December 19, 2022

Comment Intake
Auto Lending Data Gaps
Consumer Financial Protection Bureau
1700 “G” St., NW
Washington, DC 20052

RE: Enhancing Public Data on Auto Lending, Document ID CFPB-2022-0075-0001

Dear Sirs:

Please accept this comment from the National Community Reinvestment Coalition.

The National Community Reinvestment Coalition and its grassroots member organizations create opportunities for people to build wealth. We work with community leaders, policymakers and financial institutions to champion fairness in banking, housing, and business. NCRC was formed in 1990 by national, regional, and local organizations to increase the flow of private capital into traditionally underserved communities. NCRC has grown into an association of more than 600 community-based organizations that promote access to essential banking services, affordable housing, entrepreneurship, job creation, and vibrant communities for America's working families.

We applaud the Bureau for its interest in how it could collect and publish data support participants in the auto lending marketplace. Borrowers, state regulators, federal agencies, consumer groups, investors, and auto companies will benefit from greater clarity in this area. Increasingly, consumers devote a significant portion of their income to service the debt on an auto loan. Car ownership is not a luxury, and in many parts of the country, it is a necessary tool to qualify for employment and a factor in neighborhood choice.

I. The size of the auto lending market warrants further scrutiny. The public would benefit from more information.

i. In 2022, the car buying process has become more expensive and difficult to predict due to a combination of factors.

ii. Total outstanding consumer auto loan debt has increased. It will soon become the second-largest consumer debt category, and as a result, it merits the clarity brought by a publicly-available database.

iii. Car ownership is a necessary household asset in most of the United States. The ability to qualify for a job is often conditioned on car ownership.
iv. The CFPB has authority to create a publicly-available data set of this kind for auto loans.

II. There are grounds to believe that lending occurs in a process prone to unfair and deceptive practices.

i. Consumers find it difficult and confusing to negotiate a car loan. The decision to choose a lender often occurs in a pressured buying environment. Dealer-lender relationships may play a role in the choices presented to consumers. When the seller of a car is also the source of financing, consumers may be vulnerable to unfair and deceptive practices.

ii. The process of financing a car purchase is unnecessarily complex. Pricing structures are opaque. Some lenders include fees that make it difficult to compare the cost of a loan.

iii. Consumers are frequently at an information disadvantage when they seek a loan. Generally, consumers must agree to buy a car before receiving information about the cost of dealer-offered financing.

III. A public database would bring substantial benefits to consumers.

i. There is a great need for public data on auto loans and the auto loan industry. The database will benefit all market participants – borrowers, researchers, and industry.

ii. Better data could lower the cost of credit. Loan-level detail will improve market transparency.

iii. The CFPB should consider establishing thresholds for reporting requirements to protect smaller lenders and servicers from excessive costs. However, thresholds must be low to capture market activity in this market.

iv. Some lending structures blur the relationship between dealer and lender. The CFPB must ensure that the design does not permit evasions.

v. Data must capture information for the Buy-Here Pay-Here market

IV. To achieve the aims of transparency, accountability, and fair markets, the CFPB must publish a robust database. The elements in the database should provide data users with the information they need to evaluate practices.

V. To be effective, the CFPB must design the database to be suitable for data users of all skill levels.

i. When presented to the public, the CFPB should emphasize ease of use. The data should be made available in formats for users of different technical capacities.

ii. The database should include a secure and easy-to-use reporting system similar to the HMDA database.

Introduction

A database of auto loans will provide significant insights into rapidly-evolving aspects of consumer financial health. At the moment, auto loans comprise the third-largest source of consumer debit. In the near future, due largely to the surging cost of new and used cars, auto loans will surpass student loan balances to become the second-largest category. Furthermore, consumers say they find the process of buying a car to be complex and confusing, underscores the concerns that deceptions may exist in the market. The all-in cost of a vehicle, which includes the price of the car itself and the cost of financing, can be difficult for consumers to evaluate.

