



NJ S.2330 AFSA Testimony

**Testimony of Danielle Fagre Arlowe**  
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Good afternoon and thank you Mr. Chairman. For the record, my name is Danielle Fagre Arlowe. I am the Senior Vice President for the American Financial Services Association, known as AFSA. AFSA is a national trade association of financial institutions that provide credit for consumers and small businesses. I thank you sincerely on behalf of AFSA and its members for this opportunity to testify on this matter.

AFSA members share the legislature's goal of providing relief to borrowers facing financial hardship due to COVID-19 and continue to work with borrowers to help them stay current on their accounts and keep their vehicles and homes during this emergency. Nevertheless, we have very serious concerns relating to SB 2330's substantial new requirements for creditors working with consumers in New Jersey.

We understand that amended bill text would limit the scope of the bill by removing Section 3. We applaud these changes, as Section 3's requirements were particularly problematic. For instance:

- the prohibition on threats of a new **collection lawsuit** could have prevented lenders sending certain communications necessary to comply with federal law, even though the letters provide necessary information and options for borrowers to manage their commitments;
- the restrictions on **repossession** could have prevented creditors from securing vehicles at risk, despite the vehicle not being in the borrower's possession; and
- a broad prohibition on **communication** by phone would preclude certain creditors from communicating with their own customers, in many cases, preventing these creditors from

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proactively reaching out to consumers to offer relief and provide information on programs available.

Because many AFSA members have been providing relief since the emergency began, such restrictions are unnecessary, and removing them from the bill will better allow creditors to continue to focus on providing direct relief to those consumers facing hardship rather than diverting resources toward compliance with vague requirements.

Amendments limiting the **covered period** to the sooner of 90 days past the state of emergency or December 1, 2020, would also be a step in the right direction. However, extending the bill's application even 90 days past the emergency declaration would create further implementation problems and make New Jersey an outlier relative to other states, which have limited effective periods to the length of the emergency declaration.

The bill would also restrict consumer report users from considering adverse credit information resulting from COVID-19, but **credit decisions are not made solely based on the status of any single credit account**, making it impossible to isolate or disregard the specific effect of coronavirus-related adverse information at the consumer report user level. Creditors do not have the ability to remove or dissect information from a consumer report, or to identify how that information may have affected an individual's credit score.

This provision could limit the ability of creditors to use consumer reports overall and thus affect the availability of credit for New Jersey consumers. This significant harm would come with little added consumer benefit, as the federal CARES Act provides protections and relief for consumers from adverse credit reporting due to the coronavirus outbreak, and creditors are already taking steps to implement these changes. Any New Jersey-specific changes to the credit reporting systems and processes, and development of new or revised credit models, would require significant time to implement, test, and validate, and thus could not be implemented in the time period contemplated by the bill.

This is an overview of our concerns. We can provide more detail, including suggested language, upon request of the committee. Thank you very much for your attention.