



AFSA CONNECT

MAY 2016–OCTOBER 2016



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> MESSAGE FROM THE PRESIDENT

As I write, the American Financial Services Association (AFSA) is preparing to celebrate its 100th Anniversary Annual Meeting at The Breakers in Palm Beach, Florida.

Our last *AFSA Connect*, in May of this year, illustrated how proud we are at AFSA of our heritage as the association ensuring the protection of consumer credit. This issue, which covers the period from May through October, will build on that pride.

Our 100th anniversary is a time for celebration, but also a time for a redoubling of efforts. The consumer credit industry has always faced challenges – but those we see today are unique and require AFSA's full focus and uncompromising effort.

We made great strides as the weather turned warmer. AFSA staff worked with representatives from the Consumer Financial Protection Bureau (CFPB) on the small-dollar lending rule proposal. The State Government Affairs Department held another successful joint meeting with the National Association of Consumer Credit Administrators to foster continued dialogue on our shared goal of safe, responsible consumer credit.

AFSA's Law Committee submitted numerous amicus briefs and comment letters on a variety of issues from the Telephone Consumer Protection Act (TCPA) to the Military Lending Act (MLA). And, AFSA's compliance team continues to ensure that members are kept up-to-date on the constantly evolving landscape of regulatory compliance.

Even the association itself made great strides – our Membership Department welcomes nearly 50 new members in 2016, expanding the association's ability to effectively advocate for members in a wide variety of business lines.

All this to say, our 100th anniversary is a time for celebration, but also a time for redoubling our efforts. The consumer credit industry has always faced challenges – but those we see today are unique and require AFSA's full focus and uncompromising effort.

From all the departments at AFSA, we're committed to providing that focus and effort – we hope this report shows you that commitment.

As always, if there is anything we can do, do not hesitate to let us know.



CHRIS STINEBERT
PRESIDENT & CEO

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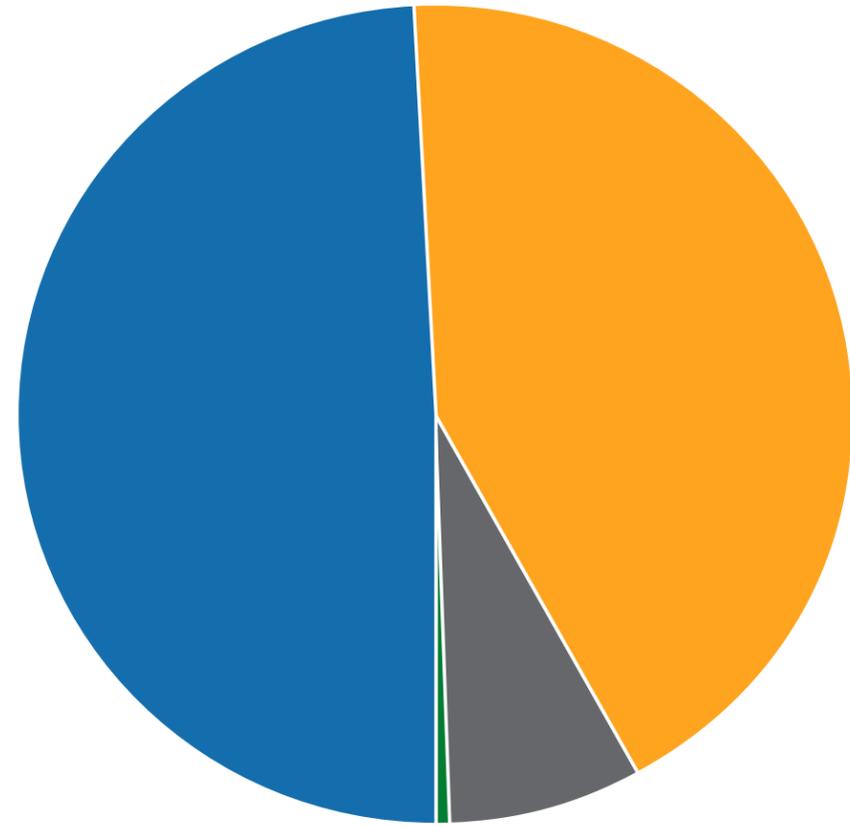
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11 SEVEN STAR PREMIER MEMBERS

