

NMMA Policy *Brief*: Consumer Financial Protection

Expand and Modify Brownback Amendment to Ensure Protection for all Dealers

Issue

NMMA supports commonsense regulatory reforms to the financial services industry. Indeed, the marine industry was a major victim of the excesses of Wall Street as responsible lending in the marine industry quickly evaporated even though marine industry loans had nothing to do with the financial crisis. The Senate financial regulation bill (S. 3217) would create a Bureau of Consumer Financial Protection (BCFP), which would have new and extremely broad authority to regulate most financial products, including dealer-assisted financing. The marine finance model is sound, based on due diligence, and decreases the cost of credit to consumers. NMMA supports an effort by Sen. Brownback (R-Kans.), if expanded, to offer an amendment to the overall financial regulation bill that would ensure that consumers would still have access to responsible, reasonably-priced loans for products such as cars, boats, and RVs. All heavy-product dealers are already effectively regulated by the Federal Reserve Board, the Federal Trade Commission (FTC) and state consumer protection agencies. None of these industries had anything to do with the financial collapse in 2008.

Background

Financial reform legislation should focus on what led to the economic crash in 2008, and not be used as a reason to increase unnecessary regulation on small business dealers. Marine dealer loans did not contribute to the worst financial crisis since the Great Depression. Marine finance lenders must look primarily to the borrower for repayment, since vehicle financing is secured by a depreciating asset (the boat). Unlike mortgages, marine finance did not experience a subprime lending crisis and does not pose a systemic risk.

- Marine dealers are and would continue to be regulated by the FTC and the Federal Reserve under the Brownback amendment. All vehicle Dealers are already subject to extensive federal regulation (e.g., the Truth In Lending Act, Fair Credit Reporting Act, etc.) and are also subject to the full range of state consumer protection statutes.
- Banks, finance companies and “buy here, pay here” dealers that underwrite and service consumer loans would be covered by BCFP, making additional regulation of dealers costly and unnecessary.
- The Brownback Amendment is necessary because the broad authority granted to the BCFP seriously threatens to limit dealer-assisted financing and the convenience and competition this financing offers consumers at all economic levels. Since a substantial portion of boat sales involved financing, it is essential to preserve dealer-assisted financing and affordable credit for consumers.
- There is no evidence and no basis for assuming that marine dealer-assisted financing is abusive in any way, because it is not. Yet, the broad provisions of this bill would subject marine dealers, all very much struggling in this current economic and credit environment, to potentially onerous regulations.
- These are small firms—they do not originate loans, but merely assist qualified consumers in securing financing. Banks will still regulate these loans, and lending standards *should* be high. But Mom and Pop marine dealers will not be able to handle the onerous new paperwork and reporting requirements, or the unnecessary intervention of federal regulators into their practices, under this legislation. Focus on the real culprits of the economic collapse, not the small businesses who are trying to struggle through it.