



1701 Pennsylvania Avenue
Suite 300
Washington, D.C. 20006
(202) 722-0167
www.keyadvocates.com

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To: NAAA
From: Sante Esposito
Subject: December Monthly Report

Safety Recalls

The Association is focusing on three legislative vehicles as possible opportunities for proponents pursuing legislation that would prohibit the sale or lease of a motor vehicle that is subject to recall unless and until the recall defect has been remedied. The chief proponents are Senators Richard Blumenthal (D-CT) and Edward Markey (D-MA) and Congresswoman Janice Schakowsky (D-IL-9), all sponsoring legislation to that end (S.1634 and H.R. 3446). The three possible legislative vehicles of focus are autonomous vehicle (AV) bills, the FY18 Transportation Appropriations Bill and a mega infrastructure bill.

Regarding the Senate- reported bill, Senate Commerce leaders have been sanguine about the holds placed so far on the autonomous vehicles bill, saying the concerns expressed are not insurmountable and that they still hope to be able to bring the bill quickly for a vote. But a new objection from a powerful senator could cause a much bigger problem. Dianne Feinstein said that she's "strongly opposed" to the bill. "I do not want untested autonomous vehicles on the freeways which are complicated, move fast and are loaded with huge trucks," she said. Regarding a House AV bill, it has passed the House. No attempt was made during the House consideration process by Congresswoman Schakowsky or others to raise the safety recall issue

Regarding the FY18 Transportation Appropriations Bill, each House has reported its version of the bill with Floor action pending in both Houses. Of particular interest to the Coalition is the Senate bill because during Senate consideration of the FY17 bill Senator Blumenthal filed his motor vehicle safety amendment. The Association worked with the Republican leadership to block the Senator from offering the amendment. Again, the Association remains vigilant as it monitors action once the bill goes to the Floor.

Regarding a mega infrastructure bill, the timing of that is expected after enactment of the tax reform bill. The House and Senate Commerce Committees will be key players on the legislation and NHTSA and safety issues will be before it for consideration. The Association believes that

this will be the most likely vehicle and scenario for Blumenthal, Schakowsky et al to pursue their position. Likely timeframe for committee action is late spring or early summer of next year.

CFPB Reform Initiatives

On Nov. 14, Senate Banking Committee Chair Mike Crapo (R-ID) released changes to Dodd-Frank that has the support of nine Republicans and eight Democrats. Nothing was included regarding CFPB reform owing to opposition by Senate Democrats, primarily Senator Elizabeth Warren (D-MA), regarding any changes to the CFPB. That being the case, notwithstanding the House action on H.R. 10 and the House version of the FY18 Financial Services Appropriations Bill (both noted below), it appears the most likely opportunity for any CFPB reform would come when the current director is replaced (see the following topic section).

To review, the House FY18 Financial Services Appropriations Bill includes a number of CFPB reform provisions:

- Bringing the Bureau into the regular appropriations process.
- Elimination of supervision authority.
- Removal of authority to regulate small-dollar credit.
- Removal of Bureau UDAAP authority.
- Repeal of authority to restrict arbitration.
- Exemption from risk retention requirements for nonresidential mort-
- Prohibition on requiring a single ballot.
- Repeal of the Volcker Rule and other provisions.

No Senate markup action to date.

To review, on June 8, by a party line vote of 233-186, the House passed H.R.10, the Financial CHOICE Act. The bill amends the Dodd-Frank Wall Street Reform and Consumer Protection Act, among other Acts, to convert the Consumer Financial Protection Bureau into a consumer law enforcement agency; subject the agency to the congressional appropriations process, expanded judicial review, and additional congressional oversight; eliminate supervisory authority over financial institutions; and limit the agency's authority to take action against entities for abusive practices.

