



CBA Community Webinar Series

Consumer Lending Regulations and Product Standards

11/21/2024

Housekeeping



This webinar is being recorded. The recording, slides, and transcript will be available in the Training Institute within one month.



Attendees will remain in listen-only mode; please interact with us via the chat.



Closed captions are available during the live webinar and will be included on the recording.



Questions?
Type them into the Q & A box!

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Join Our Monthly Webinars



Access our upcoming 2025 events on the event calendar on the CBA Training Institute.

cbatrainninginstitute.org

Resources on Natural Disasters

Free resources on the CBA Training Institute for lenders and coaches that focus on helping your program participants manage their credit after a natural disaster

Additional Resources

Credit Reporting Options During a Disaster Tutorial

March 31, 2020

Learn about reporting options during a natural or declared disaster.

CBA Access Resources

CBA Reporter Resources

Toolkits and Tipsheets

Managing Credit after a Natural or Declared Disaster: Tips for Financial Coaches

March 16, 2020

This tipsheet will help financial capability practitioners and lenders understand how credit may be impacted by a natural or declared disaster and possible...

CBA Access Resources Coaching Resources

Debt

Toolkits and Tipsheets

Managing Credit after a Natural or Declared Disaster: Resources for Data Furnishers

March 16, 2020

This tipsheet will help financial capability practitioners and lenders understand the credit and credit reporting implications for consumers who are impacted by a...

CBA Reporter Resources Consumer Lending

Debt

Webinars

Credit Reporting for Clients Facing Extenuating Circumstances

October 24, 2019

This Reporter-only webinar reviews ways of assisting your clients who are facing extenuating circumstances while still maintaining accuracy in your credit reporting.

CBA Reporter Resources Consumer Lending

Agenda



Consumer Lender Regulations



Consumer Loan Product Standards



Question and Answer

Meet the Presenters



Adam Rust (he/him)

Director of Financial Services



Brooke Cain (she/her)

CBA Fund Manager

THE FUTURE FOR SMALL DOLLAR LENDING AND SPECIAL PURPOSE CREDIT PROGRAMS



Adam Rust
Director of Financial Services
Consumer Federation of America

How regulators supervise **small-dollar lending programs**

How not to offer a small-dollar loan

Best practices

Review of CFPB enforcement

How regulators supervise **Special Purpose Credit Programs**

Concerns expressed by financial institutions

Best practices

Recent guidance from the CFPB

GOALS FOR THIS PRESENTATION

SDL: KEY REQUIREMENTS

Truth in Lending Act

- Essential elements of a disclosure
- Necessary consumer protections

Electronic Funds Transfer Act

- Informed consent
- Fees must be disclosed, reasonable, and not excessive
- Error resolution procedures

ASSESSING THE MARKET

SOURCE: FEDERAL RESERVE

Type	Outstanding	Accts	Credit Score	Age	Balance	Payment
Banks	\$325	669	590	37	\$501	\$48
Credit Union	\$274	482	618	42	\$511	\$90
Finance Co.	\$835	1,533	570	42	\$527	\$90
Fintechs	\$181	452	584	38	\$342	\$73
ALL	\$1,434	2,684	586	40	\$507	\$89

