



COVID-19 Payment Accommodations from the Perspective of Voluntary Protection Product Providers

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In response to the COVID-19 pandemic, creditors across the country are working to balance their business operations and servicing immediate consumer financial needs with public safety. Some creditors have begun offering forbearance agreements on loan payments or payment deferrals. Other creditors are considering options for loan modifications or extensions. As of March 30, 2020, at least two states had adopted guidance prohibiting repossession and other collection activity. Illinois issued an executive order suspending repossessions for the duration of the governor's disaster proclamation. The Massachusetts Attorney General declared any repossession during the state of emergency to be unfair and deceptive. Arizona, Nevada and Texas have suggested they will adopt similar guidance. Other states are sure to follow. As creditors wrestle with how to comply with the various orders and guidance, so must the providers of credit insurance and other voluntary protection products sold and financed in connection with consumer credit transactions.

These new payment accommodations and servicing restrictions have direct implications on the administration of voluntary protection products sold and financed in connection with affected credit transactions. Creditors and product administrators may be asked to determine whether consumers are eligible for product benefits after the consumer's credit has been modified or extended or whether product benefits continue during a period of forbearance. Should consumers be eligible for product benefits if they are in default on their credit transaction? Under what circumstances may the creditor and/or the consumer cancel product benefits?

In some instances, the product agreement may provide the answer to these questions. In other instances, the product agreement will be silent. Where the product agreement is silent, creditors and product providers may need to look to state law. In the absence of specific legal guidance, creditors and product providers should consider the UDAP risk that could arise for consumers who are declared ineligible for product benefits at a time when they are most in need.

As with all the various issues creditors and product providers are currently attempting to navigate, customer service and reputational risk should weigh heavily. When this public health crisis is over, creditors and product providers will be remembered for how they responded during this difficult time.