50 NEW MEMBERS SINCE JANUARY 2016

2 INDUSTRY-WIDE SURVEYS

16 LETTERS SUBMITTED ON THE FEDERAL & STATE LEVEL



7 PRESS RELEASES



1,700+ ONLINE PLACEMENTS

3 CONFERENCES

2 MANAGEMENT DEVELOPMENT PROGRAMS

7 WEBINARS

1,000+ ATTENDEES

7 RADIO INTERVIEWS REACHING MORE THAN

12.9 MIL LISTENERS



> MEMBERSHIP

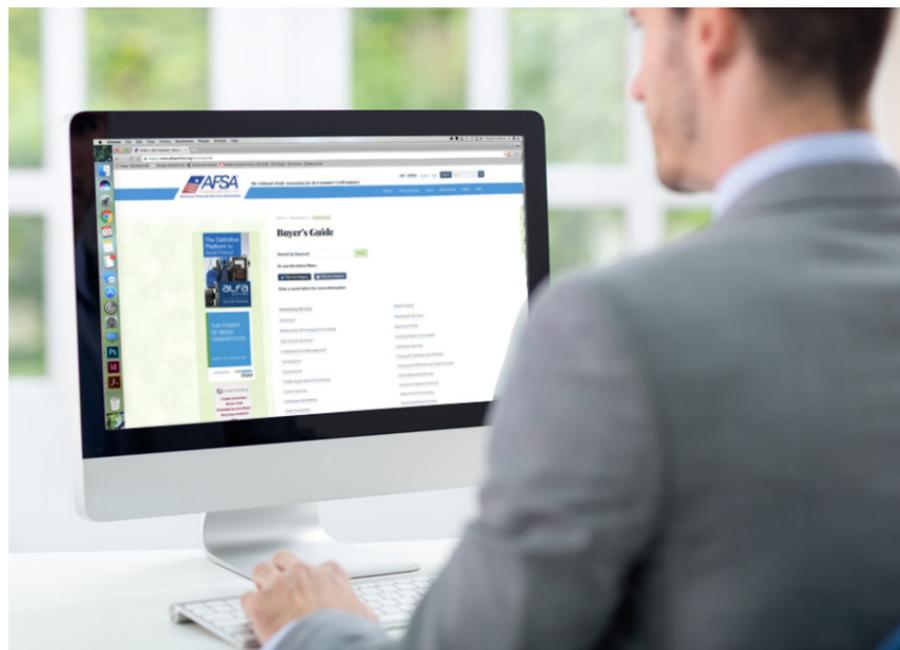
- Stay current with a myriad of legal, legislative and regulatory issues affecting the industry at the federal and state levels.
- Access resources to improve compliance, vendor management and training programs.
- Learn about or provide new technologies, solutions and best business practices to improve productivity and profitability and enhance the consumer experience.
- Take advantage of peer-to-peer meetings that focus on specific professional areas of interest.
- Receive valuable survey data to benchmark your company with your competitors.
- Participate as a member of committees, boards, coalitions and working groups focused on specific lines of business as well as job responsibilities.

Serving more than 400 member companies from every segment of the consumer credit marketplace, AFSA is committed to providing members with a strong voice in Washington, DC and the information and resources they need to succeed in a highly-regulated and compliance-driven financial services industry.

AFSA Business Partners Provide a Wealth of Technology and Innovative Solutions to Members

AFSA's Business Partner members are experts in the products and services they offer, and play an important role in working with AFSA on special projects, serving on committees and boards, helping to develop conferences and serving as important resources to the association and its members.

The Industry Buyer's Guide is designed to be a powerful business tool to help members improve operation efficiencies and grow market share. The guide is an effective way to search and compare the products and services offered by our valuable business partners >www.afsaonline.org/buyersguide



AFSA WLC Launches Fundraiser to Benefit Louisiana Flood Victims

AFSA Members' values are rooted in the communities they serve. That's why the AFSA Women's Leadership Council (WLC) partnered with the Baton Rouge Area Foundation to provide immediate relief to victims of the Louisiana flood, the worst natural disaster since Hurricane Sandy. Donations will be used to provide food, shelter, clothing, medical care and necessities to flood victims. ><http://www.classy.org/afsawlcfloodrelief>

> COMMUNICATING MEMBER VALUES

AFSAEF Engages Students Nationwide

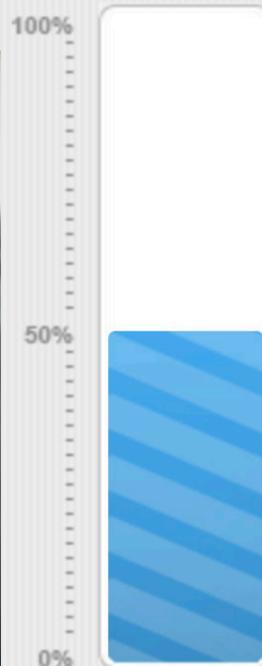
The American Financial Services Association Education Foundation's (AFSAEF) MoneySKILL® program recently surpassed 740,000 registrants, with a goal to surpass one million students by the end of 2018. More than 20 AFSA member companies use the system and more than 1,000 educators have attended curriculum sessions taught by AFSAEF staff during the summer of 2016.