A number of factors contribute to the lack of transparency in the car buying process. At most dealerships, the price of a car not fixed but instead determined through a process of negotiation. In many cases, the interest rate of a car loan differs depending on whether the consumer uses in-house financing offered by the dealer or obtains financing from a third-party lender. Pricing is risk-based but consumers may not know their creditworthiness at the time of purchase. In mortgage markets, all lenders will typically offer the same rate. Some lenders may change the interest rate if a consumer makes a concession elsewhere: in the value of the trade-in, choice of additional add-ons, and the final price.[1] Dealer fees further muddy the real cost of car buying. Finally, when dealers do offer loan options from more than one lender, they are likely to have chosen those lenders based on their incentives to receive lead generation fees. This dynamic pricing makes it difficult for consumers to comparison shop and can lead to coercive practices by dealers.

Car ownership is a necessary household asset for many people in the United States. In many cases, the ability to qualify for a job is contingent on having a car. Therefore, the CFPB needs to provide consumers with the tools and information to make informed decisions about financing their car purchases. By creating a database of auto loans, the CFPB can help enhance competition in the marketplace and provide consumers with the clarity they need to make the best decision for their needs.

I. The size of the auto lending market warrants further scrutiny. The public would benefit from more information.

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[1] Consumer Reports. (2007, March 30). Dealerships Rip You Off With The "Four-Square," Here's How To Beat It. *The Consumerists*. https://www.consumerreports.org/consumerist/dealerships-rip-you-off-with-the-four-square-heres-how-to-beat-it/

i. In 2022, the car buying process has become more expensive and difficult to predict due to a combination of factors.

The COVID-19 pandemic led to a reduced supply of new cars,[2] while the Ukraine invasion caused both car prices[3] and fuel costs[4] to rise sharply. Additionally, the Federal Reserve's efforts to stifle inflation led to higher interest rates. These developments caught consumers off guard, leaving them with few options and needing more understanding of their choices.

In 2022, the market for new and used cars and the cost of financing these purchases underwent significant changes. According to the Federal Reserve Bank of St. Louis, the consumer price index for both new[5] and used[6] autos reached its highest level since 1953 when it began tracking these costs. U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average

As interest rates increased in 2022, auto loan rates also rose. In August 2022, the average rate paid by U.S. car buyers on 60-month loans for new cars was 5.5%,[7]up from 4.85% in May. This critical indicator of increased costs for car buyers reached its highest level since August 2011.

Similarly, the 72-month car loan reached a peak of 5.61%,[8] just below its high point of 5.63% from November 2018. The rising cost of new and used cars is driving more consumers to longer car loans as the amount they finance increases. In September 2022, the average loan amount for used vehicles was

[2] Hari Sreenivasan. (2021, December 19). Prices for new and used cars skyrocket leading up to the holidays. *PBS NewsHour*. https://www.pbs.org/newshour/show/prices-for-new-and-used-cars-skyrocket-leading-up-to-the-holidays

[3] Sean Tucker. (2022, February 28). War in Ukraine will Affect Car Supply, Prices—Kelley Blue Book. *Kelley Blue Book*. https://www.kbb.com/car-news/war-in-ukraine-will-affect-car-supply-prices/

[4] Elliott, L. (2022, April 26). Ukraine war 'will mean high food and energy prices for three years.' *The Guardian*. https://www.theguardian.com/business/2022/apr/26/ukraine-war-food-energy-prices-world-bank

[5] U.S. Bureau of Labor Statistics. (2022). *Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average*. Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/CUSR0000SETA01

[6] U.S. Bureau of Labor Statistics. (2022). *Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average*. Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/CUSR0000SETA02

[7] Board of Governors of the Federal Reserve System (U.S.). (2022, August). *Finance Rate on Consumer Installment Loans at Commercial Banks, New Autos 60 Month Loan*. FRED, Federal Reserve Bank of St. Louis; FRED, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/RIFLPBCIANM60NM

[8] Board of Governors of the Federal Reserve System (U.S.). (2022, August). *Finance Rate on Consumer Installment Loans at Commercial Banks, New Autos 72 Month Loan*. FRED, Federal Reserve Bank of St. Louis; FRED, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/RIFLPBCIANM72NM

$24,997,[9] a significant increase from the pre-pandemic average of $19,008. For new cars, the average amount financed was near twice that at $40,156.[10]

ii. Total outstanding consumer auto loan debt has increased. It will soon become the second-largest consumer debt category, and as a result, it merits the clarity brought by a publicly-available database.

