

## Partner Anastasia Caton shares collections insights in the wake of COVID-19 with SubPrime Auto Finance News

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*SubPrime Auto Finance News* recently reported that six different federal regulatory agencies have encouraged auto finance institutions to work constructively with borrowers affected by COVID-19 while providing additional information regarding loan modifications. According to *SubPrime*, the agencies, which included the Federal Reserve, Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC), not only encouraged financial institutions to work with borrowers, but said they will not criticize institutions for doing so in a safe and sound manner. The regulators also said they will not direct supervised institutions to automatically categorize loan modifications as troubled debt restructurings (TDRs).

Hudson Cook Partner Anastasia Caton was asked to share insights about what those recommendations and upcoming actions by lawmakers might mean for collections and repossessions. "The proposals floating around in Congress . . . relating to debt collection are well-intentioned" said Anastasia. For example, Sen. Sherrod Brown introduced legislation that would amend the federal FDCPA to effectively prohibit debt collectors (not creditors) from actively attempting to collect debt, including by repossession, during a disaster period. Rep. Maxine Waters released a memo proposing to suspend all consumer and small business credit payments during a pandemic, to suspend all negative consumer credit reporting during the pandemic and for 120 days after the pandemic ends, and to prohibit collection of all consumer debt, including medical debt, and repossessions during the pandemic and for 120 days after it ends.

Anastasia notes that although it does not appear that either Sen. Brown's bill or Rep. Waters' proposals will be a part of the current stimulus package, that does not mean they will not be a part of later legislation addressing the ongoing crisis, especially as circumstances evolve. With the potential looming for more aggressive steps to limit collection, Anastasia recommends that auto finance companies should consider how they might revise their collection strategies, including by curtailing collection activity, reassessing repossession policies, and pivoting to customer assistance programs (e.g., payment accommodations and modifications) as the primary objective of customer outreach.

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