

September 20, 2013

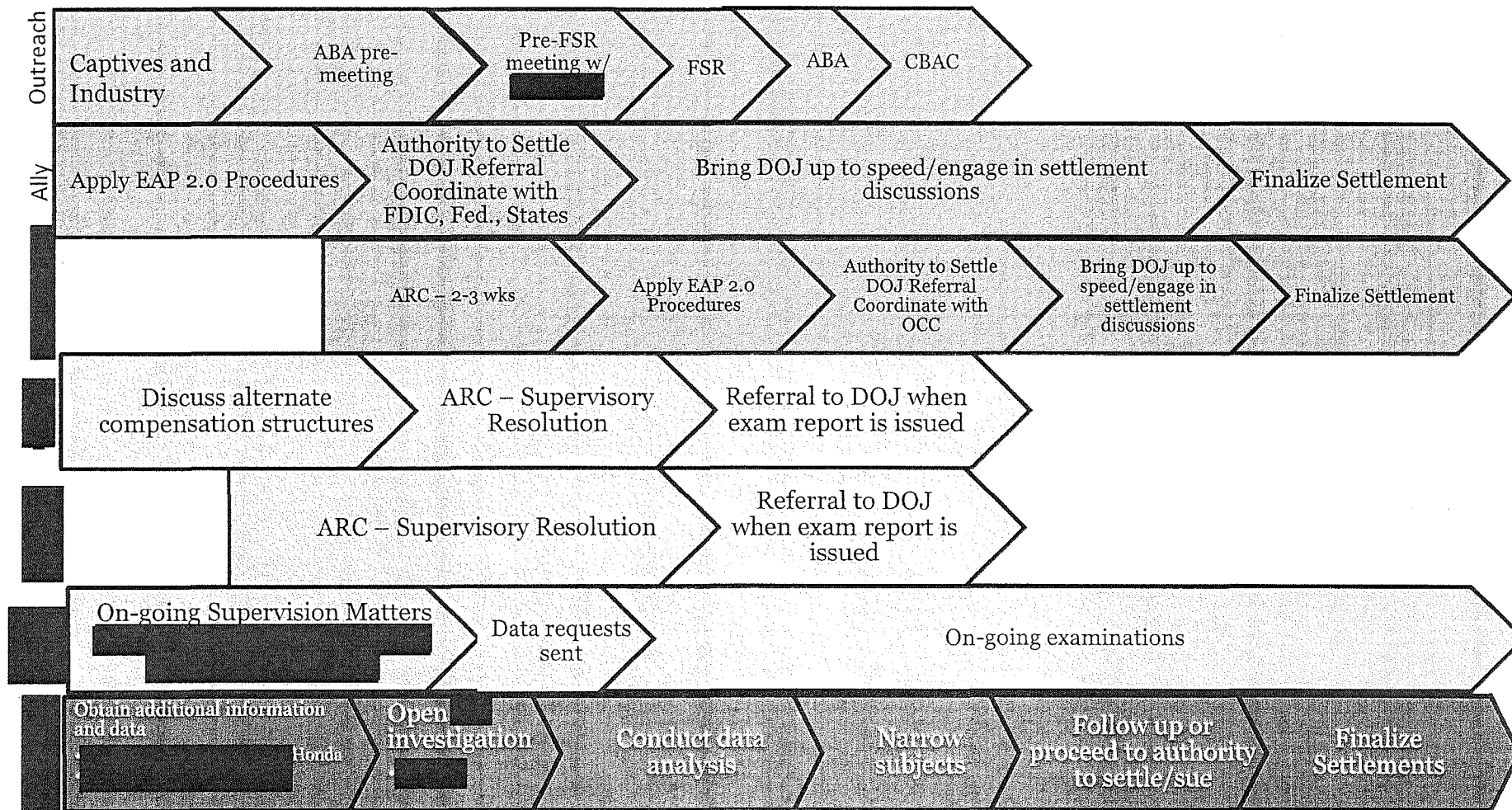
Strategic Plan – Auto Initiative Track 1

Internal – Sensitive and Pre-decisional
Confidential Supervisory Information
Attorney Work Product

Strategic Plan – Track 1

- Joint Auto Enforcement Plan between FL and Enforcement
- Examine ■ banks (■ near completion; ■ underway; ■ next year)
 - Choose those appropriate for enforcement action
 - Seeking to bring enforcement actions together so that EAP for authorization to settle takes place close in time
 - Plan to refer to the DOJ when we get authority to settle so that we can coordinate on the banks, in addition to the nonbanks
 - We will seek to combine public messages when enforcement action is taken
- Investigate ■ non-banks jointly with the DOJ
 - Narrow to ■ for follow-up and potential enforcement action
 - We will seek to combine public messages when enforcement action is taken

