

The U.S. has a full history of evolving national consumer financial protection laws to ensure consumers are fairly and responsibly treated by financial institutions. Some 22 different federal laws, spanning eight different agencies, create a layered system of laws that protect consumers. The steady progression of these laws promotes a rich and diverse economy where consumers have tremendous choice in accessing a myriad of credit products from a wide variety of sources. Economic justice and opportunity for all Americans is best assured by a regulatory regime that provides consumer credit access. As our economy changes and evolves, our consumer finance laws must keep up. With an eye toward improving our existing system, we offer the following priorities to strengthen the marketplace for today's consumers:

RATE CAPS

AFSA strongly opposes efforts to impose harmful interest rate caps, which would severely limit access to safe and affordable credit for many Americans. Rate caps disproportionately harm the very people they are intended to help because they lead to increased overall cost, longer terms, less transparency, and less general credit availability. Additionally, calculations for rate caps should not include the cost of optional products.

VEHICLE FINANCE

Most consumers who finance a vehicle purchase opt for dealership financing, where credit is extended by the dealer and the resulting retail installment sales contract is then assigned to a finance company, bank, or credit union. AFSA encourages policymakers to support the current model of dealership financing, which promotes competition and enables the consumer to negotiate a fair deal.

SMALL-DOLLAR LOANS

Policymakers should preserve consumer access to traditional installment loans. For over a hundred years, well-regulated installment lenders have provided access to safe and affordable credit. AFSA opposes attempts to limit the use of clear and transparently marketed prescreened offers of credit or "live checks," which offer a convenient way for creditworthy borrowers to obtain installment loans.

SERVING THE MILITARY AND VETERAN COMMUNITIES

AFSA seeks to maintain access to responsible credit for the military and veteran communities and is committed to educating servicemembers and their families to improve financial literacy. AFSA will continue to engage with policymakers regarding the Military Lending Act (MLA) and its implementing regulations. While AFSA supports the MLA's goal to protect military families from harmful credit products, the association strongly believes that military families and veterans should be able to access safe and affordable credit and credit protection products. AFSA also strongly encourages the Department of Defense to allow the credit bureaus to share anonymized MLA data for independent researchers to analyze the effect the MLA has had on servicemembers and their families.

RESTORING THE PRIMACY OF CONGRESS AND RETAINING AN IMPARTIAL JUDICIARY

The administrative state has amassed great power over the economy with little deference to Congress—the fount of the underlying statutory law. We support meaningful congressional oversight and independent judicial review to ensure agencies are not exceeding their statutory mandates in the rulemaking, guidance, and enforcement functions. AFSA opposes HR 6107, the Stop Corporate Capture Act, which codifies "Chevron deference," forcing judges to defer to federal regulators' interpretation of the law.

CREDIT PRICING

Risk-based pricing is the cornerstone of the American consumer credit system and fosters financial inclusion. AFSA opposes efforts that restrict lenders' ability to price credit based on risk.

AFFORDABLE CREDIT CAUCUS

AFSA supports the formation of a Congressional caucus with the mission of increasing accessibility of affordable and regulated financial services for people in every community.

CREDIT REPORTING

AFSA supports the voluntary furnishing of consumer information to credit reporting agencies (CRAs) in accordance with the Fair Credit Reporting Act (FCRA). AFSA also supports the proper handling of direct and indirect credit reporting disputes and encourages consumers to work with the furnisher or CRAs directly to address any concerns with information in their credit reports. AFSA asks that policymakers work to address the increasing number of meritless credit disputes that create needless compliance burdens and harm consumers. AFSA also cautions policymakers against suppressing negative information, which could result in borrowers getting loans they cannot afford.

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

AFSA encourages the CFPB to provide clear rules of the road through rulemaking and to educate and empower consumers to make better-informed financial decisions. The CFPB's rulemakings should be based on data and include clear cost-benefit analyses. The CFPB's internal, examination, and enforcement procedures must balance the needs of regulators, financial institutions, and consumers.

ARBITRATION

Arbitration is governed by the Federal Arbitration Act and has been approved by the U.S. Supreme Court. It is a fair and effective mode of settling disagreements between borrowers and financial institutions. The CFPB's own study shows that arbitration is inexpensive, fast, and beneficial to consumers. As such, it should be preserved.

SMALL BUSINESS LENDING

The Dodd-Frank Act added extensive data collection requirements to the credit application process for small businesses, which will result in significant additional costs for financial institutions, as well as a reduction in credit and increased costs for borrowers, potentially without commensurate benefits. We are concerned about the impact the CFPB's rulemaking in this area will have on the availability of credit to small businesses. The CFPB's rules should ensure that the collection requirements are reasonable and beneficial.

DEBT COLLECTION

Debt collection laws and rules must continue to distinguish between creditors collecting their own debt and third-party debt collectors. Creditors and third-party debt collectors have different business models, as Congress recognized when it enacted the Fair Debt Collection Practices Act. Creditors have a very short window in which to reach their customers who have missed a payment to help them avoid damaging consequences.

ANCILLARY PROTECTION PRODUCTS

Credit insurance, debt cancellation, service contracts, GAP waivers, extended warranties, and other credit products play a critical role in delivering financial security to borrowers. AFSA resists efforts to limit consumer choice through misleading disclosures or other unfair regulatory requirements.

INDUSTRIAL BANKS

Industrial banks serve an important role in consumer and commercial lending and are subject to the same consumer protection laws as other financial institutions. AFSA opposes legislation that impacts new or existing industrial bank charters by imposing restrictions on their ownership or regulatory agency structure.

DATA PRIVACY/SECURITY

Financial institutions are subject to privacy and data breach notification requirements under federal and state laws. Yet, consumers remain vulnerable to identity theft and fraud because breaches of personal and financial data commonly occur at retailers and other businesses. Meaningful protections will require cooperation by all industries, and a comprehensive approach to securing sensitive information is long overdue. AFSA supports a nationwide standard that preempts state law to promote uniformity and coordination among all entities entrusted with private consumer data. Additionally, any nationwide standard should include a provision limiting private lawsuits.