

RECOVERY SPECIALIST INSURANCE GROUP

"REMOVE THE LIABILITY BEFORE REMOVING THE VEHICLE"

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29 May 2020

California State Assembly
Committee on Appropriations
Lorena Gonzalez, Rm 2114
Fran Bigelow, Rm. 4158
PO Box 942849
Sacramento, CA 94249-0080

approps.committee@assembly.ca.gov

RE: AB2501 (Limon) COVID-19: Homeowner, Tenant and Consumer Relief Opposition

Dear Assembly Members and Appropriations Committee Members:

We appreciate the hard work being done by the House of Representatives and the Senate relating to the impacts of COVID19 at the Federal level and as well as the intense work being doing to try to assist residents on the state levels. As we look to return to normalcy and additional legislation is proposed we wanted to bring attention to provisions of any legislation that address debt collection for the foreseeable future that will severely and detrimentally impact hundreds of thousands of Americans employed in the finance industry, along with the financial adjustment industry and supporting industries.

It is our experience that when debt collection is not properly addressed that the everyday consumer is negatively impacted by a reduced ability to obtain necessary affordable credit and is subject to additional costs via higher interests rates, less favorable lending terms and eventually stricter and more aggressive collection efforts.

A recent Bloomberg article (<https://www.msn.com/en-us/money/companies/a-dollar150-billion-pile-of-frozen-loans-starts-to-worry-us-banks/ar-BB14mCix?li=BBnbfCN>) reports that lenders and regulators alike are "in the dark on how many people are truly in distress and what the ultimate cost to lenders may be."

Part of the problem with the language in AB2501 and in other recent federal proposed pieces of legislation addressing debt collection is that most have indicated a suggested moratorium on attempts to collect debt during the Pandemic and for a specific amount of time 120 to 180 days after the pandemic ends. One problem is there is no indication at what point the Pandemic may be deemed/declared over. As the pandemic is a medical crisis and has caused an economic crisis, it has also become a political crisis for both sides as each try to control the narrative.

If this pandemic were to be considered active as we wait for a magical number to be reached or for a proven vaccine or additional spikes as areas of the country open or an additional wave in the fall – the time of “during the Pandemic” will be lengthy. With that plus additional months of debt collection restriction after the pandemic ends, lenders will suffer tremendous losses, entire industries will be lost causing higher unemployment and the general consumer will ultimately be negatively impacted by an inability to buy a home, purchase a car, and obtain necessary and affordable credit.

It is a repeated, historical and documented fact that at least 3% of the borrowing population will fail to meet their financial obligations; this is not because of financial hardship but poor choices and decision making and lack of personal responsibility. These people, in addition to the many other delinquent borrowers, were delinquent long before the Pandemic. It is also easily seen through Social Media and current online buying statistics that even with stimulus payments, many recipients are not using or planning to use stimulus funds to pay bills or even save; but instead are viewing it as “free” money for frivolous spending because there is an expectation of collection efforts being ceased, student loan forgiveness, calls for rent abatement, payment deferrals, and assurances that utilities will not be shut off. Parts of the proposed legislation like this are effectively ensuring there are no immediate consequences for not meeting financial obligations, with federal and local governments providing stimulus funding that many view as no longer needed to meet those obligations.

We urge you to carefully consider the long term impacts and perhaps unintended consequences of creating law where millions of people immediately and indefinitely are allowed to not be held personally responsible for their actions and obligations. A strong economy is the backbone of our society and without means to ensure that California consumers have access to affordable financing opportunities - entire industries, California businesses, the California economy and California consumers will suffer. Please do not vote in favor any legislative action that ends efforts to collect consumer debt. We realize that debt collection is not a popular subject, and not likely to be talked about at dinner parties or on the golf course, but it is essential to the financial well-being of this country and the livelihoods of hundreds of thousands of Americans who work in the financial adjustment field depends on coming up with an equitable solution to debt collection ensuring personal financial responsibility and accountability.

Sincerely,



Edward Marcum
Chief Executive Officer

On the Behalf of:

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