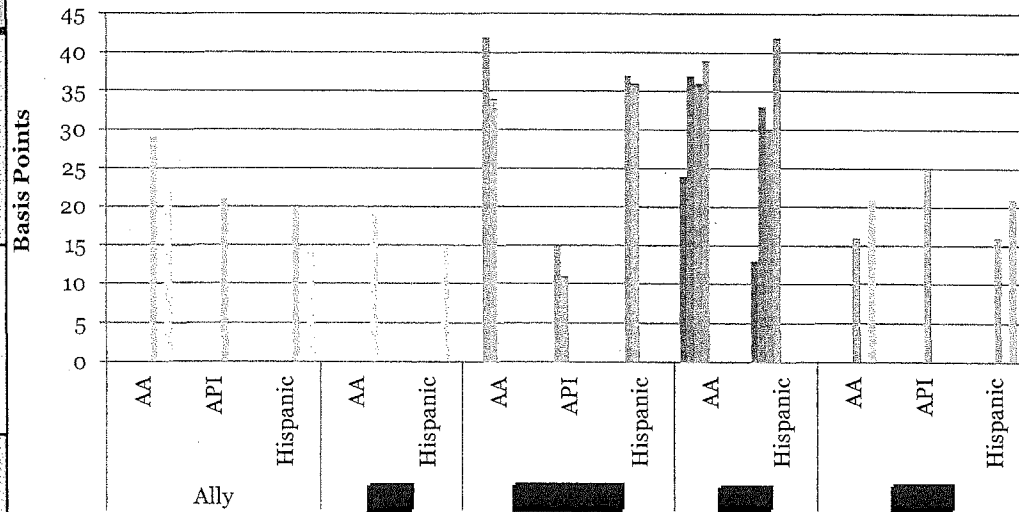
Matter Timeline



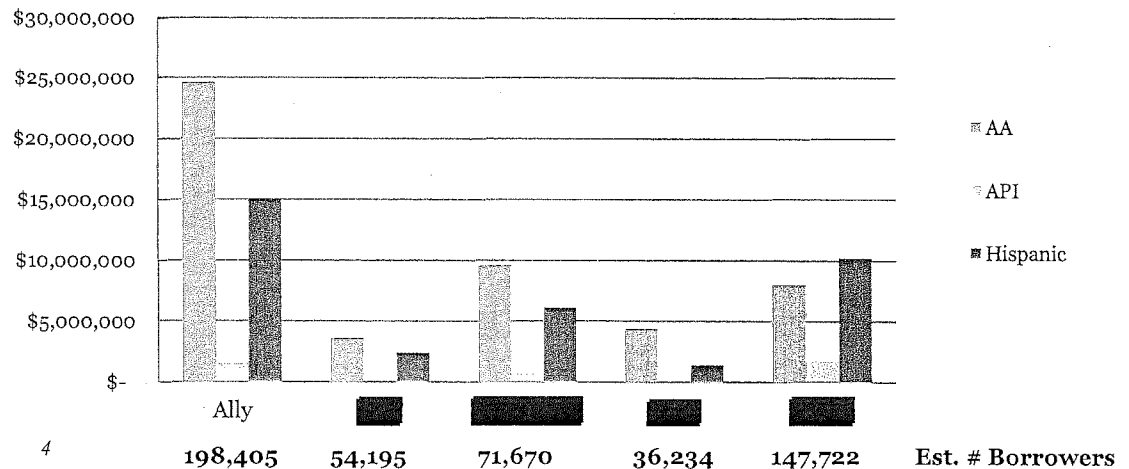
Preliminary Findings of 5 [REDACTED] Auto Lender Exams

Institution	FL Compliance Program (markup-specific)
Ally National Prime Focus 1 year	<ul style="list-style-type: none"> No FL program during exam Program now implemented and operational, with significant weaknesses, e.g., has a [REDACTED] bps threshold, uses questionable methodology, & would result in limited corrective action
[REDACTED]	<ul style="list-style-type: none"> Longstanding FL program, with some weaknesses, e.g.: 2 years for warning letter 3 years for remedial action
[REDACTED]	<ul style="list-style-type: none"> Longstanding FL program, with some weaknesses, e.g.: [REDACTED] bps threshold Corrective action limited to dealer meetings & warnings
[REDACTED]	<ul style="list-style-type: none"> Basic FL program from [REDACTED] with some weaknesses, e.g., limited corrective action; no corporate oversight until [REDACTED] Identified & remediated some markup issues; largely non-FL From [REDACTED] markdown policy has reduced disparities
[REDACTED]	<ul style="list-style-type: none"> No FL program [REDACTED] New program rolled out [REDACTED] Generally strong, but dealer-specific and [REDACTED] bps threshold