AFSA Represents Industry at Outside Group Events

Senior Vice President Danielle Fagre Arlowe represented AFSA members at meetings of the Automotive Trade Association Executives and the American Association of Residential Mortgage Regulators. AFSA also hosted state legislators and industry representatives as part of the National Conference of State Legislatures' 2016 Legislative Summit.

AFSA's Compliance Team Keeps the Pressure Up on Consumer Complaints

AFSA is communicating with the Council of Better Business Bureaus to express member concerns with their current consumer complaint handling process, which is not consistent at the Better Business Bureau's local level. The compliance team submitted a letter in response to the CFPB's invitation for comments on replacing its dispute function with a consumer survey.



TEAM GOAL:

\$10,000

RAISED SO FAR:

\$5,025

TEAM RANKING:

6 of 27

FUNDRAISERS:

4

> COMMITTEES: KEY TO ENGAGEMENT

Ancillary Product Working Group reviews litigation and state and federal legislative and regulatory issues regarding ancillary products in all business lines.

The Group's June meeting featured a mock state and federal exam focused on ancillary products with experienced counsel playing examiners, industry and industry's counsel.

Financial Relations Committee promotes communication on financial topics and the strengthening of relationships with institutional investors, rating agencies, investment bankers, commercial bankers and regulatory authorities.

Human Resources Committee promotes communication on all areas of human resources management and identifies effective programs that attract, develop, and retain a highly motivated, diverse work force.

A major focus of the HR Committee has been discussing how companies are dealing with the Department of Labor (DOL) new Overtime Rule that goes into effect December 1, 2016.

Independents Accounting Committee provides an opportunity to learn about specific accounting matters and engage in dialogue with peers in the accounting field relating to revenue recognition, accounting for loan fees and costs, discounts/premiums, allowance for loan losses, repossessions of collateral, troubled debt restructuring, and securitizations.

Independent Auto Finance Executive Group is for C-level executives in the non-prime and sub-prime space. The Group coordinates joint discussions with the National Independent Automobile Dealers Association (NIADA) and conducts mini-surveys on operational issues.

The Group sponsored a webinar in October on "The Ideal Independent Dealer Partner for Auto Financing Sources" for the members of the National Independent Automobile Dealers Association (NIADA).

Law Committee deals with all aspects of the legal environment facing the industry, including legislative issues, regulatory matters, and litigation. The committee helps to create

and develop AFSA's judicial, legislative and regulatory policies and strategies that affect AFSA member companies.

The Law Committee worked on responses to the CFPB's small-dollar proposal and the RFI, and are monitoring other issues including debt collection, small business data collection, TCPA, MLA, and arbitration

Marketing Committee provides a forum to discuss marketing topics and issues involving the consumer finance industry without including company-specific market data and results.

National Title Solutions Forum provides a platform for vehicle finance companies to raise issues and/or concerns regarding title processing and to effect positive change to the title process with the long-term goal to eliminate many of the paper processes with electronic lien and titling processing.

The NTSF has been working on various initiatives regarding eOdometers (a key roadblock to electronic processing of DMV documents), and how various entities participate individually and corporately in the advancement of the movement; with a number of states and their implementation of Electronic Lien and Titling programs in their individual states; and resolving use of Lender generated electronic signature and electronic documents in vehicle financing nationwide.

Operations Committee provides a forum for independent finance company executives to share information and exchange ideas relating to operational challenges and opportunities.

Operations Regulatory & Compliance Committee addresses the policies, guidance, enforcement actions and regulations issued by federal government and agencies that impact the association's members. The committee assists member companies in dealing with compliance issues by developing industry resources and educational materials.

The ORCC recently released the TCPA Checklist, Credit Reporting Dos and Don'ts, and its newly-developed Operations and Regulatory Compliance Monthly Report. The committee also formed a Credit Reporting working group and hosted a Synthetic Identity Theft webinar to address new compliance issues.

