



## **OPPOSE HARMFUL REPOSSESSION MORATORIUMS IN NEXT COVID RELIEF PACKAGE**

America's collateral recovery industry performs an essential role in our nation's financial system. Under certain circumstances, when a borrower is in default of a retail installment contract for an extended period of time, a repossession may be initiated. In recent months, the House of Representatives has twice passed a six-month moratorium on repossessions in the HEROES Act (HR 6800) and the Emergency Housing Protections and Relief Act (HR 7301). Although advocates believe the moratorium will provide consumer relief during COVID-19, an objective we all support, these provisions have been drafted so broadly as to actually further exacerbate economic hardship in certain circumstances. In addition, such blanket deferments serve only to harm prospective consumers as those costs are inevitably passed on to other new and used car buyer through higher finance rates.

As Congress begins to negotiate the next COVID response package, we urge you to oppose the inclusion of these harmful and overly broad provisions for the following reasons:

### **Direct Industry Harm**

According to the Bureau of Labor Statistics, there are more than 230,000 Americans employed in asset recovery and related fields. A federally-mandated moratorium on repossessions will be catastrophic to these workers, most of whom work for small businesses. There are very few, if any, industries which Congress has explicitly prevented from performing their jobs over such a long period of time.

### **Unintended Consumer Harm**

For many consumers facing financial hardship, certain types of collateral repossessions are less expensive and provide greater consumer protection. For example, if the consumer cannot afford to retrieve their vehicle from a tow yard, the tow yard will sell the vehicle at a lien sale auction. As a result, the consumer is responsible to pay the lender for the entire balance of the loan, even though the consumer no longer has possession of the vehicle. However, if a car is picked up by a repossession agency from the tow yard and sold at auction in a commercially reasonable manner on behalf of the lender, the consumer is only responsible for the deficiency balance as opposed to paying off the entire loan.