

GPS AND PAYMENT ASSURANCE DEVICES

Technological developments in the area of Global Positioning System (GPS) location and starter-interrupt devices have reduced the risk of default and costs of recovery for many sources of vehicle credit.

Financed vehicles fitted with payment assurance devices can be traced when the consumer is in default to enable their quick and efficient recovery, saving money and allowing vehicles to be secured in good condition for subsequent sale. Furthermore, they bring significant debt-management benefits to borrowers, typically scheduling electronic reminders when a loan is about to go into default, and focusing borrowers on the need to prioritize their repayment if they are to avoid being unable to start their vehicle.

Despite this, these devices have been criticized by some as assaults on privacy or even as risks to road safety, leading some state policymakers to look for ways to regulate their use. This naturally concerns vehicle finance companies, most of which believe that GPS and payment assurance devices enable them to keep prices low and thereby serve a broader group of customers.

AFSA'S POSITION

The American Financial Services Association (AFSA) is concerned at the prospect of new laws that would restrict the use of payment assurance technology on the ground that doing so would remove a valuable tool that allows vehicle finance companies to keep their costs lower and increase the number of credit options available to borrowers.

AFSA members report that contracts requiring GPS and payment assurance devices perform better and have a lower risk of default than other contracts. This is attributed both to the ability to create timely reminders for borrowers that their loans are about to go into default, and to the focus that the prospect of being unable to start their vehicle gives to borrowers.

Furthermore, AFSA appreciates that GPS and payment assurance devices have a secondary function as safety devices, allowing, among other things, stolen cars to be tracked and recovered. As such, they can reduce insurance premiums for users.

AFSA does support some conventions relating to the use of GPS and Payment Assurance devices:

- Data provided by GPS technology relating to location must be closely protected and released to recovery specialists in a controlled way.
- The presence of GPS and payment assurance devices must be fully disclosed to the borrower during the loan process and its features and functions fully explained. Our members disclose and explain these technologies.