State Government Affairs Committee serves as a forum to address state legislative and regulatory issues that affect AFSA member companies. It comprises four subcommittees: Mortgage Lending/ Servicing, Payment Card, Traditional Installment Lending, and Vehicle Finance.

Vehicle Commercial Credit Committee provides a forum for executives of banks, auto finance companies, independent auto

finance and dealer finance companies to examine trends and discuss best practices in the area of vehicle commercial credit lending.

A Subcommittee has been exploring a solution that would create a data clearinghouse for the automotive finance industry and is recommending that members participate in AutoTec's VIN CrossCheck platform.

Vehicle Finance Credit Risk Management Committee provides a forum for vehicle finance risk management executives to share insights, examine trends, and discuss and communicate best practices in the area of credit risk management.

The Committee has been focused on addressing issues regarding vehicle values at auction, extended terms, and CFPB impacts on credit risk modeling.

Washington Legislative Group convenes the federal government affairs representatives of AFSA member companies to set priorities and strategize on public policy matters concerning the consumer credit industry.

Women's Leadership Council fosters executive leadership and mentorship of top female talent in the financial services industry; to identify, promote and retain female leaders.

> ADVOCACY

At the same time that the Consumer Financial Protection Bureau (CFPB) released its proposed Payday, Vehicle Title, and Certain High-Cost Installment Loans rule in June, AFSA kicked off its #OurLoansWork campaign, highlighting the importance role that the 100-year-old traditional installment industry plays in providing credit to consumers.

The public affairs campaign spanned across AFSA's digital platforms and also included member outreach to involve AFSA member customers to advocate on behalf of the industry on social media, to their lawmakers and in the form of their own letters with their personal stories.

In addition to the grassroots effort, AFSA, working with its Law Committee, submitted a comprehensive letter, which examined in detail the 1,300-page proposed rule and the potential harm it would bring to the traditional installment industry and its customers.

In its letter, AFSA pointed out that traditional installment loan should be exempted from the proposed rule. If they are not exempted, "...consumers will turn to unlicensed and unregulated



[Read more](#)

Tell us your story of how #OurLoansWork for you! [Share Now](#)

online lenders, trapping them in hopeless financial quagmires.”

On the legal front, AFSA submitted a joint letter with the Consumer Bankers Association (CBA) and the American Bankers Association (ABA) challenging the CFPB's authority to act in this area to cover certain loans.

These letters were just two of the nearly 500,000 comment letters received by the CFPB. A number were submitted by AFSA member companies and their state associations.

While the deadline for submitting comments passed in early October, AFSA, on behalf of its members and the consumer credit industry, continues to lead the way through its advocacy efforts to protect access to safe, responsible and affordable forms of credit.

CFPB Reform

AFSA's fundamental mission is to promote access to affordable credit. Even the best-intentioned regulations sometimes hinder the marketplace, which is why AFSA works to ensure there is a regulator that is responsive to the needs of the marketplace. In late 2016, AFSA supported the advancement of the Financial CHOICE Act in the U.S. House of Representatives. This legislation would reconstitute the CFPB as a bipartisan commission, and subject it to the annual congressional budgetary process for the first time. AFSA welcomes the inclusion of provisions to permit states and tribes to opt out of federal regulation of small-dollar credit, nullify the CFPB's auto finance bulletin, repeal the “abusive” standard created by Dodd-Frank, and revoke the CFPB's authority to regulate arbitration clauses in consumer contracts.

The Military Lending Act (MLA)

Time and time again, AFSA has stressed the importance of protecting Servicemembers and their families from unfair and deceptive financial transactions, while maintaining their access to safe, responsible credit. The association has been working in an iterative process with the Department of Defense (DoD) to develop a system that would allow lenders to determine a consumer's status. AFSA's effort is the result of language in the National Defense Authorization Act, requiring the DoD to work with stakeholders to develop a system that effectively balances consumer protection and consumer access.

Keeping a Proactive Approach in Massachusetts

The Massachusetts Division of Banks and attorney general held an informational session on debt collection regulations in the state. AFSA attended the session in person and submitted a written comment based on member feedback to address the state's questions on the issue.

Successful in Vermont on Negative Equity Disclosure

After the Vermont Department of Financial Regulation proposed its final rule revising the state's negative equity disclosure form for motor vehicle installment sales, AFSA presented member concerns in a written comment, asking for clarity on several issues. The state responded directly to AFSA to address the concerns outlined in the comment.

