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CFPB scrutiny spurs compliance training

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The Consumer Financial Protection Bureau's scrutiny of F&I practices is spurring greater demand for regulatory compliance training.

"I've got my eyes and ears out -- and bugging out -- on the CFPB to see what it's going to do," says Karina Morgan, compliance manager for the Voss Auto Network in Centerville, Ohio. She is responsible for F&I training for the group's eight Dayton-area stores.

Morgan says that in addition to participating in training that's available from vendors, she works with her state dealer association and reads everything she can find to keep the group's F&I managers up to date.

She isn't alone, according to Chip Zvoloski, senior attorney for indirect lending at Wolters Kluwer Financial Services in Minneapolis.

"What's different now is the spotlight the CFPB has brought on the issue," he says.

Last week his company launched a "fair lending" training program for dealerships, citing "increased lender pressure and industry scrutiny."

Dealertrack Technologies also has seen higher demand for dealership compliance training. "There has been a lot of interest in it, certainly," says Randy Henrick, associate general counsel.

JM&A Group notes an uptick, too. "We have seen a lift," says Justina Davis, director of the company's performance development center.

Lenders are beefing up staff training as well. For example, the Non-Prime Automotive Financing Associations said last month it would start a training program for lender employees in state and federal regulations.

The CFPB put lenders on notice earlier this year that it would hold them responsible for dealership compliance with anti-discrimination rules.

Specifically, the bureau zeroed in on dealer reserve, the share of a customer's interest rate that the dealership takes for arranging an auto loan. The CFPB says that when lenders allow dealerships to add to customers' interest rates, they may create a situation in which legally protected classes, such as minorities, pay more.

In addition, the CFPB is looking into consumer costs and disclosures for F&I products, such as extended-service contracts and GAP. In a recent case, Minneapolis-based U.S. Bank agreed to pay \$3.2 million as part of a CFPB consent order stemming from a program that made loans and sold F&I products to military members.

U.S. Bank since dropped out of the military loan program, but the consent order told the bank to take "reasonable steps" to make sure dealerships did not misrepresent the terms, costs or coverage of "add-on" products sold as part of the military loan program. Legal experts said that could indicate how the CFPB sees lenders' responsibilities for F&I product sales.

Zyvoloski at Wolters Kluwer says that besides complying with the rules, dealerships now must be able to thoroughly document that they are complying with the rules.

"The training starts with the basics," he says. "If a regulator finds dealers don't have an Equal Credit Opportunity policy, or they have a policy but don't do the training, or they don't have some chain of command in place analyzing dealership compliance, you stand little chance to protect yourself. The focus of the training is making sure all those parts and pieces are in place."



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