



April 07, 2020

The Honorable Michelle Lujan Grisham
Governor of New Mexico
490 Old Santa Fe Trail Room 400
Santa Fe, NM 87501

Re: Non-Bank Loan Servicing During the Coronavirus Pandemic

Dear Governor Lujan Grisham,

American Financial Services Association (“AFSA”)¹ members operating in New Mexico are in receipt of the Department of Health’s April 6 Public Health Emergency Order, and the Financial Institutions Division’s subsequent April 6 memo to licensed small loan companies, and are moving rapidly to comply.

As stated in our previous letter (April 6, 2020), it is our position that in order to mitigate the significant financial impact of the COVID-19 pandemic on its citizens, New Mexico should classify non-bank lenders as the federal government advises, as “critical infrastructure”. Forty-eight states have done so, following the Department of Treasury Memorandum dated March 22, 2020. The Secretary of Treasury’s memorandum points out the essential nature of these critical infrastructure workers to ensure citizens have access to financial services “that are necessary to their daily lives.” In the absence of this classification, yesterday’s Emergency Order will almost certainly cause harm to New Mexico citizens. Non-bank lenders are able to limit this harm, while complying with the spirit of the order and without risk to public health.

As things stand now, AFSA members are closing their community-based branch offices to the public and moving to reduce in-person workforces by 100 percent. Companies are looking to equip staff to work from home, procuring new equipment and developing new guidelines and practices that will allow them to do so. It will not be possible to achieve the 100 percent figure and still service existing loans. We ask for reconsideration that would allow reduced teams to operate from offices closed to the public, with strict adherence to New Mexico and Centers for Disease Control (CDC) mandates on social distancing.

We also ask that critical, non-bank lenders be given time to establish an operating model that allows some branch office staff to work from home. You will appreciate that below the branch manager level, very few staff members have the necessary technology at home that would allow them to service their New Mexico customers, particularly when one considers the privacy and security implications for loan servicing and the need for strict data protection. Indeed, in rural markets staff members may not have reliable internet access.

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.

If a reconsideration is not possible, and a realistic timeline for the establishment of an entirely new way of working is not promulgated, the financial hardship facing hard-working individuals and families in New Mexico will be compounded. Our customers are facing significant challenges. Many are dealing with unemployment and loss of income on an unprecedented scale. They are worried about making ends meet in the near term, but they also have their eye on the future. They are working out how they can emerge from the pandemic with the minimal damage to their finances, their credit scores and their prospects for future financial mobility.

This group, who have availed themselves of credit-building, safe and affordable installment loans in happier times, desperately need the opportunity to work with their lenders to take advantage of assistance options that lessen their immediate financial burden. Bank customers are able to do so, due to the “critical infrastructure” status that banks enjoy in your state. Customers of non-bank creditors are likely to face greater challenges than their banked neighbors. These customers have more significant needs including access to credit deferments, extensions, modifications and other mitigation opportunities. This is their only chance of exiting this crisis in a sustainable financial condition. Without that opportunity, all their past striving to build positive credit histories through diligent repayment, will have been for nothing. The price of the COVID-19 epidemic for New Mexican families should not be the chance of financial mobility.

This is not a niche issue. Many tens of thousands of New Mexicans rely on installment lenders to provide much-needed financial capability. They understand that traditional installment lenders, working from community-based branches and employing locally-recruited loan officers, make fully-underwritten loans and report loan performance to credit bureaus. As such, they are a far superior form of non-bank credit to now banned payday and title loans, something that is increasingly widely acknowledged.

We ask that AFSA members be permitted to work from offices that are closed to the public. This will allow staff of these critical non-bank lenders to provide the financial assistance that our New Mexico customers need. It is critical to those we serve that we are successful in doing this, and we appreciate anything that the administration and the department can do to help.

Thank you for your attention to this matter. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 952-922-6500 or dfagre@afsamail.org.

Sincerely,



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cc:

Marguerite Salazar, Superintendent of the New Mexico Regulation and Licensing Department
Chris Moya, Director of the Financial Institutions Division