



THE COST OF COVID-19

Repossessions in the wake of a global pandemic

About COVID-19

Most states have begun to reopen businesses, and some lenders have started to send out repossession work. While it can be a relief to get back to “normal” life, we must seriously consider the safety of our employees and customers as we proceed with repossessions.

The CDC has suggested that all employers implement and update, as necessary, a plan that:

- Is specific to your workplace,
- Identifies all areas and job tasks with potential exposures to COVID-19, and
- Includes control measures to eliminate or reduce such exposures.



CDC Recommendations

While the CDC makes it sounds simple, execution is complicated and costly.

Each company will be different depending on current repossession volume and operation procedures, but all measures fall into the following three categories:

- Reducing unnecessary personnel
- Social distancing of 6 ft or more
- Stringent cleaning and safety measures



Limiting Person-To-Person Contact

Limiting the amount of people coming into contact with one another is the surest way to stay safe from the virus.

- Allow for telework or work-from-home whenever possible
- Eliminating contact with customers whenever possible (no doorknock services)
- Taking vehicle/property appointments by appointment only, and limiting the number of appointments per day to ensure adequate time to clean and sanitize
- Only allowing one person per appointment to enter the premises
- Allowing for flexible sick time for employees who may feel ill
- Reducing contact between agents and other employees via no-contact paperwork drops if necessary



Social Distancing

When physical presence is required, social distancing of six feet or more is recommended for maximum safety.

- Mark on flooring where to stand to remain 6 ft apart
- Reduce any repossession teams to single agents
- Reduce any inventory processing teams to single employees
- Move workstations as necessary to maintain 6 ft distance
- Install plexiglass barriers where possible to separate employees from customers
- Eliminate cash handling if possible and implement touchless payment



Cleaning & Safety

Cleaning and safety are the most time- and cost-intensive steps which are still critical to businesses remaining open.

- Daily health checks
 - For all employees, a temperature check and/or a list of questions (“Do you have a fever? Have you been diagnosed with COVID?”) when they arrive for their shift. Choose a manager or point person to monitor and send employees with symptoms home.
 - For customers entering the premises for vehicle/property redemptions. A quick-read thermometer and/or a list of questions (“Do you have a fever? Have you been diagnosed with COVID?”) can be provided to the employee(s) interacting with customers.
- Cleaning & Sanitization
 - Regular, thorough cleaning of all areas where customers come into the premises, between all appointments.
 - Regular, thorough cleaning of all repossession trucks at the beginning and end of each shift.
 - Cleaning and disinfecting of all customer vehicles upon repossession before and after the inventory process.
 - Cleaning and disinfecting of all customer vehicles prior to release
- Issuance of PPE
 - Masks and gloves for all employees dealing with customers, or customers’ property
 - Should be changed after every interaction with a customer
 - Should be changed after the processing/condition report of every vehicle
 - Cloth or disposable masks for non-customer facing employees are also recommended (provide at least two per employee)



Risks

Risks of not complying with the recommended safety measures are numerous, the foremost of those being:

- Transmission of COVID to customers (actual or alleged)
- Transmission of COVID among employees (actual or alleged)
- Litigation as a result of the above
- Failure to meet SLAs
- Excessive absenteeism of employees
- Loss of business/clientele



Monetary Costs

- PPE Costs
 - Disposable Masks: \$1.00-\$3.00 each
 - Gloves: \$0.50 - \$1.00 per pair
 - Cloth masks: \$5.00 - \$10.00 each
- Increased cleaning costs
 - Antibacterial cleaners: \$7.00 - \$10.00 per 32 oz. bottle
 - Antibacterial wipes: \$0.15 per wipe
 - Paper towel: \$0.05 per towel
 - Hand soap: \$15.00/gallon (200 uses)
 - Hand sanitizer: \$30.00/gallon (200 uses)
- Thermometer(s) for health checks: \$50.00 - \$60.00 each
- Workspace overhaul/remodeling
 - Plexi barriers: \$100 and up
- Increased labor - hours or personnel: US average of minimum wage is \$9.32*
- Signage