In September 2022, the CFPB noted that overall, the outstanding auto debt that American consumers reported increased to $1.5 trillion in the second quarter of this year.[11] That is an increase of $33B from the previous quarter. The researchers determined that this increase was due to the rising costs of vehicles. At present, no detailed loan level data is available to understand how those costs affect consumers, regulators, and the public cannot determine how much of this lending is predatory, and the industry isn't able to efficiently market and price their loan offerings to meet demand.

iii. Car ownership is a necessary household asset in most of the United States. The ability to qualify for a job is often conditioned on car ownership.

Car ownership is necessary in most of the United States for a few reasons. First, the United States is vast, with many rural areas and low population density, making it difficult for public transportation to reach all parts of the country. In many places, owning a car is the only practical way to get around. Second, the United States has a strong car culture, and many people see owning a car as a symbol of independence and freedom. Finally, the lack of a comprehensive and reliable public transportation system in many parts of the country means that owning a car is often the only way to access job opportunities and essential services, such as healthcare and groceries.

In addition to these practical reasons, car ownership is often seen as a necessity in the United States because it is closely tied to employment. Many jobs in the U.S. require employees to have transportation, and not having a car can make it challenging to get to work. Furthermore, many people in the U.S. live in suburban areas where it is difficult to walk or use public transportation to get to work, so owning a car is often seen as a necessity to maintain employment. While owning a car is not essential for everyone, it is a crucial household asset for many people in the United States.

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[9] Board of Governors of the Federal Reserve System (U.S.). (2022, Q3). *Average Amount Financed for Used Car Loans at Finance Companies*. FRED, Federal Reserve Bank of St. Louis; FRED, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/DTCTLVEUANQ

[10] Board of Governors of the Federal Reserve System (U.S.). (2022, Q3). *Average Amount Financed for New Car Loans at Finance Companies*. FRED, Federal Reserve Bank of St. Louis; FRED, Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/DTCTLVENANM

[11] Ben Litwin & Chris Kukla. (2022, September 19). Market Monitoring Insights: Examining the Potential Credit Impact of High Vehicle Costs for Consumers. *Consumer Financial Protection Bureau*. https://www.consumerfinance.gov/about-us/blog/market-monitoring-examining-potential-credit-impact-high-vehicle-costs-for-consumers/

Access to several essential goods and services is preconditioned on ownership of a car. Most consumers must borrow to buy a car. Many consumers will not have transportation if they cannot qualify for a car loan. Accordingly, without a loan, they have less control over where they live and work. Data reveals how neighborhood location can influence health outcomes. These factors underscore the need for the CFPB to intervene.

iv. The CFPB has authority and experience to create a publicly-available data set for auto loans.

The CFPB has supervisory authority to ensure that creditors comply with federal consumer financial laws, including the Equal Credit Opportunity Act, the Consumer Leasing Act, the Truth in Lending Act, and the Consumer Protection Act. From its inception, the CFPB supervised auto financing at larger banks and credit unions. Beginning in 2014, the CFPB gained supervisory authority over larger participant non-bank auto lenders.[12] The Bureau also supervises companies whose activities are adjacent to auto lending, such as credit bureaus and debt collectors.

When it passed the Consumer Financial Protection Act, Congress transferred responsibility for maintaining the Home Mortgage Disclosure Act (HMDA) database to the CFPB. Since then, the CFPB has shouldered that work well. Through efforts to redesign the consumer-facing data portal, it has increased the utility of the database, making it simpler for less-experienced consumers and expanding its offerings of data formats that appeal to sophisticated users. Having also completed the rule making process for Section 1071, it will soon begin the process of collecting and disseminating data on small business lending.

For both of these reasons, the CFPB should be the agency charged with making an auto loan database. The CFPB has supervisory, enforcement, and rule-making authority over all types of consumer credit. Because it has the experience with operating these kinds of databases, it is the sensible and efficient choice for the work.

