August 19, 2026

The Honorable French Hill
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 2015

Submitted via electronic mail: fsc119@mail.house.gov

Dear Chairman Hill:

The National Independent Automobile Dealers Association (NIADA) respectfully submits the following comments to the House Committee on Financial Services (Committee) in response to the request for feedback on the Committee's discussion draft legislation that proposes structural changes to the statutory authorities of the Consumer Financial Protection Bureau (CFPB or Bureau). NIADA is a nonprofit trade association representing over 13,000 members throughout the nation. Since 1946, NIADA has worked to advance, educate and promote the independent used vehicle industry. Alongside our state affiliates, NIADA advocates on behalf of the industry at both the state and federal levels.

NIADA appreciates the Committee's interest in establishing important reforms regarding the Bureau's structure and powers, and in doing so ensuring that affected stakeholder views are duly considered as part of that process. We hope our perspectives inform a final legislative proposal that is clear, durable, and appropriately measured. NIADA's feedback on relevant sections of the discussion draft is set forth below.

Title I – Reforming Bureau Governance

NIADA supports a consumer financial marketplace grounded in fairness and respect for the rule of law. To that end, NIADA also supports a CFPB that is appropriately calibrated to conduct commonsense, evidence-based market conduct oversight of regulated financial services providers consistent with its statutory remit. The discussion draft advances meaningful reforms that independent automobile dealers have long supported, including increased accountability, greater congressional oversight, improved transparency, and a more focused approach to the Bureau's rulemaking, supervisory, and enforcement activities. For independent automobile dealers, particularly those that provide in-house financing, the discussion draft presents an opportunity to establish an appropriate level of balance that Congress was unable to achieve when it created the CFPB in 2010. Subjecting the Bureau's funding to the annual congressional appropriations process would strengthen oversight by ensuring that the Bureau's priorities, spending, and performance are regularly reviewed by Congress. Like most federal agencies, the CFPB should be accountable to Congress for how it uses taxpayer resources and exercises its regulatory authority. Increased appropriations oversight will help promote transparency, fiscal responsibility, and responsiveness to stakeholders, including the institutions that must comply with the Bureau's regulations.

The discussion draft's proposal to establish a single, Senate-confirmed Inspector General dedicated to the CFPB is equally important. An independent Inspector General would enhance oversight of the Bureau's operations, improve accountability, identify waste, fraud, and abuse, and strengthen public confidence that the Bureau is carrying out its mission fairly and efficiently. The current construct – which requires the Inspector General for the Federal Reserve System to exercise oversight of both the Federal Reserve and the Bureau – is an enormous responsibility for one body to responsibly discharge, which lends itself to potential gaps in auditing and investigations.

- **What additional structural reforms could reduce regulatory uncertainty resulting from changes in administrations and promote a more consistent, predictable, and durable framework for consumer financial regulation?**

NIADA supports replacing the CFPB's single-director leadership model with a bipartisan, multi-member commission. A commission structure would promote greater stability, deliberation, and continuity in the Bureau's policymaking by encouraging consensus among members with diverse perspectives rather than concentrating significant regulatory authority in a single individual. For regulated entities, including independent automobile dealers, a commission is more likely to produce consistent regulatory interpretations and reduce abrupt policy shifts that can occur with changes in presidential administrations. Although the Supreme Court's recent decision affirming broad presidential authority to remove executive branch officials diminished many of the traditional independence features associated with multimember commissions, a commission structure nevertheless remains a valuable governance reform. Even absent robust removal protections, collective decision-making, public deliberation, and bipartisan representation provide important institutional checks that can improve transparency, enhance stakeholder confidence, and foster more balanced and durable regulatory outcomes. Congress should therefore adopt a commission model as part of its broader effort to strengthen the CFPB's accountability.

Title II – Restoring Clarity and Procedural Fairness

NIADA applauds the Committee's efforts to rein in the CFPB's authority to enforce prohibitions against unfair, deceptive, or abusive acts or practices (UDAAP). Requiring the Bureau to define the term "abusive act or practice" through formal rulemaking would bring an end to its historical pattern of declaring conduct unlawful solely based on discrimination. The legislation's provision establishing a statutory definition of "substantial injury" that requires concrete, quantifiable consumer harm will also reduce instances of overly zealous enforcement activity. NIADA also commends the Committee for proposing a 180 day right-to-cure period for covered persons that voluntarily identify and correct compliance violations before the Bureau may initiate an administrative proceeding or civil enforcement action. This provision in particular is long overdue and will recognize responsible and earnest compliance efforts in an increasingly complex financial services regulatory ecosystem. In addition, prohibiting the assessment of civil money penalties for conduct occurring before a covered person's most recent consumer compliance rating will translate into more appropriate compliance cost centers where savings can be reinvested into the customer experience.

