

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

April 5, 2013

To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, Savings and Loan Holding Companies,  
and Foreign Banking Offices  
in the Twelfth Federal Reserve District

**CFPB Bulletin on Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act**

On March 21, 2013, the Consumer Financial Protection Bureau (CFPB) issued [CFPB Bulletin 2013-02](#) on indirect auto lending and compliance with the Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B. While the bulletin is directed at institutions under the CFPB's jurisdiction, the guidance is consistent with the Federal Reserve's existing position on the applicability of the ECOA to indirect lending programs. As a result, the CFPB's bulletin is a good reminder for all those engaged in indirect auto lending.

Specifically, the guidance explains how the ECOA applies to indirect auto lending and provides guidance for indirect auto lenders on ways to limit fair lending risk. The ECOA makes it illegal for a creditor to discriminate in any aspect of a credit transaction on prohibited bases including race, color, religion, national origin, sex, marital status, and age. The guidance includes recommended steps to ensure that indirect auto lenders are operating in compliance with fair lending laws as applied to dealer markup and compensation policies. These steps may include, but are not limited to:

- Imposing controls on dealer markup, or otherwise revising dealer markup policies;
- Monitoring and addressing the effects of markup policies as part of a robust fair lending compliance program; and
- Eliminating dealer discretion to markup buy rates, and fairly compensating dealers using a different mechanism that does not result in discrimination, such as flat fees per transaction.

Given the broad applicability of the guidance and the Federal Reserve's routine reviews of indirect auto lending programs as part of our fair lending examinations, we encourage bankers to consider the applicability of the guidance on their respective institutions.

**Resource**

Additional information on CFPB rules and related guidance can be found on the CFPB's website at <http://www.consumerfinance.gov/>.

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information regarding the Federal Reserve's supervisory expectations, please contact:

Federal Reserve Bank of San Francisco  
Banking Supervision and Regulation  
(801) 322-7853

**Attachments:**

[CFPB Bulletin 2013-02](#)  
[CFPB Fact Sheet on the Bulletin](#)