II. There are grounds to believe that lending occurs in a process prone to unfair and deceptive practices.

i. Consumers have a hard time evaluating a car loan. The decision to choose a lender often occurs in a pressured buying environment. Dealer-lender relationships may play a role in the choices presented to consumers. When the seller of a car is also the source of financing, consumers may be vulnerable to unfair and deceptive practices.

Consumers often report that buying a car is a complicated and confusing experience because there are many factors to consider and a lot of information to process. For example, buyers must decide on the type of car they want, research different models and features, compare prices, and negotiate with salespeople. Additionally, there are many financing options, such as loans and leases, and buyers may not know which option is best for them. Furthermore, the car-buying process can be stressful and time-consuming, and

[12] Consumer Financial Protection Bureau. (2015, June 10). *CFPB to Oversee Nonbank Auto Finance Companies*. https://www.consumerfinance.gov/about-us/newsroom/cfpb-to-oversee-nonbank-auto-finance-companies/

buyers may feel overwhelmed by the information they must process to make the required decisions. Overall, these factors can make buying a car a challenging and confusing experience for many consumers.

Car dealers are businesses that sell cars to consumers. Auto lenders, on the other hand, are financial institutions that provide loans to consumers to help them buy cars. Car dealers frequently have established contractual relationships with auto lenders to help their customers finance their car purchases. For example, the national used car chain CarMax has a captive lending division and relationships with eight independent lenders. This connectivity means that when a consumer buys a car from a dealer, the dealer may help the consumer apply for a loan from an auto lender to pay for the vehicle. The dealer and the lender work together to finalize the loan and the car purchase. In this way, car dealers and auto lenders are partners in the car buying process, with the dealer helping the consumer find and buy the right car and the lender providing the financing.

ii. The process of financing a car purchase is unnecessarily complex. Pricing structures are opaque. Some lenders include fees that make it difficult to compare the cost of a loan.

Consumers may find the auto loan process confusing for a few reasons. First, many different types of auto loans are available, and each type has unique features and terms. The diversity can make it difficult for consumers to compare and understand the different options and choose the right loan for their needs. Second, applying for an auto loan can be complex and time-consuming. The act of assembling the necessary documents can be overwhelming for consumers who are not familiar with the process. Third, the terms and conditions of auto loans can be challenging to understand, and consumers may not know what to look for or how to negotiate the best deal. These factors can make the auto loan process confusing and challenging for many consumers.

Car dealers and lenders may use complex and misleading language to describe the terms and conditions of auto loans, making it difficult for consumers to understand the agreement. Second, car dealers and lenders may use high-pressure sales tactics to encourage consumers to make decisions quickly without fully considering their options or understanding the terms of their loans. Third, car dealers and lenders may not disclose all the fees and charges associated with auto loans, making it difficult for consumers to compare the cost of different loan options. These factors can make the auto loan process deceptive and opaque for many consumers.

iii. Consumers are frequently at an information disadvantage when they seek a loan. Generally, consumers must agree to buy a car before receiving information about the cost of dealer-offered financing.

The auto loan process can be predatory if it involves lenders or car dealers engaging in practices that take advantage of consumers in unfair or deceptive ways. Some examples of predatory practices in the auto loan industry include charging high interest rates, imposing hidden fees, using misleading marketing and sales tactics, and steering borrowers into loans that are not in their best interests. These practices can lead to borrowers taking out loans that are more expensive or risky than they realize and can result in financial harm to consumers. Additionally, some lenders and car dealers may target specific groups of consumers, such as low-income or minority borrowers, with predatory loans, knowing that these borrowers may be more vulnerable and less able to defend themselves.

III. A public database would bring substantial benefits to consumers.

i. The need for public data on auto loans and the auto loan industry is great for several reasons. The database will benefit all market participants – borrowers, researchers, and industry.

Access to such data can help consumers make informed decisions about their auto loans and financing options.

First, by accessing information about interest rates, loan terms, and other relevant factors, consumers can compare offers from different lenders and choose the one that best meets their needs.

Second, public data on auto loans and the auto loan industry can help to promote transparency and fairness in the market. Access to such data is necessary for consumers to determine whether they are getting a good deal on their auto loan or being taken advantage of by unscrupulous lenders. By making this information publicly available, consumers can have more confidence that they are being treated fairly.