Richard Cordray

No further developments since the last report., To review, on Nov. 25, Richard Cordray officially ended his tenure as director of the CFPB. Prior to doing so, he named his chief of staff, Leandra English, as Deputy Director, which essentially establishes her as the Bureau's acting director. The President followed suit by naming Mike Mulvaney, the current Director of the Office of Management and Budget, as interim director, creating a somewhat confusing legal situation. Under the Federal Vacancies Act, the Administration maintained that Mulvaney can serve as both Director of OMB and interim director of the Bureau as he has already been confirmed in his current position. English filed a lawsuit in the U.S District Court challenging the President's action and seeking a temporary restraining order to block Mulvaney from taking the post. The

Court ruled in favor of the President. In addition, the President is apparently close to naming a director. Candidates include Congressman Jeb Hensarling (R-TX-5), George Mason University law professor Todd Zywicki, and the former Acting Comptroller of the Currency Keith Noreika. All are critics of the Bureau.

Senator Blumenthal (D-CT)

Senator Blumenthal wrote Secretary of Transportation Elaine Chao urging DOT to increase enforcement actions against auto auctions that act in violation of Federal odometer disclosure laws. Under those laws, auction companies are required to maintain records regarding the name of the most recent owner of the vehicle. However, it has been alleged, according to Blumenthal, that some auto auction companies have been known to accept vehicles from entities that are not the original owner. This, again according to Blumenthal, significantly interferes with buyers' ability to discern a vehicle's ownership history – a highly relevant factor in determining the value of the vehicle. Blumenthal requested that civil penalties be imposed on any auction company that accepts vehicles with improper titling. The Association sent its own letter to Chao which focused on how the industry works. The Association has also made itself available to meet with DOT on this issue if they so choose.

Congressman Roger Williams (R-TX-25)

Congressman Williams (R-TX-25) is a member of the Terrorism and Illicit Finance Subcommittee of the Financial Services Committee. The Subcommittee is currently focused on various sectors of the U.S. economy as to their involvement, if any, in money laundering schemes to support terrorist groups abroad. One area of interest to the Subcommittee is the auto auction industry wherein it's been alleged that some auto auction companies sell vehicles to individuals who then transfer them to Africa where they are resold and the profits sent to terrorist groups in Lebanon. Because Congressman Williams is a car dealer, with a long history of family involvement in the dealership, he was tasked by the Subcommittee to pursue the auction issue. Accordingly, on Nov. 30, NAAA, at the request of the Congressman, met with him and his staff to discuss the matter. Per the meeting, the Congressman is providing additional information to the Association. More information on this issue to follow.

Congressman Mike Kelly (R-PA-3)

Congressman Kelly is exploring the possibility of legislation on e-titling. Per Brendan Fulmer, his LA, that could take the form of a pilot program. Areas to look at may include different definitions of flood and salvage vehicles, preventing title washing, recall issues, and state revenue concerns. Following an initial conversation and meeting with the Association, NAAA is in the process of compiling background information for the Congressman with next steps to follow.

Tax Reform

For small businesses the agreed-to tax "rate" was addressed in the form of an income deduction - with various stipulations, 20% deduction. With respect to interest deduction for pass-thru

entities, the agreement provides for 100% interest deduction for businesses with adjustable taxable income of \$25M or less and 30% for businesses earning more than \$25M in a year. Floor plan debt is excluded. The trade-off for the exclusion was giving up the first year of accelerated capital expensing. This is the approach the dealers supported in lieu of more restrictive proposed language. The border tax was not included. NAAA supported its dealer customers on the tax reform effort.

House Automotive Caucus

On Oct. 27, the Caucus sponsored an event on "Used Car Buying 101" with presentation by NIADA. The purpose was to educate Members/staff on the process of purchasing a used car. In August, the Caucus hosted a NAAA sponsored staff visit to Odesa Dulles Auction.

Senate Auto Caucus

Per the Association, on June 16, the Caucus held an event to explain and highlight the workings of the auto auction industry. A presentation by NAAA was followed by a mock auction with audience participation. In May, the Caucus held a self-drive auto event in DC for Members and staff.

Bill Tracking

Note the new format per the change in format by the Congress for the listing of bills. More information on each bill will be provided when it becomes available on the official site.