- **Are there additional areas where Congress should clarify the CFPB's jurisdiction?**

When Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), it deliberately excluded most automobile dealers from the CFPB's supervisory and enforcement jurisdiction through Section 1029. Congress recognized that automobile dealers are fundamentally different from banks, credit unions, and other financial institutions that were at the center of the systemic failures leading to the 2008 financial crisis. Independent dealers that provide financing directly to their customers (commonly referred to as Buy Here, Pay Here (BHPH) dealers) do not currently fall within the full scope of Section 1029 because they meet the definition of a "creditor." While NIADA does not dispute that classification, Congress should recognize that extending financing to facilitate the sale of a vehicle is fundamentally different from operating as a financial institution whose principal business is large-scale consumer lending. The poor institutional practices that prompted Congress to enact Dodd-Frank and establish the CFPB were not driven by the market conduct of locally owned BHPH dealerships. Accordingly, NIADA strongly recommends that the Committee amend Section 1029 to extend the automobile dealer exemption to all licensed automobile dealers, including those that provide in-house financing.

Such a reform would be consistent with the Committee's broader efforts to reduce regulatory duplication, provide greater certainty for small businesses, and better align the Bureau's supervisory authority with Congress's original intent. Independent dealers are overwhelmingly small businesses operating in communities across the country. They provide reliable, affordable transportation to consumers who often cannot qualify for conventional financing and serve an essential role in expanding access to employment, education, healthcare, and other necessities that depend upon personal transportation. Extending the Section 1029 exemption would not diminish consumer protections because independent automobile dealers already operate within one of the most comprehensive consumer protection frameworks in the marketplace. Long before the CFPB was created, dealers were subject to overlapping federal and state regulatory oversight designed to prevent unfair or deceptive acts or practices.

At the federal level, the Federal Trade Commission (FTC) serves as the primary consumer protection regulator for automobile dealers. Through its authority under Section 5 of the FTC Act, the FTC prohibits unfair or deceptive acts or practices and enforces numerous regulations applicable to dealer operations. These include the Gramm-Leach-Bliley Act's (GLBA) Safeguards Rule, requiring dealers to implement comprehensive information security programs; the Used Motor Vehicle Trade Regulation Rule, requiring disclosure of warranty and other vehicle information through the Buyers Guide; the Red Flags Rule, which requires dealers to maintain identity theft prevention programs; and the GLBA's Privacy Rule, governing the collection, use, and disclosure of consumers' nonpublic personal information. Like the CFPB, the FTC also receives consumer complaints through its Consumer Sentinel Network and shares complaint data with federal, state, and local law enforcement agencies to support consumer protection investigations and coordinated enforcement efforts.

Independent automobile dealers are likewise subject to extensive oversight under state law. Every state and the District of Columbia maintain statutes prohibiting unfair or deceptive acts or practices, enforced primarily by state attorneys general and consumer protection agencies. While these laws vary in scope, they uniformly provide robust consumer protections, and many authorize private rights of action that allow consumers to seek judicial remedies for alleged violations. In addition, most states require dealers that provide financing to obtain separate sales finance or consumer lending licenses and submit to ongoing supervision by state banking or financial regulatory agencies. Dealers operating across multiple jurisdictions must comply with a complex network of state licensing, disclosure, advertising, collections, repossession, and consumer protection requirements.

Given this extensive federal and state oversight, subjecting independent dealers that provide in-house financing to CFPB supervision creates unnecessary regulatory duplication rather than meaningful additional consumer protection. Extending the Section 1029 exemption to encompass all independent automobile dealers would preserve robust consumer safeguards while ensuring that the Bureau's supervisory resources remain focused on the large, complex depository institutions and nonbank lenders Congress originally intended it to oversee.

Title III – Promoting Innovation in Consumer Financial Markets

NIADA supports the Committee's objectives in Title III of the discussion draft. Regulatory guidance is, by its nature, nonbinding -- particularly when it bypasses the rigorous standards the Administrative Procedure Act (APA) requires for rules that carry the force of law. Any effort to set policy while sidestepping the APA should not be treated as having that force, and noncompliance with such guidance should not, on its own, constitute a violation of law. The discussion draft's respect for this reality and the requirement for an unequivocal clarity statement to accompany any future guidance products will foster a facts-based supervisory process for regulated entities subject to market conduct and prudential oversight.

Because the remainder of Title III's provisions concern small-dollar lending products, NIADA has no additional recommendations to offer on this section of the draft legislation.

Title IV – Promoting Effective, Predictable Supervision

Likewise, NIADA supports the Committee's objectives in Title IV of the discussion draft. Because independent automobile dealers are not prudentially regulated, they are not directly affected by these reforms. However, for independent dealers that facilitate financing through third party lenders, these changes will likely result in more financing options for the customers of dealers that arrange financing with depository institutions (commonly referred to as "retail dealers" which are distinct from their BHPH industry counterparts).