Process Walkthrough

- A vehicle is repossessed by an agent, wearing a mask and gloves (\$2.75).
- He wipes down parts of the vehicle before touching with two antibacterial wipes (\$0.30/+2 minutes) and brings the car back to the yard.
- Another employee, wearing a mask and gloves (\$2.75) wipes down the inside of the car and all door/trunk handles using 2 oz. of antibacterial cleaner and 10 paper towels (\$1.10/+5 minutes). He takes extra time completing an inventory of the property to ensure he is not exposing himself unnecessarily (+10 minutes).
- After completing the inventory, he wipes down the inside of the vehicle and all door/trunk handles using 2 oz. of antibacterial cleaner and 10 paper towels (\$1.10/+5 minutes).
- The vehicle is stored until release.



Process Walkthrough

- Upon release, a customer makes an appointment with an employee wearing a mask (\$2.00).
- An employee meets the customer, wearing a mask and gloves (\$2.75). He takes his temperature and has the customer sign paperwork on a clipboard, which has been wiped down with an antibacterial wipe (\$0.15/+1 minute). The clipboard is wiped down again with another wipe when the customer is finished (\$0.15/+1 minute).
- The employee goes to the customer's vehicle and wipes it down entirely using 2 oz. of cleaner and 10 paper towels (\$1.10/+5 minutes) before releasing it to the customer.
- The employee then cleans the door and all surfaces of the room the customer was in using 2 oz. of cleaner and 10 paper towels (\$1.10/+5 minutes).



Added costs

Total PPE cost: \$15.25 per vehicle

Total additional labor: 34 minutes x \$9.32/hour = \$5.28

(can be up to \$7.65 in places like California or Washington)

Total hard cost added to repossession, on average: \$20.53

This calculation does not include the one-time costs of things like plexiglass barriers, signage, or thermometers, and is *just* for expenses directly correlated to the vehicle. Additional hard costs for things like increased handwashing will also be incurred.



Non-monetary costs

In addition to providing PPE, there are a multitude of factors which do not have a direct dollar amount correlated but still greatly affect the bottom line.

- Monitoring of work-from-home employees
- Reduced number of appointments available
- Slower processing of cars/property
- Increased, ongoing training of safety procedures
- Providing additional employee sick leave
- Operating with reduced staff



Recommended Service Fee

It is inarguable that safety precautions must be taken to protect our employees and our customers from the threat of COVID-19. The increased time, expense, and effort that must be expended to accommodate all these safety measures are eating into what are already a razor-thin margin in the repossession industry, causing undue burden on the people who physically effect the repossessions.

It is the ARA's recommendation that a service fee of **no less than \$50** be levied on each repossession in order to defray the increased cost of doing business, until such time as restrictions are lifted and COVID-19 is no longer deemed a threat.



References

- “Interim Guidance for Businesses and Employers Responding to Coronavirus Disease 2019 (COVID-19)” May 6, 2020 <https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html>
- “Reopening Guidance for Cleaning and Disinfecting Public Spaces, Workplaces, Businesses, Schools, and Homes” May 7, 2020 <https://www.cdc.gov/coronavirus/2019-ncov/community/reopen-guidance.html>
- “Prepare your Small Business and Employees for the Effects of COVID-19” April 4, 2020 <https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-small-business.html>
- “Guidance on Preparing Workplaces for COVID-19” OSHA 3990-03 2020 <https://www.osha.gov/Publications/OSHA3990.pdf>
- “What Food and Grocery Pick-up and Delivery Drivers Need to Know about COVID-19” April 17, 2020 <https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/food-grocery-drivers.html>

It is also recommended to also check state-specific guidelines, as some states may have more stringent mandates for health and safety.

