



## 2023 State Priorities

### **Optional Protection Products / Ancillary Products / Voluntary Protection Products**

Optional protection products—also known as ancillary products or voluntary protection products (VPPs)—are intended to allow borrowers to create loans that meet their personal needs. These products reduce credit risk and can provide borrowers an opportunity to ensure they are protected if an unanticipated event interferes with their ability to meet financial obligations. AFSA members support measures promoting transparency and clarity in marketing and contracting for ancillary products and believe such enhancements can play an important part in protecting consumers and preserving credit access. AFSA strongly supports legislative and regulatory efforts that protect consumers and promote credit access and encourages support for proposals that maintain and safeguard consumers' access to products that they value and rely upon.

### **Credit Pricing**

Risk-based pricing is the cornerstone of the American consumer credit system and democratizes access to credit. AFSA opposes state efforts that restrict lenders' ability to price consumer credit based on risk. While AFSA stands shoulder to shoulder with state legislators and regulators on the goal of fighting discrimination in lending, we look very closely at the details of such proposals to make sure that there are not, in fact, other negative consequences for borrowers.

### **Privacy and Cybersecurity**

AFSA continues to monitor a host of legislation on data privacy, security breach, identity theft, credit reporting and Social Security Number restrictions to make sure these proposals do not contain provisions with unintended consequences for consumer credit access. Comprehensive data privacy regulations should take into account the myriad privacy laws by which financial institutions already abide and include an exemption for entities regulated by the Gramm-Leach Bliley Act.

### **Collections**

AFSA opposes laws that impose burdensome debt validation requirements or duplicative licensing and registration requirements on creditors collecting their own debts or who take assignment of current obligations prior to default. AFSA also opposes bills that would impose greater restrictions on collections and call limits, especially when state legislation would conflict with existing federal law. AFSA continually monitors proposals for these provisions and is committed to developing a regulatory landscape that provides appropriate consumer protections, while enabling creditors to collect their debts and continue offering affordable credit to consumers.

### **Rate Expansion / Modernization**

Low rate caps are outdated and risk creating credit deserts by reducing the ability for lenders to extend credit to their customers. AFSA supports efforts to modernize rate bands for installment loans, which invites more competition in the market and broadens access to safe and affordable credit.

### **Traditional Installment Loans**

Traditional installment loan companies have long operated within a structured legal framework and are regulated, licensed and examined by state and federal consumer protection agencies. AFSA is committed to helping ensure legislation, ballot measures, local zoning ordinances and various databases aimed at the payday industry do not inadvertently affect the installment lending industry.

### **Military Protection**

States are increasingly introducing legislation to protect military servicemembers and their dependents. AFSA supports this effort but remains vigilant about legislation that might prevent borrowers from accessing legitimate and transparent lending products.

## **Interchange Restrictions**

The electronic payments system enables merchants to receive guaranteed payment for goods purchased and provides countless other benefits. AFSA opposes legislation that would impose price-controls on interchange fees.

## **Other Card Restrictions**

The payment card industry is one of the most competitive industries in the country. Particularly since credit cards are unsecured loans, issuers cannot function effectively without the ability to price for risk to avoid default. AFSA opposes unreasonable state legislation on card practices. Such legislation may have the unintended effect of cutting off credit options for numerous consumers.

## **Franchise Legislation with Captive Effects**

AFSA members value dealer relationships on both the captive and non-captive side. AFSA opposes placing financial institution provisions in vehicle franchise legislation.

## **Securitization Threats**

AFSA opposes legislation that would interfere with the securitization of vehicle financing contracts, including lienholder notification to the owner of the vehicle of the assignment of the security interest to a third party, or other measures that would interfere with the reliability of the retail installment sales contract.

## **Repossession**

Repossession is a result that neither consumers nor financial institutions want. Vehicle finance companies seek to avoid repossession wherever possible, using this process only as a last resort. AFSA members are committed to ensuring repossessions are conducted professionally and in full compliance with all applicable laws. AFSA opposes measures further restricting repossession, or lengthy moratoriums, which may result in higher credit costs for consumers financing the purchase of vehicles. Temporary moratoriums should include exemptions for voluntary surrender and recovery of collateral at risk.

## **Mortgage Lending and Foreclosure Prevention**

AFSA supports reasonable measures aimed at helping distressed borrowers keep their homes wherever possible. For AFSA members, foreclosure remains an option of last resort. When a property is foreclosed and responsibility for the property has been legally transferred to the lender, AFSA members agree that the lender should then be responsible for maintaining the property and be subject to fines the city would impose on any other homeowner if the property is not maintained. AFSA objects to ordinances that would hold lenders responsible for the maintenance of abandoned property before a foreclosure process is complete.

## **Remote Work**

AFSA members remain committed to safeguarding employees and customers, mitigating risks to the continuity of operations, and ensuring credit remains available to consumers who need it, and this must continue to be accomplished through remote work. Technology advancements have made working remotely more effective than ever and mostly indistinguishable from on-site operations. For appropriate business models, it will continue to be in the best interest of consumers and employees for all licensees to continue remote work well beyond the initial phases of the pandemic. AFSA supports permanent authorization of remote work for employees of licensees.

## **Algorithms**

AFSA members use algorithms, automated decisioning, artificial intelligence, and other automated tools to benefit consumers and reduce bias in lending decisions. Recent attempts to restrict the use of these technologies have been misguided. AFSA is dedicated to educating policymakers on the crucial ways these innovations help expand access to safe and affordable forms of consumer credit.