

February 26, 2021

The Honorable Rick Francis  
Chairman, House Financial Institutions Committee  
201 West Capitol Avenue  
State Capitol, Room 412-C  
Jefferson City, MO 65101

**Re: House Bill 571**

Dear Chairman Francis,

I write on behalf of the American Financial Services Association (“AFSA”)<sup>1</sup> to express our support of HB 571, which would, among other provisions, provide clarity to state law regarding the amount a lender may collect in the event a consumer defaults on a loan contract. This clarity will help maintain the integrity of loan contracts across the life of the loan and ensure that Missouri borrowers continue to have access to affordable credit.

When consumers finance the purchase of a vehicle using a retail installment contract, they agree to repay the amount financed plus interest that accrues at a rate set forth in the contract. Consistent with state law, if the borrower defaults on the loan, the retail installment contract will also allow the lender to continue to collect interest on the amount owed until a final judgment. While we believe that current law clearly authorizes the collection of post-default interest, we are aware of several cases that have challenged this interpretation for existing contracts. These cases have resulted in some uncertainty about the ability of lenders in Missouri to collect interest following a contract default.

Prohibiting post-default interest could create an incentive for borrowers to stop making payments on their loans in order to stop interest from accruing at the contract rate by triggering a temporary default while still hanging on to their vehicles. Unfortunately, the added costs associated with increased defaults would likely mean a higher cost of credit for all borrowers, including those who make all of their payments on time.

Importantly, HB 571 would amend current law to make clear that lenders are authorized to collect interest when a borrower defaults on the contract. No other state prohibits the collection of post-default interest, so this small change would ensure that Missouri law is clearly consistent with other states and modern credit practices. As drafted, the bill would authorize lenders to collect the full amount they are entitled to and help keep costs low for customers who pay on time.

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<sup>1</sup> 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 traditional installment loans, direct and indirect vehicle financing, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

In addition to HB 571's important provisions regarding post-default interest, the bill also makes a positive change to the existing requirements for lenders when a consumer pays a retail installment contract in full. The bill would provide more flexibility for lenders to provide proof of payment and simplify the process for lenders and borrowers.

For these reasons, we urge you to support this legislation as proposed. Thank you in advance for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 202-469-3181 or [mkownacki@afsamail.org](mailto:mkownacki@afsamail.org).

Sincerely,

A handwritten signature in blue ink that reads "Matthew Kownacki".

Matthew Kownacki  
Director, State Research and Policy  
American Financial Services Association  
919 Eighteenth Street, NW, Suite 300  
Washington, DC 20006-5517

cc: The Honorable Bill Owen  
Members of the House Financial Institutions Committee