Auto finance compliance predictions for 2021

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Trying to predict what auto finance compliance will look like in 2021 makes me chuckle, as I think back to this time last year and how, despite our best efforts, none of us could have predicted the events of the past 12 months.

In January 2020, no one had heard of COVID and very few people had lived through a pandemic. I, for one, am glad that 2020 is over. For those of you who don't like change, my fear is that, in some respects, 2021 may be more of the same. For those of you clamoring for change, I think you will be satisfied, too.

Of course, the coronavirus and its impact on the economy cannot be understated as the nation and globe continue to grapple with the virus well into 2021. Undoubtedly, the resulting economic fallout will continue to negatively impact borrowers' ability to repay.

It remains to be seen, as of this writing, whether the lame-duck Congress or the new presidential administration will enact the additional economic stimulus packages that may delay those effects, but will not eliminate them entirely. Regardless, lenders will need to anticipate higher delinquency rates and the possibility of new payment-remediation programs.

COVID-19's secondary impact on the auto finance market relates to how anticipated surges of the virus will result in stay-at-home orders in the winter months — and the related impact on vehicle sales, which will obviously impact new financing originations.

The change in federal administration will also surely influence the auto lending market. Given the recent Supreme Court decision regarding **Consumer Finance Protection Bureau** leadership, President-elect **Joe Biden** will almost certainly make personnel changes at the highest level of the CFPB, which the Republican administration has championed.

With a CFPB director appointed by a Democrat, we can expect to see a return to the Cordray-era agency, with it taking a more activist approach to regulation. We can also anticipate a return to regulation by enforcement, as opposed to the Trump administration's approach of cautious rulemaking and pursuing egregiously bad actors. We will likely see greater emphasis on fair lending and reinvigoration of the CFPB's Office of Fair Lending, which was significantly diminished under the two most recent directorships. The industry can expect a reversion to big-picture examinations in place of the Bureau's recent focus on "low-hanging fruit."

Congress may also get into the act more aggressively, as was evidenced by U.S. Rep. **Maxine Waters**, chairwoman of the **House Financial Services Committee**, who sent a letter to Biden relating to debt-collection activities. In that letter, Waters urged the president-elect to rescind the recently enacted final debt-collection rule when he takes office. With a Democratic administration, the actions of a Democrat-controlled House of Representatives may have more teeth.

Finally, 2021 will usher in California's new **Department of Financial Protection and Innovation**, or DFPI, the state's mini-CFPB. The financial services industry at large waits with bated breath to observe its impact on the marketplace. Moreover, will other states follow California's lead, as they have in the past, empowering state agencies to pick up the federal oversight slack? Or will states take a wait-and-see approach as the new administration takes office in Washington, D.C.?

This is what I'll be watching in the coming year. If my past prognostications are any indication of my accuracy, you can expect many other unknowns to impact the world of auto finance. At the very least, I hope that 2021 will be less unpredictable than its predecessor.

Good riddance, 2020, and happy new year to you all.

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