November 4, 2019

Scott Corscadden, Supervisor
Bureau of Loans
401 Adams Avenue, Suite 680
Montgomery, AL 36104

Re: Proposed Rule 155-2-2-.12, Insurance – Alabama Consumer Credit Act

Dear Supervisor Corscadden:

On behalf of the American Financial Services Association ("AFSA"),[1] thank you for the opportunity to provide comments on the Bureau of Loans' ("BOL") proposed revision to the Alabama Consumer Credit Act regulation relating to non-filing insurance. As drafted, we have serious concerns with the proposed revision, which would create new compliance costs for loans and credit sales involving non-filing insurance by treating non-filing insurance like credit property insurance. We believe these new costs were not considered when the economic impact of the proposed rule was assessed in accordance with the requirements of Chapter 22, Title 41, Code of Alabama 1975.

Non-filing insurance saves time and reduces costs for loan transactions by eliminating overhead related to filing a security interest in property provided as security for a loan or credit sale. While other types of credit property insurance protect against loss of the secured property due to perils affecting the property itself, non-filing insurance protects only against losses incurred resulting from the lack of a security interest in the property. This significant difference means that credit property insurance directly relies on the retail value of the secured property, which is not the case for non-filing insurance, and treating these products as identical under the proposed regulation would not reflect the reality of this difference.

This new proposed requirement would create significant new compliance obligations for licensees in the state. While it may be relatively easy to assess the specific retail value of property like a motor vehicle, transactions involving less common or specialty items will present more of a challenge. These challenges will create new costs as the retail value of the secured property is assessed and could unnecessarily draw out the time required for individual loan transactions. Increases in the cost of loan transactions could mean higher costs for borrowers seeking credit in the state. We request that you reconsider your assessment that the proposed rule would have no economic impact for businesses or consumers in the state.

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[1] Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

Thank you in advance for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 202-469-3181 or mkownacki@afsamail.org.

Sincerely,

Matthew Kownacki
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