New Jersey Vehicle Finance Legislation

AFSA submitted a comment letter to the New Jersey Legislature regarding legislation that would allow for the early termination of a lease in the event of death. Based on member feedback, AFSA's letter noted that this legislation would create an alarming precedent by allowing for the extinguishing of an existing consumer credit obligation. As the legislation would prohibit early termination fees, AFSA's comment outlined why such fees exist and emphasized that the legislation may result in increased credit costs for New Jersey's consumers. Additionally, AFSA registered opposition to legislation regulating the use of payment assurance devices, which included an interest rate reduction.

Nevada Non-Captive Indirect Vehicle Financing

The Financial Institutions Division of the Nevada Department of Business and Industry took the position that the purchase of a retail installment sales contract constitutes making a loan under the Nevada Installment Loan and Finance Act. This position would require non-captive indirect vehicle finance companies to maintain a physical presence in the state. AFSA filed a comment with the Division presenting member concerns with the Division's position on the issue and requesting the Division issue clarifying opinions.



> ON THE DOCKET

The Telephone Consumer Protection Act (TCPA) & Autodialers

The Telephone Consumer Protection Act (TCPA) imposes restrictions on how companies may contact their customers. Originally aimed at telemarketers using robocalls, the Act has been abused by plaintiffs' attorneys waging litigation against companies servicing existing accounts by contacting their customers on their mobile phones. The Federal Communications Commission (FCC) has only worsened the situation by tightening controls on the provision of consent to be dialed and tolerances for reassigned numbers. AFSA has pushed back, and taken this issue to Congress to advocate for modernization so that companies can safely contact their own customers in this increasingly mobile-only era.

Annual Privacy Notice

Financial institutions are required to mail a disclosure of their privacy policies to each customer on an annual basis – whether the disclosure changed from the previous year or not. In late 2015, Congress exempted institutions that do not share consumer information with third parties. Unfortunately, the nature of an auto finance company's interaction with its dealers deprives many AFSA members of this relief. AFSA has worked to convince the CFPB and Congress that the scope of the exemption should be broadened, and an electronic delivery method ought to be established to save costs, reduce wasted paper and enhance the consumer's access to this important disclosure.

AFSA Submits Amicus Briefs on Members' Behalf

AFSA joined its sister trades in an amicus brief asking that the U.S. District Court for the District of Columbia vacate the U.S. Department of Housing and Urban Development's (HUD) disparate impact rule. The association submitted a brief involving the Fair Housing Act and the City of Miami, along with a growing number of municipalities, who are alleging that they are "aggrieved" by alleged acts of discrimination against their residents. On this basis, municipalities are seeking damages – earmarked for their own coffers – that are vastly greater than what the Justice Department has claimed for direct victims of discrimination. AFSA submitted an amicus brief in an auto finance case in the First Circuit. AFSA's brief rebutted several assertions presented in an amicus brief filed by the National Consumer Law Center (NCLC).

CFPB Expresses Willingness to Work with AFSA on Future Small-Business Data Collection Requirements

The upcoming CFPB rulemaking will require companies to collect and report data in connection with credit applications made by women- or minority-owned businesses and small businesses. AFSA has also formed a working group on this issue and will continue working with the CFPB.



> NETWORKING

Independents Make a Difference in Arizona

Led by the Independents Section Chairman Josh Johnson, AFSA held its 33rd Annual Independents Conference and Exposition from May 18-21 in Scottsdale, Ariz. Attendees enjoyed a wealth of networking opportunities with colleagues, as well as industry partners during the exhibition, which featured more than 44 companies in 2016, the most ever.

Jonathon Levin, President & CEO of Turner Acceptance Corporation, was presented with the Outstanding Independent Award and 11 employees from nine independent companies received the Outstanding Employee Award.

The conference also featured many notable speakers including keynoters Cal Thomas and Bob Beckel addressing the topic on finding common ground in a politically divisive American atmosphere.

AFSA/NADA Top Executives Address Key Issues at Annual Forum

On June 27-28, for the seventh consecutive year, AFSA and the National Automobile Dealers Association (NADA) co-sponsored an executive forum to discuss legislative, regulatory and operational challenges facing auto dealers and finance sources. CEOs and top executives from virtually every major finance company and major bank in the nation engaged in indirect auto financing attended the forum, along with the leaders of the nation's franchised automobile dealers. Representatives from the American International Automobile Dealers Association, National Association of Minority Automobile Dealers, and Automotive Trade Association Executives also were in attendance.