Third, public data on auto loans and the auto loan industry can also be helpful for researchers and policymakers. By having access to comprehensive and reliable data, researchers can study trends in the auto loan market and identify potential problems or areas for improvement. With such a database at their disposal, researchers can help policymakers to develop effective policies and regulations that support a healthy and fair auto loan market.

This data would also have adjacent effects on other issues. For example, the CFPB has found that the vast majority of military members eligible for reduced interest rates under the Servicemembers Civil Relief Act (SCRA) are getting the protection they deserve. A database of auto loan applications would allow regulators and the industry to ensure that servicemembers receive the benefits they earned when they served their country.

Finally, public data on auto loans and the auto loan industry can also benefit the industry. By having access to data on the market as a whole, auto lenders can better understand the market and adapt their products and services to meet the needs of consumers. This clarity can foster competition and innovation within the industry, leading to better consumer products and services.

ii. Better data could lower the cost of credit. Loan-level detail will improve market transparency.

The availability of information on loans influences the cost of credit in the secondary market. Asset-backed securitizations rely on lenders to provide some of the information, but it could be at a better level of detail. For example, most ABS prospectuses provide investors with aggregated risk profiles about the composition of receivables in a portfolio. For example, a recent Ford Credit prospectus reports on the weighted average FICO (WAFICO) for the entire securitization, the WAFICO for loans with terms of more than 60 months and more than 72 months, the share of balances with a FICO score below 650, and the percentage without a FICO score. Other aggregated indicators give investors insight into loan duration risk (weighted average life), interest rate risk (weighted average APR), and other aggregated descriptors. These categories are blunt. A loan-level database would be significantly more helpful.13 Credit Acceptance, a credit provider to Buy Here Pay Here lenders, provides no detail outside the expected repayment rates for the receivables in four note classes.[14] In place of having insights derived from loan-level data, investors control their risk exposure by buying notes of varying risk classes.

Loan-level data will benefit investors. They would derive value, and overall market transparency would increase. Greater clarity would reduce the risk associated with uncertainty. In turn, consumers should benefit. Investors require more returns for more risk. With less uncertainty, there is less risk, and thus investors will accept lower returns. That will lower the interest rates the consumers pay. The benefits will be most significant for loans made with the least information. In all likelihood, the change will be most impactful to subprime and BHPH segments.

iii. The CFPB should consider establishing thresholds for reporting requirements to protect smaller lenders and servicers from excessive costs. However, thresholds must be low to capture market activity in this market.

This approach was taken with the final rule implementation of Regulation C, and it can help to balance the need for comprehensive data with the need to minimize the burden on smaller entities. As a part of this process in evaluating the impact of the 2015 Regulation C final rule, the CFPB found the cost of compliance for mortgage lenders was negligible after the initial investment in data collection systems and practices.

By establishing these thresholds, the CFPB can help ensure that the reporting requirements are fair and reasonable and that the auto loan database is secure and easy to use.

iv. Some lending structures blur the relationship between dealer and lender. The CFPB must ensure that the design does not permit evasions.

Many consumers buy cars from small dealers. These dealerships frequently use the "buy-here-pay-here" (BHPH). The BHPH model is notable for how closely the repayment rates of consumer loans influence the overall profitability of the dealer. At Credit Acceptance, for example, dealers share credit risk. Because they collect the loans directly from borrowers, these tie-ups enhance the chance that consumers will be subject to unfair and abusive collection practices.

