

Testimony of the American Financial Services Association in support of Iowa SSB 1020:

A bill for an act relating to refund payments made in connection with
motor vehicle debt cancellation coverage

January 17, 2023

Mr. Chairman and members of the Subcommittee, I am Danielle Fagre Arlowe, Senior Vice President of the American Financial Services Association. Thank you for the opportunity to speak today in support of SSB 1020.

We represent the vehicle finance industry, including big banks, captive vehicle finance companies, and variously sized independent auto finance companies. We do not represent credit unions, so we appreciate the opportunity to work with Mr. Hupfer in support of the bill.

Simply stated, Creditors do not make money on the sale of the GAP agreement and should not be responsible for refunding money to the consumer that went to the dealer or administrator. The dealer and the administrator receive the proceeds from the sale of GAP, out of which the refund to the consumer is due.

Though some of our members refund unearned GAP directly on a national basis, as a matter of law it should not be required of us, because except in the relatively rare circumstance where it's our own product sold, we are simply neither in the best position to calculate the refund due, nor holding the proceeds from which the refund is to be made.

Thank you so much for the opportunity to testify today. I would be pleased to address any questions you may have.