



Federal Reserve Board Issues Final Rule to Exempt Motor Vehicle Dealers Temporarily from Compliance with Certain Dodd-Frank Reporting Requirements

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On Monday, September 26, 2011, the Board of Governors of the Federal Reserve System (the "Board") issued a final rule amending its Regulation B (Equal Credit Opportunity) to exempt temporarily certain motor vehicle dealers from the information and reporting requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act"). The final rule became effective on the date of publication, September 26, 2011.

Previously, on June 23, 2011, the Board had issued a proposed rule for public comment with respect to this change, as reported in this publication on July 5, 2011. Comments were to have been received by July 29, 2011.

Generally, the purpose of the Equal Credit Opportunity Act ("ECOA") is to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, and other similar considerations. ECOA applies to all credit, commercial as well as consumer, regardless of the type of credit or the type of creditor.

Section 1071 of the Act added a new section to ECOA that requires creditors to collect and report information concerning credit applications made by women- or minority-owned businesses and by small businesses. This new section of ECOA became effective July 21, 2011.

On April 11, 2011, the new Consumer Financial Protection Bureau (the "CFPB"), which under the Act is to assume rulemaking authority for ECOA and Regulation B, issued a letter stating that financial institutions have no obligations under the new ECOA section until the CFPB issues regulations to implement that section of the

law. While the CFPB has authority to issue regulations with respect to most entities, the Act excludes from coverage “a motor vehicle dealer that is predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both.” ECOA rulemaking authority as to these businesses remains with the Board. As a result, the Board received inquiries as to whether motor vehicle dealers would have to comply with the statute before having the benefit of implementing regulations.

With this final rule, the Board exempts the motor vehicle dealers described above from any obligation to comply with the new ECOA section until the Board issues final regulations to implement that section and the final regulations become effective.

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