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[13] Ford Motor Credit LLC. (n.d.). *Ford Motor Credit LLC $10,000,000,000 Ford Interest Advantage Floating Rate Demand Notes Prospectus*. Ford Investor Center. https://www.ford.com/finance/content/dam/ford64/us/pdf/investor-center/ford-interest-advantage-details/Ford_Motor_Credit_FIA_Prospectus.pdf

[14] Securities and Exchange Commission. (2020). *Credit Acceptance Auto Loan Trust 2020-3* [From 8-k]. Credit Acceptance Corporation. https://content.edgar-online.com/ExternalLink/EDGAR/0000885550-20-000105.html?hash=499966dc6c1f0e97a7aff8e394bcadf3b7e4dd1c42c164d41e21fb4eb1380fe1&dest=CACC8K20201022IA_HTM#CACC8K20201022IA_HTM

BHPH dealers use their power to offer financing to increase the cost of their cars. America's Car-Mart, a BHPH company that is both a seller and financier, reports that its cost of sales is only 61.8 percent of the average per retail unit sales price. By comparison, used vehicle cost of sales as a percentage of used vehicle sales revenue was 91.6 percent.[15] The difference underscores the need for better public information. More granularly, it shows why the database must have information that permits data users to see the relationship between the terms of credit and the cost of cars in ways that offer detail to make meaningful comparisons. A good database will not just reveal differences in the cost of credit but also allow users to control for factors related to the car's characteristics.

v. Data must capture information for the Buy-Here Pay-Here market

Historically, BHPH relationships have been among the most abusive. Many concerning practices occur in BHPH dealerships.

Consumers buy from BHPH dealers because they finance anyone, provided they can pay a minimal down payment. The structure creates an environment where dealers enjoy an advantage over consumers. The company notes to its investors, "Our customers have a problem. They need a vehicle. And because they have a credit history—or no credit history—that banks and other lending sources view as high risk, they have typically been turned away by other lenders."

A similar take-it-or-leave-it relationship drives their business with dealers: "We also have a compelling value proposition for dealers. We work with independent and franchise auto dealers nationwide to enable them to sell vehicles to customers who wish to finance their purchase (s). We allow the dealer to finance customers, regardless of their credit history. This gives the dealer the ability to sell a vehicle to a customer whom, without us, the dealer may otherwise have to turn away."[16]

The structure of the business model leads to opaque pricing and forceful collections. Generally, BHPH dealerships provide credit from a single lender. Typically, the consumer borrows from the same corporation that supplies the dealer with floor credit. The same company acts as the servicer. For example, Credit Acceptance provides consumer credit, floor credit, and servicing. By the terms of agreements with dealers, CACC has the exclusive right to service consumer loans. CACC charges a servicing fee of 6 percent. Because most of the consumers are subprime or credit invisible, all of the credit available is high-cost. In 2020, 94.9 percent of borrowers had credit scores below 650 or did not have a score at all.[17]

An effective database will reveal when a loan is made through a BHPH dealer. One alternative would be for the CFPB to indicate if the lender is also the servicer. It could also note if borrowers can make

[15] Carmax. (2022). *Annual Report of Carmax, Inc.* (No. 10-k). Securities and Exchange Commission. https://d18rn0p25nwr6d.cloudfront.net/CIK-0001170010/d6683529-3d28-4aaf-99e4-9be99e8e7ab0.pdf

[16] Credit Acceptance Corporation. (2022). *Annual Report of Credit Acceptance Corporation* (No. 10-k). Securities and Exchange Commission. http://www.ir.creditacceptance.com/node/19641/html

[17] Credit Acceptance Corporation. (2022). *Annual Report of Credit Acceptance Corporation* (No. 10-k). Securities and Exchange Commission. http://www.ir.creditacceptance.com/node/19641/html

payments at the location where they purchased the car, as this is a common practice. Another method would be to reveal if the consumer lender is also the source of financing to the dealer, but this method would be suboptimal because many franchise dealerships rely on the manufacturer for floor credit. The BHPH market sometimes uses the term "indirect lender" to describe its activities.

vi. A database will support efforts to assess the safety and soundness of underwriting, leading to benefits for consumers and providing important clarity on macroeconomic consumer financial health.

A robust data set would also reveal structures where there is a meaningful reason to think that loans are made without using an ability-to-repay standard in underwriting. For example, in the twenty years ending in 2021, Credit Acceptance's loan performance rates of receivables never exceeded 79.5 percent (2009) and fell as low as 63.6 percent (2016).[18] Charge-off rates in the receivables portfolio held by America's Car-Mart exceeded 30 percent in 2007 and 2016 and have never fallen below 19 percent since 2004.