SDL: MISTAKES TO AVOID



Lack of transparency



Failure to obtain proper consent for automatic debits



Charging excessive fees or high interest rates



Strategic decisions



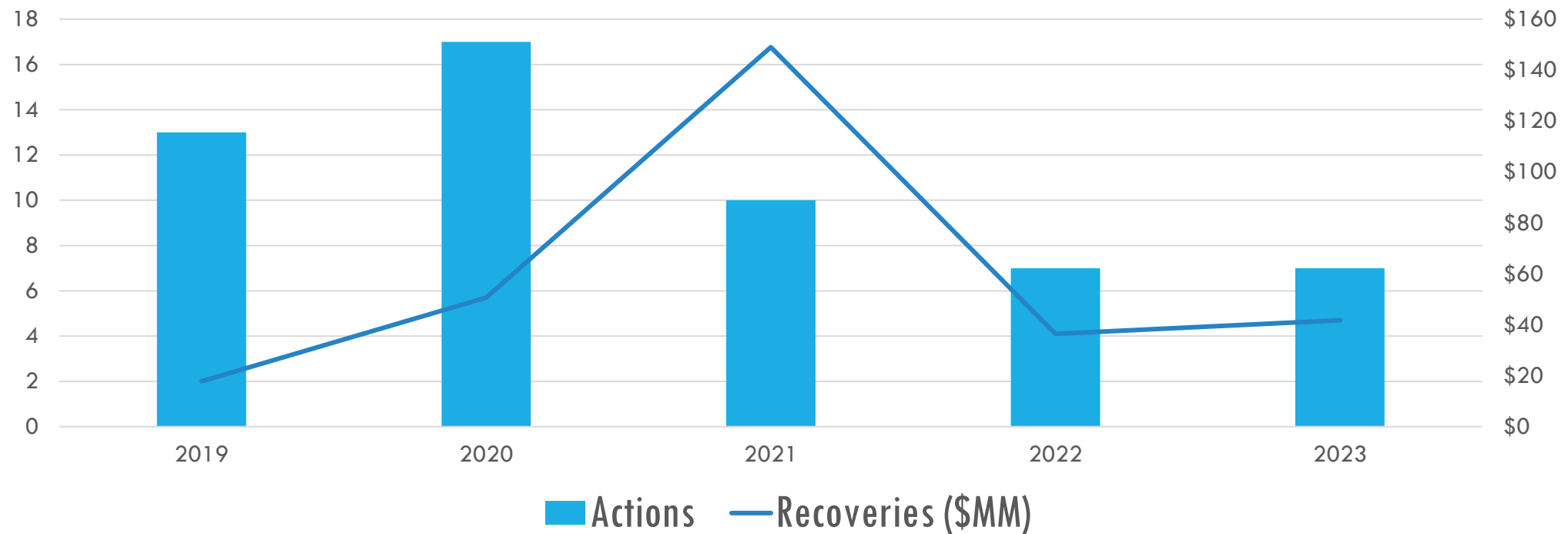
Clarity on reporting of loan repayments

CFPB ENFORCEMENT - EXAMPLES

Lender	Year	Disclosures	Terms	Collection	Example	Penalty + Redress
SoLo Funds	2024		Yes		Tipping + Usury cap	Pending
Heights Finance	2023	Yes	Yes		Loan churning	Pending
OneMain	2023	Yes		Yes	Add-on products	\$10.5 million
TMX	2023	Yes	Yes	Yes	MLA, Add-ons	\$15.05
GreenSky	2021			Yes	Unauthorized debits	\$11.5
LendUp	2021	Yes			False benefits	\$41.6 + injunction
Omni	2020			Yes	MLA	\$2.2
ACAC	2020	Yes		Yes	Overpayment	\$3.5
Cash Tyme	2018	Yes		Yes	Unauthorized debits	\$0.1