The forum featured an engaging discussion with Consumer Financial Protection Bureau (CFPB) Director Richard Cordray, who reviewed the bureau's activities in the area of vehicle financing and offered some insight on the path forward.



> PROVIDING VALUABLE RESOURCES

While compliance issues remain top of mind for many businesses across the country, AFSA's compliance team continues to work on materials and direct the growing Operations and Regulatory Compliance Committee (ORCC) to ensure member companies stay aware and proactively manage internal policies and procedures.

The ORCC has coordinated new working groups, with the most recent being the Credit Reporting Working Group. Given the continuous regulatory scrutiny of data furnishers practices, the working group was established to assist members with the enhancement of their credit reporting systems, and to serve as an information sharing platform for members.

Thus far, the working group has developed a "Credit Reporting Dos and Don'ts" document, which summarizes and

highlights important takeaways from CFPB enforcement actions, and also lists useful resources for members in regards to credit reporting.

The AFSA compliance team recently developed the Operations and Regulatory Compliance Monthly Report, highlighting important federal regulatory activity, as well as other relevant compliance topics in the changing financial services landscape. A popular section in the report is AFSA's monthly analysis of the CFPB's Consumer Complaint Database.

As the landscape of financial services shifts to a digital world, AFSA continues to deliver the necessary resources for its members. In September, AFSA held a widely-viewed webinar on Synthetic Identity Theft and recently released a Cybersecurity Incident Response Procedures document that was put

together by ORCC and Law Committee members. This document takes a constructive look into the steps senior management of a company can take in response to a cybersecurity incident. AFSA also closely monitors relevant developments in the Financial Technology (fintech) industry to keep members up to date on the advancements of technology, and to help members identify potential new industry trends and regulatory perspectives.

AFSA University, AFSA's compliance training program continues to expand and has become a go-to choice for companies in the consumer credit space. In the summer, AFSA updated its servicemember modules with the new Military Lending Act provisions, providing users ample time to update their training programs before the MLA compliance date.

Two Industry-Wide Surveys Provide Data to Measure Performance and Identify Trends

The RSM/AFSA Independents Financial Survey helps AFSA's independent finance company members compare their operation to the industry, including comparative data Balance Sheet (also measured by ROA-Pretax) with over 25 financial ratios.

For the second year, AFSA has partnered with the National Automotive Finance Association (NAF) to publish the 2016 Non-Prime Automotive Finance Survey. Fifty companies contributed to the survey to produce the most comprehensive study of the industry ever compiled. The increased participation represents an outstanding principal, exceeding \$34 billion.

Experian Automotive and FactorTrust provided additional market insights by supplying data and analysis. Benchmark Consulting International administered the survey and provided the report analysis.

AFSA's Upgraded Interactive State Map Puts Info at Your Finger Tips

Located under the state section of AFSA's website, the upgraded interactive state map provides critical information on all 50 states, Washington, D.C., Puerto Rico, and Guam. Each state section includes facts and statistics, information about the state's financial regulators and elected officials, key information on the state's legislative session, including convening and adjournment dates, committee and crossover deadlines, and standard effective dates for enacted legislation.

Keeping Current with State Attorneys General

The activities of state attorneys general often inspire other regulators to act on specific issues. Thus, AFSA monitors and reports on state AG activity from around the country to provide members with updated information on a variety of activities. AFSA collected and compiled top consumer complaint data from the 23 states that make the data available, to provide members with a better understanding of which areas of financial services may be high priorities for AGs in the coming year.

AFSAEF Training Programs Continue to Provide Important Value to Members

The EDGE at Mercer University in Georgia and the Leadership Development Program at UNC continue to be incredibly well-attended, offering cutting-edge curricula on today's hot consumer credit topics. The EDGE had a record number of attendees and evaluations for both programs were excellent on all counts.



Founded in 1916, the American Financial Services Association is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA provides the consumer credit industry and the consumers it serves with a voice in Washington, D.C., where the association is headquartered. AFSA members provide consumers with many kinds of credit, including traditional installment loans, direct and indirect vehicle financing, mortgages, payment cards and credit for non-vehicle retail customers.

AFSA members shape the industry's direction and positions on a broad range of public policy issues that affect the consumer credit industry. No other trade group in America has more depth and influence on consumer finance issues.

>JOIN THE CONVERSATION

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