- **Are there additional reforms that could make CFPB supervision more risk-based, efficient, and predictable?**

Consistent with the views expressed in response to Title II of the discussion draft, NIADA maintains that independent automobile dealers are already subject to a comprehensive and well-established system of federal and state regulation that provides vigorous consumer protections without CFPB oversight. Expanding the automobile dealer exemption under Section 1029 of Dodd-Frank to encompass all licensed automobile dealers would establish a consistent, predictable regulatory framework for the entire dealer community. Such a reform effort would preserve longstanding consumer protections while eliminating unnecessary regulatory duplication and allowing independent dealers to operate under a framework that served consumers effectively for decades before the CFPB's creation.

Title V – Preventing Regulation by Enforcement

Title V's efforts to reduce instances of regulation by enforcement dovetails with the important provisions included in Title III. Regulation by enforcement should be eliminated as a practice, full stop. As our feedback has noted, independent automobile dealers operate in a highly regulated environment and need clear and predictable rules that allow them to understand their obligations before they make business decisions, not after an agency determines that a particular practice violates an evolving interpretation of the law. When the CFPB uses enforcement actions, consent orders, or supervisory activity to establish new standards without first providing clear guidance or going through a transparent rulemaking process, independent dealers are left to interpret regulatory expectations based on enforcement actions against other businesses. This creates significant uncertainty and places a disproportionate burden on small businesses that lack the compliance resources of large financial institutions. Regulation by enforcement also undermines fundamental principles of due process by potentially penalizing businesses for conduct that was not clearly prohibited when it occurred. The Bureau should only enforce laws and regulations that Congress and the Bureau have properly established, not create new requirements through individual enforcement actions. Eliminating regulation by enforcement would promote regulatory certainty, protect due process, and allow dealers to focus on serving consumers and providing affordable transportation without the constant fear that established business practices could later become the subject of regulatory action.

Likewise, the Bureau's market monitoring authorities under Section 1022(c)(4) of Dodd-Frank have evolved over time into a burdensome process where troves of industry data are sought, oftentimes with no defined utility beyond the notion that the information may potentially become useful in the future. While the Bureau should be able to gather information to understand emerging risks and developments in consumer financial markets, monitoring should not become a backdoor mechanism for creating new regulatory requirements, compliance expectations, or enforcement proceedings. NIADA applauds the commonsense boundaries that cabin in the use of this authority established through the Committee's discussion draft.

Finally, the attestation requirement established for consumer complaints will help to reduce frivolous submissions and ensure that only valid submissions are received and adjudicated by the Bureau. NIADA strongly supports this provision. Consumer complaints included in the system should be limited to those grounded in actual consumer harm rather than speculative or subjective grievances. When dissatisfied consumers use the complaint process to retaliate against a business, relying solely on their perception of a negative experience rather than presenting evidence of misconduct, it diverts the Bureau's limited investigative resources away from matters that may involve genuine violations of consumer financial protection laws.

- **Are there additional reforms that reduce reliance on enforcement actions to establish regulatory expectations?**

The CFPB should be prohibited from bringing an enforcement action based on a novel interpretation of a statute or regulation unless it has previously provided public notice of that interpretation through a formal rulemaking process following all applicable obligations prescribed under the APA. The Committee should also consider establishing a safe harbor for good-faith compliance. Independent automobile dealers that reasonably rely on applicable statutes and regulations should receive protection from civil penalties if the Bureau subsequently changes its interpretation. Moreover, when the CFPB changes its interpretation of an existing statute or regulation, the new interpretation should apply prospectively, with an adequate compliance period. This approach is consistent with the broader objectives of the discussion draft, which seeks to strengthen procedural safeguards for enforcement actions, establish clearer standards for UDAAP enforcement, and prevent enforcement actions from becoming a substitute for transparent and prospective rulemaking.

Thank you for the opportunity to comment on this important proposal. NIADA appreciates the Committee's efforts to advance meaningful reforms that promote transparency, accountability, and regulatory certainty at the CFPB. Independent automobile dealers support effective consumer protections, but those protections must be implemented through clear and consistently applied rules that allow businesses to understand their obligations and comply with the law. The reforms outlined in the discussion draft represent an important step toward restoring appropriate boundaries between rulemaking, supervision, and enforcement, while ensuring that the Bureau remains accountable to Congress and the businesses and consumers it serves.

NIADA looks forward to working with the Committee as these proposals advance and stands ready to provide additional dealer perspectives that protect consumers while allowing independent dealers to continue providing affordable and reliable transportation to communities across the country.

Respectfully submitted,

Patrick O'Brien
Director of Government Relations and Compliance
NIADA
patrick@niada.com