

Predicting the top compliance issues for 2020

January 20, 2020

Wow, 2019 has blown by, and we now turn our sights to 2020 — a new decade.

Building on my 2019 Year in Review December column, let's explore some possible topics on the compliance horizon for 2020. There has been speculation as to the year's financial forecast, with mixed messages on what to expect from the economy, fueled in part by the recent jobs report.

If the economy takes a downturn, consumer ability to qualify for credit and to perform on existing credit will likely be compromised. There has been activity at the federal level relating to both the origination of new credit and the ability to collect on existing credit. It is unclear whether a change in the economy will be the impetus to push this legislation along.

Here are some things we'll be keeping an eye on this year:

First is HR 5050, the Veterans and Consumer Fair Credit Act, a proposed federal law that would cap interest rates at a 36% APR all-in. As of this writing, that legislation is scheduled for discussion in the **House Financial Services Committee** for 2020. As it contains an exclusion for purchase money transactions, drafted along the same lines as the narrow definition of the Military Loan Act (see below), the auto finance industry will want to keep an eye on this unfolding development.

On the subject of veterans, we anticipate a (long-overdue) revision to the Department of Defense's Military Lending Act rules governing the ability to include the financing of vehicle protection products, such as Guaranteed Asset Protection (GAP). A recently proposed rule does not appear to satisfy auto finance industry concerns about the ability to offer a GAP product without the underlying transaction being viewed as an MLA-covered loan, with all of its restrictions and draconian penalties.

The **Consumer Financial Protection Bureau's** legislative agenda for 2020 shows that the proposed Fair Debt Collection Practices Act rulemaking, which hasn't progressed since early fall, will reach some resolution in 2020.

While on its face the new rules do not explicitly apply to first-party creditors, and Director **Kathy Kraninger** has indicated her view that it only covers third-party collectors, there's much concern that the provisions regulating unfair and deceptive acts and practices could be extended to creditors collecting on their own accounts. This is particularly a concern in tougher economic times when payment performance can decline.

Even if the federal legislation on interest rates and the debt collection rules fail to advance, their introduction provides ammunition to the states to adopt their own legislation on these and other consumer protection topics. The toughened state examination environment that we saw in 2019 should continue. As I said in last

month's column, we've seen an expanded scope of auto finance company examinations this year, both in the depth of analysis and the range of alleged violations.

Stay tuned throughout the year, as my colleagues and I keep you abreast of regulatory, compliance, and legal updates affecting the industry. Happy New Year!

This article was first published in [Auto Finance News](#) and is reprinted with permission. McGlinchey Stafford is pleased to serve as the official Compliance partner of [Auto Finance Excellence](#), providing insights and thought leadership through webinars, podcasts, and monthly columns.

Related people

Mark S. Edelman