CFPB SDL ENFORCEMENT ACTIONS

Number and Sum of Actions with Recoveries, 2019-23



SPECIAL PURPOSE CREDIT PROGRAMS

SPCP - OVERVIEW

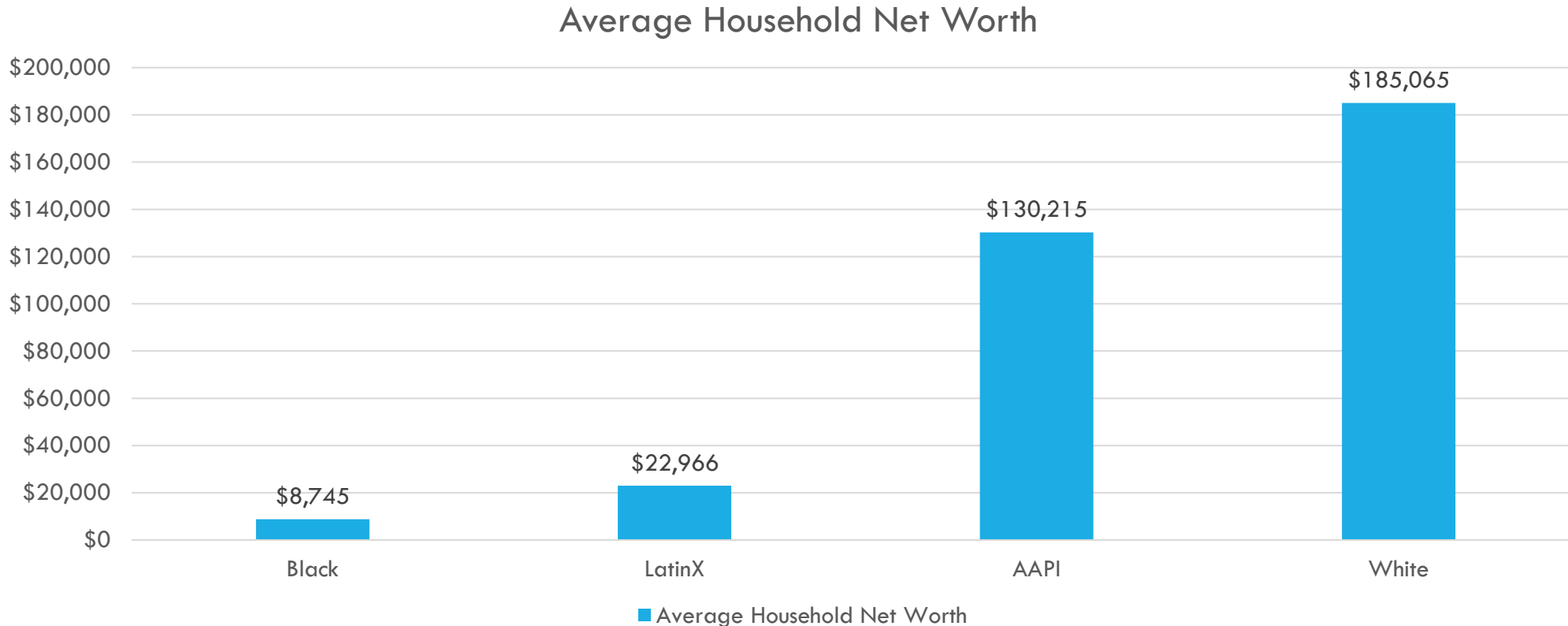
Equal Credit Opportunity Act (“ECOA”), 15 U.S.C. 1691 et. seq. prohibits discrimination in credit transactions. (implemented by Reg. B, 12 CFR 1002.8)

1976 amendments to ECOA clarified that it does not constitute discrimination to refuse to extend credit pursuant to a **Special Purpose Credit Program (SPCP)**.

These programs *can* require applicants to share one or more common characteristics (for example, race, national origin, or sex).

ADDRESSING RACIAL WEALTH GAPS

SOURCE: URBAN INSTITUTE, AMERICAN COMMUNITY SURVEY



STANDARDS

For-profit entities

Offered to meet “special social needs”

For a class of persons who

A) ‘probably would not receive such credit’

OR

B) would receive it on ‘less favorable terms’

Requires a written plan

Non-profit entities

Benefits its members

including

An economically disadvantaged class or persons who may share a common characteristic.

Section 1002.8(b)(2)

Examples: NAFCU blog post (2022)

A “WRITTEN PLAN”

Required components

Lenders must provide documentation to support the efficacy of their proposed SPCP.

- A) Identify the “class of persons that the program is intended to benefit”
- B) Show the class would not receive credit, or only under less favorable terms, under current underwriting guidelines
- C) State “the specific period of time for which the program will last...”

Operational activities

- A) Design a credit intervention
- B) Focus groups, testing.
- C) Develop marketing materials and train staff
- D) Launch
- E) Deliver and monitor

SPCPs FROM A TO Z

Assess

- Identify needed intervention in your community.
- Engage with your legal and compliance team.

