



The Detroit Institute of Arts hosted the first Credit Reporting Field Hearing.



Richard Cordray, Consumer Financial Protection Bureau director.

CFPB Curbs Credit Score Profiteering on Behalf of Consumers

By Gerald Scott

The name of Richard Cordray is hardly a nationally recognized moniker, but one suspects that it will soon be all the same.

That's because Cordray is director of the recently formed Consumer Financial Protection Bureau (CFPB) and he was in Detroit last week hosting a public hearing on topics of importance.

The topics discussed at the public panel discussion at the Detroit Institute of Arts, together with the Bureau's mandated authority, suggest that the Detroit auto industry pay heed because consumers have a new champion and this will inevitably overlap into both car insurance rates and auto loan approvals, officials said.

The CFPB director came to town to formally announce that the Bureau is adopting a rule to begin supervising larger consumer reporting agencies, which are popularly called "credit bureaus" or credit reporting companies.

This is the first time these

companies will be supervised at the federal level, and the Bureau's authority on behalf of the consumer really looks to have an impact on how auto insurance firms can quote policy rates (using credit scores), much less interest rates that banks and credit unions that serve auto can quote for the same reason.

"Credit reporting is at the heart of our lending systems and enables many of us to get credit, afford a home, or get an education," said Cordray, who, by the way, graduated from Michigan State University a generation ago, back when Magic Johnson was playing basketball in East Lansing.

"Supervising this market will help ensure that it works properly for consumers, lenders and the wider economy," he added. "There is much at stake in making sure it is both fair and effective."

Consumer reporting agencies are private businesses that track a consumer's credit history and other consumer transactions. Such companies play a key role in the con-

sumer financial services marketplace and in the financial lives of consumers.

For example, the reports that the three largest credit rating companies sell are used in determining everything from consumer eligibility for credit to the rates consumers also pay through credit (via credit cards, home loans, car loans and more).

Note that the Dodd-Frank/Wall Street Reform and Consumer Protection Act authorizes the CFPB to supervise nonbanks in the specific markets of mortgage, payday, and private education lending. For other markets for consumer financial products or services, the CFPB also has the authority to supervise non-bank "larger participants" as defined by rule.

And the rule states that CFPB, a one-year-old entity, will for the first time supervise consumer reporting agencies that have more than \$7 million in annual receipts.

The CFPB's supervisory authority extends to an estimated 30 companies that account for about 94 percent of the

market's annual receipts.

Altogether, the three largest credit reporting companies issue more than 3 billion consumer reports a year and maintain files on more than 200 million Americans.

The rule outlining CFPB's supervision of this market will be effective Sept. 30, 2012. The CFPB will begin its first exams thereafter.

How the Bureau's effective reigning in of previously unregulated credit bureaus remains to be seen, but the impact of this authority will inevitably be felt, down the line, in both the auto loan and car insurance sub-markets vis-a-vis how credit scores can impact car loan or insurance policy rate and eligibility.

In other words, the consumer has a new champion with enough weight and power to challenge previous notions and tendencies that the credit bureaus enjoyed for decades.

Exactly how this will play out in auto loan and car insurance still remains to be seen, of course, but the likes of Equifax, Experian and Tran-

Union are likely ordering their staffs extra bottles of Pepto Bismol and Excedrin even as Cordray speaks.

And speak Cordray sure did. In his formal remarks at the DIA last week, Cordray also said this:

"The Fair Credit Reporting Act sets out an ambitious goal: Credit reporting companies 'shall follow reasonable procedures to assure maximum possible accuracy of the information' contained in credit reports," he said.

"In this context, we are here to correct what is not going well, and we are here to see that this market is made to work better for those who are affected the most.

"And we will exercise our supervisory authority to make sure that the consumer financial laws are being followed."

Meanwhile, the event at the DIA was important enough to draw an entire wing of Democratic Party congressmen, each of whom spoke at the public hearing ostensibly on behalf of the consumer.

U.S. Reps. John Dingell,

John Conyers, Hansen Clarke and Gary Peters each spoke forcefully on behalf of the new Bureau and its larger mission to represent the consumer body in the face of a number of dragons.

These so-called dragons include the likes of the credit bureaus themselves, debt collectors and banks that might only extend high-interest rate loans to consumers who are vexed by credit reports they don't understand or have little control over.

Added Director Cordray, "We understand these realities at the Consumer Financial Protection Bureau because we hear about them from consumers every day. We also believe it is important to get out of Washington and listen directly to consumers by meeting them face to face.

"As Henry Ford once said, 'If there is any one secret of success, it lies in the ability to get the other person's point of view and see things from that person's angle, as well as from your own.' We believe in the wisdom of that statement. So, tell us what you think."

OnStar Partners with RelayRides

DETROIT - General Motors' OnStar subscribers can now rent out their idle vehicles through the RelayRides marketplace, leveraging OnStar connectivity already active in their vehicles to potentially earn hundreds of dollars a month to offset the cost of owning a vehicle.

RelayRides' renters can unlock reserved OnStar-enabled cars simply by using their smart phones. RelayRides is the first third-party developer to integrate with GM OnStar's proprietary application program interface (API) that will be available to other developers later this summer.

OnStar's connectivity solution provides RelayRides' members with increased security, reliability and accessibility. Individuals who forgo car ownership can access affordable and reliable transportation in a Chevrolet, Buick, GMC, or Cadillac.

Owners of these OnStar-enabled GM vehicles rent out their cars and turn their idle vehicles into an income source without the hassle of installing expensive aftermarket hardware or having to meet a renter to hand off keys.



RelayRides is the first third-party developer to integrate with GM OnStar.

"General Motors, through OnStar and RelayRides, have joined forces to create an entirely new mobility solution for U.S. drivers interested in more affordable, sustainable and collaborative automobile options," said Nick Pudar, vice president, OnStar Strategy and New Business Development.

"Our exclusive relationship with RelayRides provides an exciting new choice: the first automobiles to run on collaborative consumption.

Kemet Updates Its Supply Chain

NOVI - Kemet Corp., a manufacturer of capacitors for use in the auto industry, has updated its tantalum (precious metal) supply chain.

During the past 12 months, Kemet has taken steps to secure and stabilize its tantalum supply chain through a stated strategy of vertical integration.

The company recently acquired a tantalum powder manufacturing facility in Carson City, Nev., now called Kemet Blue Powder.

Kemet has also agreed to secure tantalum ore from conflict-free Katanga Province in the Democratic Republic of the Congo (DRC) and assumed executive arrangement with Tantalite Resources in Johannesburg, South Africa, for the processing of the conflict-free ore.

These recent initiatives have secured a closed-pipe,

conflict-free, vertically integrated tantalum supply chain to make Kemet the largest such vertically integrated tantalum-capacitor manufacturer in the world.

A critical step in completing the vertically integrated closed-pipe system for Kemet's tantalum business was securing of conflict-free tantalum brought about through an initiative called "Making Africa Work."

Kemet's comprehensive plan includes a 1.5-million investment in social infrastructure at the Kisengo mine site and village in the DRC.

Kemet's commitment includes the construction of schools, a medical clinic, fresh-water wells, solar street lighting and other village support as needed.

Kemet supplies Bosch, Continental, Delphi, Lear, Magneti Marelli and TRW.

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