



## PRODUCTS AND FEATURES TAILORED TO THE TIMES: ADJUSTING TO THE NEW NORMAL AND LOOKING AHEAD

Six weeks ago consumers' lives and the economy came to an abrupt halt. Understandably, financial services providers have been focused on immediate matters over the past six weeks including, but not limited to: servicing and collection adjustments (including state developments restricting certain practices), credit availability adjustments, participation in the Paycheck Protection Program, managing a remote workforce and reopening precautions.

In early February, the Federal Reserve Bank of New York announced that the total U.S. household debt levels hit a new record of \$14.15 trillion. Since then, debt levels have likely risen as businesses and consumers have relied on credit to stay afloat during the COVID-19 crisis and debt repayments have been delayed by a lack of income or cash flows. As of April 30th, 30.3 million U.S. individuals had filed for unemployment over the last six weeks. The Wall Street Journal reported that many credit card issuers expect cardholders to skip payments in the coming months.

The intent in reciting these headlines is not to induce heartburn rather it is to acknowledge that over a mere six weeks consumers' and small businesses' financial situations have changed significantly. Consumers may be managing heightened debt levels with no or unreliable future income. Small businesses may be faced with similar debt loads and cash flow challenges as well as with ensuring an adequate workforce to support operations and potential COVID-19 lawsuits.

At some point, financial services providers need to start thinking "what is next?" Their business is providing financial services. The unknown can paralyze business initiatives, but now is the time to brainstorm ways to meet consumers' and small businesses' new financial needs through sound products and processes. Tailoring products and processes to the times may come in the form of offering new products or services or adjusting features of existing products and procedures.

### New Products and Services

As they say, what is old is new again. Products that were popular in the past may come back into vogue during crisis recovery. For example, card issuers might begin to offer charge cards to limit a

cardholder's ability to revolve credit and accumulate a significant balance. Secured credit cards may be offered to give card issuers more security when extending revolving credit.

To address customers' new normal, providers may also consider adapting products that are used in a certain funding circumstance to other situations. For example, income share agreements have been offered to students to fund educational expenses. Income share agreements provide a flexible income-based repayment structure to students facing uncertain future earnings. Many consumers are currently facing uncertain future earnings as states begin to roll back stay-at-home orders. The flexibility of income or cash flow-contingent financing could be attractive to both consumers and small businesses.

### Adjustments to Existing Products and Processes

New features may be implemented to adjust existing products and procedures to meet customers' new financial situations. For example, products could incorporate temporary protective terms or flexible repayment options. Adjustments may be made to existing debts as well as new credit advances. Financial services providers may adapt the delivery of products and services to customers' "new normal." New communication methods could be employed to reach home-bound customers or small businesses with infrequent hours. Communication methods should consider the different distractions or stressors that customers may be experiencing during crisis recovery that could interfere with customers' abilities to notice, read and understand content.

### Concluding Thoughts

All of the products and adjustments mentioned above involve unique regulatory and compliance considerations. Thinking about new products or product adjustments now could put financial services providers in a better position during the upcoming period of crisis recovery.

Two of our firm's core services are innovative strategic planning and creative product development. Our partners have over 100 years of collective experience in banking and financial services. The deep historical knowledge that comes with this experience enables the firm to provide comprehensive and valuable advice to clients looking to adjust their products and processes to the times. □

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