Many observers believe that the performance of auto lending ABS is a leading indicator of financial health. While many consumers have credit card debt, they can remain current on their balances merely by making the minimum payment. With a car loan, payment must be made in full. It's also a stronger signal because of the significance of car ownership. If a consumer has to make the hard choice between paying one bill versus another, they are unlikely to forego a car payment because it is a necessity to own a car.

Investors rely on automobile sales, prices, lending, and loan performance to predict future economic health. Higher sales – or even evidence that more consumers are searching for cars on the internet – can be taken as a signal of near-term health. Conversely, increases in auto delinquency and default tend to occur before similar weaknesses happen in mortgage, student loan, or credit cards. Data from the New York Fed Consumer Credit Panel shows that auto loan defaults and delinquencies began to increase in 2005, for example, whereas mortgage loan defaults and delinquencies fell every year between 2003 and 2007.[19] Analysts have concerns when automobile loan performance declines. Because they are often the first to show signs of weakness, increased default rates in subprime auto loan portfolios receive an outsized share of attention.

Currently, industry services such as S&P Global and Mannheim Auto Index provide indicators on loan performance. The CFPB's Consumer Credit Panel publishes valuable information on credit quality of new originations, but in an aggregated format.[20] No national source exists for national data on car repossession rates.[21] What is less available are data sets with robust and comprehensive loan-level

[18] Credit Acceptance Corporation. (2022). *Annual Report of Credit Acceptance Corporation* (No. 10-k). Securities and Exchange Commission. http://www.ir.creditacceptance.com/node/19641/html

[19] Sam Ro. (2022, August 3). The uptick in mortgage, auto loan, and credit card debt delinquencies is notable but not alarming ⚠️. *TKer*. https://www.tker.co/p/household-credit-debt-q22022-delinquency

[20] *CFPB Consumer Credit Panel*. (n.d.). Consumer Credit Trends / Auto Loans. Retrieved December 19, 2022, from https://www.consumerfinance.gov/data-research/consumer-credit-trends/auto-loans/borrower-risk-profiles/

[21] Cox Automotive Inc. (2022, August 3). Auto Loan Defaults Are Increasing, But We Are Not Heading Into A Repo Crisis. *Smoke on Cars*. https://www.coxautoinc.com/market-insights/auto-loan-defaults-are-increasing-but-we-are-not-heading-into-a-repo-crisis/

descriptors on lending at the time of origination. With loan-level data, analysts would have a tool that would allow them to design stress tests for hypothetical scenarios. The utility of such a data set underscores why the CFPB should publish loan-level information on auto loans.

IV. To achieve the aims of transparency, accountability, and fair markets, the CFPB must publish a robust database. The elements in the database should provide data users with the information they need to evaluate practices.

The database should cover the purchase transaction, financing, and servicing information. Without these three aspects, the database will be of limited use.

Below is a list of specific data points needed to make the database useful to the public, regulators, and the auto loan industry.

1. Universal Loan Identifier
2. Transaction type (purchase, refinance, servicing)
3. Demographic and SOGI Data
    a) Race and Ethnicity (detailed data similar to HMDA)
    b) Age
    c) Gender Identity
    d) Sexual Orientation
    e) Servicemember Civil Relief Act (SCRA) eligible? y/n
4. Geographic Data
    a) Applicant Address
    b) Dealer Address (or, in the case of virtual dealerships, at the location where inventory is held)
5. Dealer Information (if applicable)
    a) Dealer purchase or private sale
    b) Dealer Name (if applicable)
    c) Dealer Legal Entity Identifier (LEI)
    d) Dealer Size (if applicable, in units sold on average in the last two calendar years)
6. Lender Data
    a) Lender Name
    b) Lender LEI
    c) Lender Size
    d) Relationship to dealer
7. Vehicle Details
    a) Vehicle type (Car, Truck, SUV, R.V., Other)
    b) Gross Vehicle Weight (GVW)
    c) VIN
    d) Year
    e) Make
    f) Model

