumers are entitled to obtain based on their credit histories. The dealers and lenders then split the markup profits.

Hispanics and African-Americans are particular targets for higher dealer markups. In fact, the Justice Department recently filed a lawsuit to curb alleged discriminatory lending practices at two Los Angeles area auto dealerships where Hispanics and other non-Asian-American car buyers were charged higher markups in interest rates than Asian-American car buyers.

Consumers need federal protection from ubiquitous predatory auto lending practices and multi-billion dollar auto sales frauds. These are the types of practices that the CFPA should oversee. **We urge you to vote no on the Campbell amendment.**

Sincerely,

Travis Plunkett
Legislative Director

Susan Weinstock
Financial Reform Campaign Director