



May 29, 2020

The Honorable J. B. Pritzker
Governor of Illinois
Office of the Governor
207 State House
Springfield, IL 62706

Re: Executive Order 2020-16 in response to COVID-19

Dear Governor Pritzker,

I write on behalf of the American Financial Services Association (“AFSA”)¹ to follow up on our previous letter of April 1, 2020, commenting on your March 28 executive order (Executive Order 2020-16, COVID-19 Executive Order No. 14) suspending provisions of the Uniform Commercial Code and the Illinois Vehicle Code regarding repossession of vehicles. We have received no acknowledgement of our letter and feel we must again urge action regarding vehicle repossessions in Illinois if the state is to avoid exacerbating the potentially catastrophic economic effects stemming from public policy aimed at containing the COVID-19 pandemic.

AFSA members are well aware that many people are struggling with their financial commitments through no fault of their own and that possession of a vehicle is often a critical factor in being able to find and attend work as lockdowns are lifted. Our members have been proactive in putting in place a number of emergency initiatives to help their customers during the pandemic. Among these has been an effort, common to AFSA members across the country, to willingly suspended repossession activities. This is in addition to unprecedented levels of deferments, extensions, fee waiver, and loan modifications.

Meanwhile, our members have continued to pay their staff and cover healthcare, meet their corporate infrastructure costs, and satisfy their own creditors and ABS investors. Some AFSA members have experienced a 200% increase in the cost of funds compared to three months ago, and many of our members’ portfolios are currently extended at 500% the usual rate. With most if not all of our members voluntarily refraining from repossession across the country for

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.

approximately 60 days so far, these factors together directly affect the ability of lenders to meet their own financial obligations and, for many of them, puts their existence in jeopardy.

Consumers are affected too. Under GAAP, many of AFSA's vehicle finance members must charge off an account and accelerate the debt at 120 days of non-payment. This means that someone who was behind in payments prior to the pandemic may already be approaching the mandatory charge-off period in our own credit obligations. Forcing acceleration and charge-off of receivables without allowing for repossession of the collateral to be sold to offset the charged off amount will hurt consumers by increasing the charge-off severity. Any impact on the ability of lenders to offer sustainable credit will raise the cost of credit and reduce credit availability across the board, with the effects felt most acutely by credit-challenged individuals. This must be avoided at a time when consumers in Illinois are looking for financial resources to help their recovery from the consequences of the pandemic.

For these reasons, the repossession ban must be reconsidered at the earliest opportunity. Repossession is critical to the secured loan business model, in which a vehicle fulfills the role of collateral, reducing the risk the lender takes on, and lowering the price for borrowers. Without the ability to repossess the collateral after months of non-payment, the model fails. While we applaud Executive Order 2020-16's language making clear that it does not relieve any individual of making payments or obligations under a loan agreement, we believe now is the time to loosen the constraints imposed, and allow companies to restart the repossession of motor vehicles where appropriate. This is essential to business viability.

Thank you for your attention to this matter. If you have any questions, or if AFSA can be of further assistance to you in any way as you move forward, please do not hesitate to contact me at 952-922-6500 or dfagre@afsamail.org.

Sincerely,



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