   g) Color
   h) Trim
   i) Engine type: gas, electric, hybrid
8. Purchase Details
   a) Date of Sale
   b) Sales Price for the vehicle (exclusive of add-ons)
   c) Cost of add-on goods (window tinting, upholstery protection, and other additional services.)
   d) Mileage
   e) Car Value at Purchase (per Kelley Blue Book Value)
   f) Value of trade-in
   g) Amount of down payment
   h) Finance fees charged at closing
   i) Cost of GAP insurance, if provided
   j) Tax credit eligible? y/n
9. Finance Details
   a) Originated/Approved/denied
   b) Purchase/Lease
   c) Loan/Payment Amount
   d) Interest Rate/Money Factor
   e) Loan/Lease Term
   f) Credit Score
   g) Applicant Income
   h) Mandatory arbitration clause? y/n
   i) Allotments allowed? y/n
   j) Fully amortizing? y/n
   k) Business use? y/n
   l) Denial reason (s)
   m) Type of financing source: captive financing division of manufacturer, lender with a contractual relationship to the dealer, independent financing brought by car buyer, dealer-financed (Buy Here Pay Here model), other, or cash.
   n) GAP insurance sold in conjunction with the loan? y/n
   o) Lender Legal Entity Identifier (LEI)
10. Servicing Details
   a) Servicer Name
   b) Servicer Legal Entity Identifier (LEI)
   c) Loan origination date
   d) Initial principal balance
   e) Current principal balance
   f) Default status and days delinquent

Data should include unique identifiers for lenders, servicers, and dealers.

V. To be effective, the CFPB must create a database suitable for data users of all skill levels.

i. When presented to the public, the CFPB should emphasize ease of use. The data should be available in various formats for users of different technical capacities.

The database should be well-organized and easy to navigate, with clear labels and categories for the data. A user-friendly design will make it easier for users to find the information they are looking for and to understand how the data is structured. Second, the database should be searchable, with a user-friendly interface allowing users to find specific data points or records based on keywords or other criteria. This functionality will make it easier for users to access the data quickly and efficiently. Third, the database should be accessible and user-friendly, with clear instructions and guidance on how to use the database and interpret the data. This accessibility will help users to get the most out of the database and to avoid any confusion or frustration.

The CFPB has created well-designed databases in the past. Both the Home Mortgage Disclosure Act (HMDA) and the Consumer Complaint database demonstrate the functionalities described in the previous paragraph. In both cases, individual records include a variety of information about the consumer, the reporting entity, and the circumstances of the transaction. In addition, the database should be limited to transactions where the buyer is a natural person, not a corporation, government agency, or public utility.

Data should be made available to the public in various formats to encourage broad and transparent use. Some commonly used formats for government data include CSV (Comma-Separated Values), JSON (JavaScript Object Notation), XML (Extensible Markup Language), and PDF (Portable Document Format). Additionally, making data available through open APIs (Application Programming Interfaces) can facilitate access and usage by sophisticated users, including developers and researchers. Providing data in multiple formats allows users to choose the most suitable format for their needs and helps ensure that the data is accessible to as many people as possible.

ii. The database should include a secure and easy-to-use reporting system similar to the HMDA database.

An auto loan database should be secure to protect borrowers' privacy and personal information. In addition to protecting individuals' information, a secure database can protect auto lenders and servicers from potential data breaches.

A secure database should also be easy to use to facilitate compliance with reporting requirements. Lenders and servicers that are required to report data to the database should be able to do so quickly and efficiently. Data protection can reduce the burden on these entities and make it more likely that they will be able to comply with the reporting requirements. In turn, this can help to ensure that the database contains accurate and complete information, which can be used to fulfill the purpose of the reporting requirements.

Conclusion

We strongly support the CFPB for its interest in providing clarity on auto lending. Auto lending is an important market, not just because of its size but because of the necessity of car ownership. The widespread evidence that shows the challenges consumers face when buying cars demonstrates why the CFPB must create a loan-level auto lending database.

We appreciate the opportunity to offer our input. If we can provide clarification or more information, please get in touch with Jason Richardson (jrichardson@ncrc.org), Adam Rust (arust@ncrc.org), or me.

Sincerely,

Jesse Van Tol
Chief Executive Officer
National Community Reinvestment Coalition