



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

07.05.2011

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On Thursday, June 23, 2011, the Board of Governors of the Federal Reserve System (the "Board") issued proposed amendments to its Regulation B (Equal Credit Opportunity) to provide a temporary exemption for 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") described below. Comments must be 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 is 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 proposal, the Board would exempt 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.

Creditors may comment and should do so if they think that these changes, or the specifics of the implementation of these changes as published in the notice, will have an adverse effect on their businesses. According to the notice of proposed rulemaking, comment letters should refer to Docket No. R-1426 and RIN No. 7100-AD-78 and may be mailed electronically to regs.comments@federalreserve.com (refer to the docket number in the subject line).

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