



To: National Independent Automobile Dealers Association
From: Shaun K. Petersen
Re: August 2014 Regulatory Update
Date: September 3, 2014

I. Consumer Financial Protection Bureau

A. First Investors Financial Services Group

The CFPB settled an enforcement action against Texas-based First Investors Financial Services Group Inc., an auto finance company which lends primarily to subprime borrowers in loans assigned from automobile dealers. First Investors services its own loans and supplies information on its accounts to credit reporting agencies making it a furnisher under the Fair Credit Reporting Act (FCRA). Furnishers are required by law to have reasonable policies and procedures regarding the accuracy and integrity of the information they provide.

The CFPB alleges that First Investors failed to fix known flaws in a computer system that was providing inaccurate information to credit reporting agencies for over three years. When First Investors discovered the problem, it notified the vendor of the computer system but allegedly did nothing more. The Bureau claims that potentially tens of thousands of customers were harmed by having incorrect information supplied to the credit reporting agencies such as: wrong payments and overdue amounts, incorrect date of first delinquency, inflated number of delinquencies, and mischaracterization of the surrender of the vehicles.

First Financial was assessed a \$2.75 million fine.

A copy of the Consent Order can be found at:

http://files.consumerfinance.gov/f/201408_cfpb_consent-order_first-investors.pdf

II. Department of Justice

A. Settlement with Fifth Third Bank

Fifth Third Mortgage Company settled allegations that it engaged in a pattern or practice of discrimination on the basis of disability and receipt of public assistance, which is a violation of the Equal Credit Opportunity Act (ECOA). Fifth Third allegedly required recipients of disability income to provide a letter from their doctor to substantiate their income. Under the settlement, Fifth Third has agreed to maintain revised policies, conduct employee training and pay over \$1.5 million to compensate victims.

III. Department of Labor

No significant activity.

IV. Environmental Protection Agency

No significant activity.

V. Federal Trade Commission

A. Debt Collection Enforcement Cases

The FTC alleges that two debt collection companies engaged in unfair and deceptive collection tactics in collecting debts. One company was accused of repeatedly calling consumers and accusing them of owing debts that they did not owe, contacting consumers at work while knowing that their employers did not allow the calls, making unauthorized withdrawals from consumers' bank accounts, and disclosing confidential information about debtors to third parties. Another company is charged with falsely threaten to sue consumers, which they had no plans to do; garnish their wages, which they could not do without a court order; or arrest them, which they had no legal right to do. The defendants also allegedly threatened to collect on old debts that were beyond the statute of limitations, refused to provide information about the debt that consumers were legally entitled to request, continued to attempt to collect on debts without a reasonable basis for telling consumers they owed the debt, told consumers they owed interest on debts when they didn't, and revealed the debt to consumers' relatives, employers, and coworkers.

VI. Internal Revenue Service

No significant updates.

VII. National Highway Traffic Safety Administration

A. VIN Searchable Recall Tool

As required by federal statute, NHTSA released an online tool that will allow dealers, consumers, and others to determine whether a specific vehicle is directly impacted by an open recall. The new tool is available at www.safercar.gov/vinlookup. Those searching for recall status can enter a VIN in the searchable database. If a vehicle has an open recall, the search results will indicate what the open recall is and whether a remedy is available. When a vehicle is not subject to recall, the results will display "No Open Recalls." All major light vehicle and motorcycle brands can be searched.

NHTSA has also required the major manufacturers of light vehicles and motorcycles to provide VIN search capability for uncompleted recalls on their own websites.

VIII. National Motor Vehicle Title Information System

No significant updates.