U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY
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FACT SHEET

Advocacy Submits Comments on the CFPB's Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans

On February 14, 2019, the Consumer Financial Protection Bureau (Bureau) published a proposed rule to rescind the mandatory underwriting provisions and the registered information system (RISes) provisions of the 2017 Final Rule governing Payday, Vehicle Title, and Certain High-Cost Installment Loans. On May 15, 2019, the Office of Advocacy submitted a letter to the Bureau regarding *Payday, Vehicle Title, and Certain High-Cost Installment Loans.*

- Advocacy commended the Bureau for proposing to rescind the mandatory underwriting provisions of the 2017 Final Rule because the provisions are burdensome to small entities. In addition, many states have implemented laws to address payday lending that protect consumers while maintaining access to credit.
- Payday lenders provide access to credit for people who have limited options. In some rural communities, the payday lender may be the only option for consumers. Imposing strict regulations may deprive these consumers of the only means of addressing an immediate and dire financial situation.
- The RISes provisions in the 2017 Final Rule require lenders to submit information about borrowers to a registered information system at origination, over the life of the loan, and when the loan is no longer outstanding. The provisions could cause small businesses to incur significant paperwork burden and incur costs connecting with a registered information system.
- National Credit Union Administration (NCUA) Payday Alternative Loan (PALs) program allows credit unions to provide short-term, small dollar loans to their members. The 2017 Final Rule addressed the NCUA's PAL program by allowing certain exemptions. In 2018, NCUA proposed additional versions of the program. If the Bureau rescinds the rule, the issue is moot. However, if the Bureau does not rescind the mandatory underwriting provisions of the rule, Advocacy encouraged the Bureau to take the necessary steps to identify inconsistencies and resolve problems that were not considered in 2017.
- The 2017 Final Rule payment provisions require small entities to provide notice prior to initiating the first payment transfer from a customer's account and ensure that no more than two unsuccessful payments attempts are made to the customer's account without obtaining a new authorization from the customer. It also requires a lender to provide a consumer rights notice after two consecutive failed payment withdrawals stating that the lender is no longer permitted to make withdrawals. Designing and implementing a system that complies with the Payment Provisions is costly and time consuming for small entities. Advocacy encouraged the Bureau to rescind the payment provisions of the rule.

For more information, visit Advocacy's webpage at https:\\advocacy.sba.gov or contact Jennifer Smith at 202-205-6943.