Estimated Markup Disparity in Basis Points*



Estimated Total Overpayments in Dollars* (All Years)



* Using CFPB original methodology

Internal - Sensitive and Pre-decisional, CSI, Attorney Work Product

198,405 54,195 71,670 36,234 147,722 Est. # Borrowers

Ally

- Met with Ally on 9/17
 - Formally advised of Enforcement Action; requested remedial plan with injunctive relief
 - Ally to respond at later date with expression of willingness to settle and potential offer (must include remediation)
 - Ally subsequently requested meeting with Director to discuss business concerns
- Plan to seek authority to settle (9/30 target to go into EAP)
 - Key parameters: Consumer remediation from 4/11 through present, CMPs, injunctive relief
 - Recommend waiting to seek authorization to sue; scope may change after DOJ involvement
 - Recommend not insisting on eliminating dealer markup all together
- Refer to the DOJ (9/30 target)
 - Once referred, 60 day waiting period for enforcement action absent exigent circumstances
 - We plan to try to bring in the DOJ, consistent with our nonbank coordination





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- Discussion on [REDACTED] concerning dealer monitoring, remediation (retro- and prospective), non-discretionary dealer compensation
 - [REDACTED] understands CFPB expectations on dealer monitoring and remediation
 - Based on Legal Division concerns, no endorsement of Option C, additional support/data requested
 - [REDACTED] is considering viability of [REDACTED]
 - Next Step: SEFL's ARC to consider appropriate resolution of exam issues
 - Recommend proceeding with supervisory MOU that will require:
 - Remediation for past consumer harm
 - Institutionalizing robust CMS, including dealer monitoring and forward-looking remediation
 - Consider if MOU should reference non-discretionary compensation
 - Referral to the DOJ once exam report issued
 - Action unlikely if corrective action contemplated in MOU is underway

Remaining [REDACTED] Matters

- [REDACTED]
 - ARC process is 2-3 weeks out
 - Recommend seeking authority to settle, as in Ally
 - Refer to the DOJ, and seek to coordinate as with Ally
 - Prudential involvement ([REDACTED])

- [REDACTED]
 - ARC process is 2-3 weeks out
 - Recommend proceeding with supervisory MOU, as in [REDACTED]
 - [REDACTED] must remediate consumers for past harm and institutionalize robust CMS, including dealer monitoring program and consumer remediation going forward
 - Referral to DOJ once exam report issued
 - Action unlikely if corrective action contemplated in MOU is underway

On-going Supervision Matters

- [REDACTED]
 - Disparities found in preliminary analysis; onsite complete; PARR letter being drafted
- [REDACTED]
 - Only small disparities found in preliminary analysis; onsite begins [REDACTED]
- [REDACTED]
 - Disparities found in preliminary analysis; onsite begins [REDACTED]
- [REDACTED]
 - Data available for analysis; onsite to commence [REDACTED], and has asked for meeting in [REDACTED] to discuss internal findings and planned remediation for 2011-12
- Additional exams scheduled in 2014: [REDACTED]
 - Will have covered all [REDACTED]



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- [REDACTED] Non-banks selected for initial joint investigation with the DOJ ([REDACTED] Honda, [REDACTED])
 - [REDACTED] subject selected after market review ([REDACTED])
 - Currently seeking additional voluntary information and data from [REDACTED] and Honda
 - Cooperative to date
 - [REDACTED] will receive CID
 - Failed to provide requested information
 - Preliminary data analysis and review underway

Outreach Efforts

- Meetings have included, *inter alia*, [REDACTED]; American Financial Services Association, Consumer Bankers Association, consumer/civil rights groups, National Automobile Dealers Association
 - Discussed Bulletin, application of Bulletin to models
 - AFSA appears promising based upon captive membership
- American Bankers Association
 - Initial meetings held – ABA staff disputes disparate impact analysis and wants it eliminated from consideration
 - Continuation of prior discussions to be held at later date
- Joint meeting with [REDACTED] prior to FSR (9/25)
 - Initiated by [REDACTED]s
 - First opportunity to broaden discussion beyond one participant
- Financial Services Roundtable (9/26)
- American Bankers Association (Oct)
- Cooperative Business Assistance Corporation (Oct)