H.R.1031 — 115th Congress (2017-2018) To eliminate the Bureau of Consumer Financial Protection by repealing title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Consumer Financial Protection Act of 2010. Sponsor: Rep. Ratcliffe, John [R-TX-4] (Introduced 02/14/2017) Cosponsors: (17, now 30) Committees: House - Financial Services Latest Action: 02/14/2017 Referred to the House Committee on Financial Services.

Status Update: no change since the last report.

S.370 — 115th Congress (2017-2018) A bill to eliminate the Bureau of Consumer Financial Protection by repealing title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Consumer Financial Protection Act of 2010. Sponsor: Sen. Cruz, Ted [R-TX] (Introduced 02/14/2017) Cosponsors: (4, now 7) Committees: Senate - Banking, Housing, and Urban Affairs Latest Action: 02/14/2017 Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. This bill repeals the Consumer Financial Protection Act of 2010, which established the Consumer Financial Protection Bureau.

Status Update: no change since the last report.

S.387 — 115th Congress (2017-2018) A bill to amend

the Consumer Financial Protection Act of 2010 to subject the Bureau of Consumer Financial Protection to the regular appropriations process, and for other purposes. Sponsor: Sen. Perdue, David [R-GA] (Introduced 02/15/2017) **Cosponsors: (16, now 19)** **Committees: Senate - Banking, Housing, and Urban Affairs** **Latest Action: 02/15/2017** Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

This bill amends the Consumer Financial Protection Act of 2010 to change the source of funding for the Consumer Financial Protection Bureau (CFPB) from Federal Reserve System transfers to annual appropriations. Under current law, the transfers from the Federal Reserve System permit the CFPB to be funded outside of the annual appropriations process.

Status Update: no change since the last report.

S.365 — 115th Congress (2017-2018) **A bill to amend the Consumer Financial Protection Act of 2010 to remove the funding cap relating to the transfer of funds from the Board of Governors of the Federal Reserve System to the Bureau of Consumer Financial Protection, and for other purposes. Sponsor: Sen. Rounds, Mike [R-SD]** (Introduced 02/13/2017) **Cosponsors: (0, now 1)** **Committees: Senate - Banking, Housing, and Urban Affairs** **Latest Action: 02/13/2017** Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

Status Update: no change since the last report.

H.R.1018 — 115th Congress (2017-2018) **To replace the Director of the Bureau of Consumer Financial Protection with a 5-person commission, and for other purposes. Sponsor: Rep. DesJarlais, Scott [R-TN-4]** (Introduced 02/13/2017) **Cosponsors: (1)** **Committees: House - Financial Services** **Latest Action: 02/13/2017** Referred to the House Committee on Financial Services.

Status Update: no change since the last report.

S.105 — 115th Congress (2017-2018) **Consumer Financial Protection Board Act of 2017 Sponsor: Sen. Fischer, Deb [R-NE]** (Introduced 01/11/2017) **Cosponsors: (3, now 4)** **Committees: Senate - Banking, Housing, and Urban Affairs** **Latest Action: 01/11/2017** Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

Status Update: no change since the last report.

H.R.3625 — 115th Congress (2017-2018)

CFPB-IG Act of 2017

Sponsor: Rep. Stivers, Steve [R-OH-15] (Introduced 07/28/2017) **Cosponsors: (1)** **Committees: House - Oversight and Government Reform, Financial Services** **Latest Action: 07/28/2017** Referred to the Committee on Oversight and Government Reform, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the

jurisdiction of the.

Status Update: no change since the last report.

S.1579 — 115th Congress (2017-2018)

Bureau of Consumer Financial Protection Advisory Board Enhancement Act

Sponsor: Sen. Rounds, Mike [R-SD] (Introduced 07/19/2017) **Cosponsors:** (2)

Committees: Senate - Banking, Housing, and Urban Affairs

Latest Action: 07/19/2017 Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

Status Update: no change since the last report.

S.626 — 115th Congress (2017-2018)

CFPB-IG Act of 2017

Sponsor: Sen. Portman, Rob [R-OH] (Introduced 03/14/2017) **Cosponsors:** (9)

Committees: Senate - Banking, Housing, and Urban Affairs

Latest Action: 03/14/2017 Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.

Status Update: no change since the last report.