

VEHICLE REPOSSESSION

The ability to repossess a vehicle and reclaim its value in the event of a loan default is an essential element in gauging loan risk, and thus, setting loan pricing. Vehicle repossessions are a process of last resort for lenders, who often lose money in the process. Far preferable is a process whereby the lender works with the borrower to manage their default. A continuous dialogue between the financial institution and its customer is the most effective means of identifying a mutually beneficial arrangement in which the consumer can retain the vehicle while also satisfying his or her obligation to the finance source.

For their part, vehicle finance companies proactively reach out to their customers experiencing financial difficulty to initiate a dialogue that will result in a workable arrangement between both parties. Financial institutions recognize that each individual's situation, credit history, and account history vary; therefore, they work with individuals on a case-by-case basis to find ways to remedy an account problem whenever possible.

AFSA'S POSITION

Though a last resort, repossession is sometimes the only option available. AFSA members recognize that the repossession process must be handled cautiously and are committed to ensuring that repossessions are conducted professionally and in full compliance with all applicable laws and regulations. AFSA members stress to their repossession contractors the necessity that all repossessions be peaceful and fully compliant with the law.

While repossession is not the desired outcome for either the vehicle finance company or its customer, the current self-help process creates operational efficiencies. Those efficiencies are passed on to consumers in the form of lower credit costs. Efforts to alter longstanding state laws that provide for self-help repossessions are misguided and will likely result in a more complex, lengthy, and costly repossession process. Further restrictions would increase costs passed on to consumers in the form of higher finance rates and fees, and tighten the availability of affordable credit to consumers with less than perfect credit histories.

AFSA and its members are strong supporters of programs that educate consumers on the financial responsibilities that come with financing a vehicle. An industry-wide coalition known as Americans Well-informed on Automobile Retailing Economics (AWARE) provides educational tools to help consumers before, during, and after the vehicle purchasing/leasing process. Additionally, the free brochure, "Understanding Vehicle Financing," produced by the American Financial Services Association Education Foundation (AFSAEF) and the National

Automobile Dealers Association (NADA) in cooperation with the Federal Trade Commission (FTC), provides information to help consumers learn about financing a vehicle at a dealership and how to evaluate their personal financial situation before financing a new or used vehicle. The brochure is available in both English and Spanish.