

The U.S. has a full history of evolving national consumer financial protection laws aimed at ensuring consumers are fairly and responsibly treated by financial institutions. Some 22 different federal laws, spanning eight different agencies, create a layered system of laws that protect consumers. The steady progression of these laws promotes a rich and diverse economy where consumers have tremendous choice in accessing a myriad of credit products from a wide variety of sources. As our economy continues to change and evolve, our consumer finance laws must keep up. With an eye toward improving our existing system, we offer the following priorities to improve the marketplace for today's consumers:

RATE CAPS. AFSA opposes efforts to impose harmful interest rate caps, which could severely limit access to safe and affordable credit for many Americans. Rate caps disproportionately harm the very people they are intended to help. Forcing lenders to make their loans comply with rate caps leads to increased overall cost, longer terms, less transparency, and less general availability. Calculations for rate caps should not include the cost of optional voluntary protection products.

SERVING THE MILITARY AND VETERAN COMMUNITIES. AFSA seeks to maintain access to responsible credit for the military and veteran communities and is committed to educating servicemembers and their families to improve financial literacy. AFSA will continue to engage with policymakers regarding the Military Lending Act (MLA) and its implementing regulations. While AFSA supports the MLA's goal to protect military families from harmful credit products, the association strongly believes that military families and veterans should be able to access safe and affordable credit and credit protection products. Furthermore, to make the Servicemembers Civil Relief Act (SCRA) more effective, the military's DMDC database should be modernized.

SMALL-DOLLAR LOANS. Policymakers should preserve consumer access to traditional installment loans. For over a hundred years, well-regulated installment lenders have provided access to safe and affordable credit. AFSA also opposes attempts to limit the use of clear and transparently marketed prescreened offers of credit or "live checks," which offer a convenient way for creditworthy borrowers to obtain installment loans.

VEHICLE FINANCE. Most consumers who finance a vehicle purchase opt for dealership financing, where credit is extended by the dealer and the resulting retail installment sales contract is then assigned to a finance company, bank, or credit union. The current model of dealership financing promotes competition and enables the consumer to negotiate a fair deal.

ARBITRATION. Arbitration is governed by the Federal Arbitration Act and has been approved by the U.S. Supreme Court. It is a fair and effective mode of settling agreements between borrowers and financial institutions. The CFPB's own study shows that arbitration is inexpensive, fast, and beneficial to consumers. As such, it should be preserved.

DEBT COLLECTION. Debt collection laws and rules must distinguish between creditors collecting their own debt and third-party debt collectors. Creditors and third-party debt collectors have very different business models, as Congress recognized when it enacted the Fair Debt Collection Practices Act. Creditors have a very short window in which to reach their customers who have missed a payment to help them avoid damaging consequences.

ANNUAL PRIVACY NOTICE. Congress has provided relief to some financial institutions from the requirement to mail an annual privacy notice to their customers, so long as this disclosure has not changed and remains available electronically. Congress should expand this relief to include vehicle finance companies.

DATA PRIVACY/SECURITY. Financial institutions are subject to privacy and data breach notification requirements under federal and state laws. Yet, consumers remain vulnerable to identity theft and fraud because breaches of personal and financial data commonly occur at retailers and other businesses. Meaningful protections will require cooperation by all industries, and a comprehensive approach to securing sensitive information is long overdue. AFSA supports a nationwide standard that preempts state law to promote uniformity and coordination among all entities entrusted with private consumer data. Additionally, any nationwide standard should include a provision limiting private lawsuits.

TELEPHONE CONSUMER PROTECTION ACT. The 1991 statute and the Federal Communications Commission's interpretation do not reflect changes in consumers' use of wireless devices. Current law exposes financial institutions that service customer accounts via telephone to substantial litigation risk over inadvertent and benign violations of the Act. Congress and the FCC should modernize these outdated laws and regulations, which threaten to deprive consumers of critical information. Additionally, as policymakers work to cut down illegal robocalls, they should ensure that important calls from financial institutions to their customers are not blocked by voice service providers.

SMALL BUSINESS LENDING. The Dodd-Frank Act added extensive new data collection requirements to the credit application process for small, minority-owned, or women-owned businesses, which could result in significant additional costs for financial institutions, as well as a reduction in credit and increased costs for borrowers, without commensurate benefits. A rulemaking implementing this section of the Dodd-Frank Act should ensure that the collection requirements are reasonable and beneficial to these businesses.

CREDIT REPORTING. AFSA supports the voluntary furnishing of consumer information to the credit reporting agencies (CRAs) in accordance with the Fair Credit Reporting Act (FCRA). The FCRA promotes the accuracy and integrity of the information furnished. AFSA also supports the proper handling of direct and indirect consumer credit reporting disputes, and encourages consumers to work with the furnisher or CRAs directly to address any concerns with information in their credit reports. AFSA asks that policymakers work to address the increasing number of meritless credit disputes that create needless compliance burdens.

DEBT SETTLEMENT COMPANIES. Debt settlement companies often claim they can negotiate with creditors to reduce the amount the borrower owes. However, debt settlement may leave borrowers deeper in debt. Most debt settlement companies will ask borrowers to stop paying their debts. This can have a negative effect on the borrowers' credit scores. If the borrower stops making payments on a loan, late fees and interest will be added to the debt each month. AFSA supports policies that regulate these companies and better protect consumers through fee limitations, mandatory disclosures, and data collection.

CURRENT EXPECTED CREDIT LOSS (CECL) STANDARD. The Financial Accounting Standards Board issued a new accounting standard requiring financial institutions to estimate and reserve for expected life of loan credit losses upon origination. While the goal was to record credit losses earlier to reduce procyclicality, the new CECL standard will actually exacerbate procyclicality by requiring increased capital, resulting in reduced credit availability and higher costs of credit, effects that will likely be exacerbated for low- and moderate-income consumers. AFSA urges a delay of CECL's implementation until a comprehensive quantitative impact study is conducted.

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB). AFSA encourages the CFPB to provide clear rules of the road through rulemaking and to educate and empower consumers to make better-informed financial decisions. AFSA also supports the Bureau's decision to end regulation by enforcement. The CFPB's rulemakings should be based on data and include clear cost-benefit analysis. The CFPB's internal, examination, and enforcement procedures must balance the needs of regulators, financial institutions, and consumers.

VOLUNTARY PROTECTION PRODUCTS. Credit insurance, debt cancellation, service contracts, GAP waivers, extended warranties, and other credit products play a critical role in delivering financial security to borrowers. AFSA resists efforts to limit consumer choice through misleading disclosures or other unfair regulatory requirements.

INDUSTRIAL BANKS. Industrial banks serve an important role in consumer and commercial lending and are subject to the same consumer protection laws as other financial institutions. AFSA opposes legislation that impacts new or existing industrial bank charters by imposing restrictions on their ownership or regulatory agency structure.

INNOVATION. AFSA supports policies that reduce barriers to innovation. Policymakers should encourage financial innovation by using regulatory approaches that promote flexible oversight, including stakeholder engagement, regulatory coordination, and experimentation. AFSA supports efforts to modernize and streamline licensing regimes to ensure state-licensed lenders are not disadvantaged in a changing marketplace.