Build

- Design credit intervention
- Draft the written plan

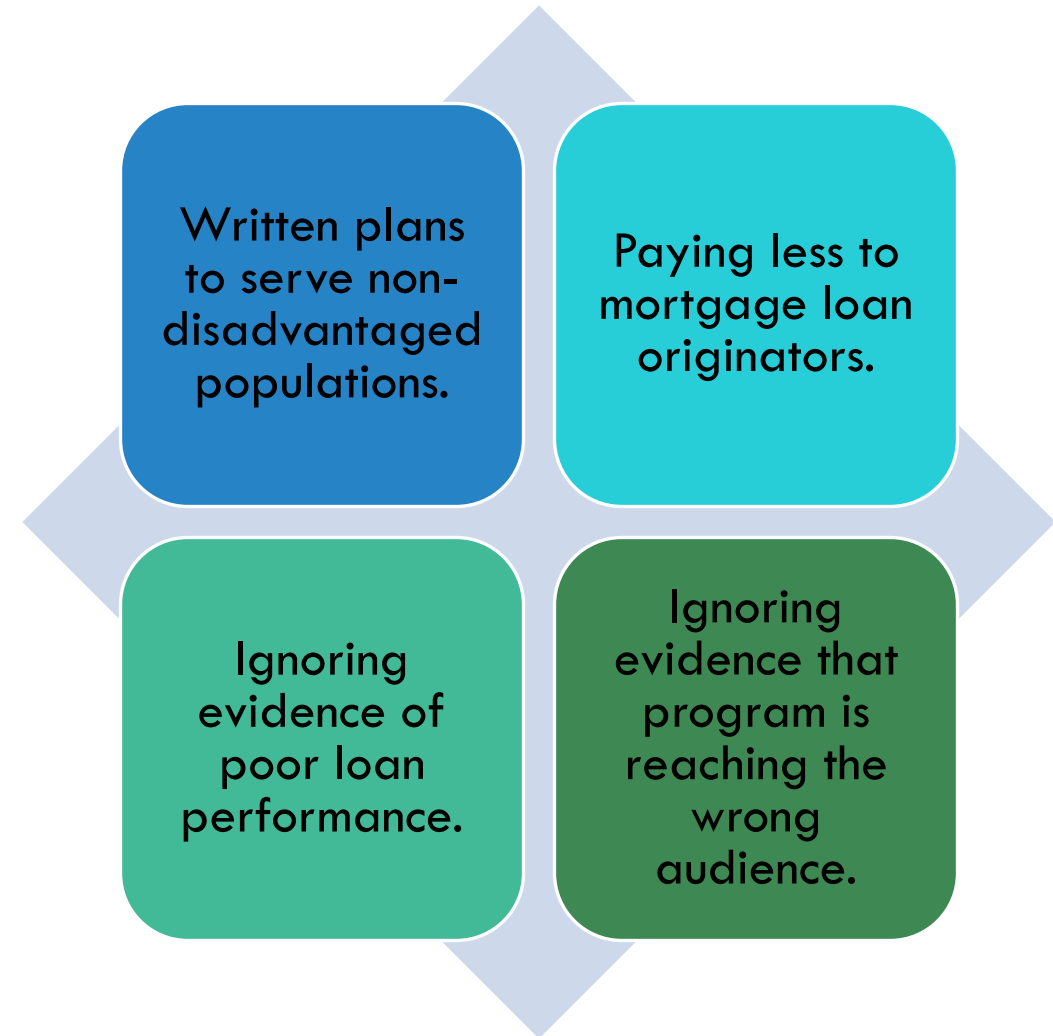
Prepare

- Talk with your regulator (s)
- Train staff.

Launch

- Market
- Deliver and monitor

WATCH-OUTS



CLARIFICATIONS TO SUPPORT USE OF SPCPs

Interagency statement of 8 regulators on SPCPs (Feb. 2022) (including NCUA)

HUD guidance on how SPCPs comply with the Fair Housing Act (Dec. 2021)

CFPB blog post (May 2021)

CFPB advisory opinion (Dec. 2020)

And –

DOJ has included SPCPs as remedies in redlining settlements.

SOME COMMON CONCERNS

Admission of culpability?

Marketing

Portfolio lending and liquidity

Placed-based

Chance of default

Politics, recent SCOTUS decision

THE FUTURE OF SPCPs

Planning

Evidence shows there is a different legal viability for race-based admissions compared to SPCPs

Placed-based vs. people-based structures

More small business SPCPs? Section 1071 facilitates the collection of demographic data

Considerations

Use of affirmative marketing

Monitoring and evaluation

MORE SPCP RESOURCES



NATIONAL FAIR HOUSING
ALLIANCE AND MORTGAGE
BANKERS ASSOCIATION
SPCP TOOLKIT



URBAN INSTITUTE SPCP
DATA TOOLKIT



HOMEOWNERSHIP
COUNCIL OF AMERICA SPCP
CERTIFICATION PROGRAM



NFHA STATE LEGISLATION
STUDY (2024)

The background of the slide is a dark blue-grey color, covered with a repeating pattern of light blue-grey speech bubbles. Each bubble contains a dark blue question mark. The bubbles are scattered across the entire page, creating a textured, thematic background.

QUESTIONS

?



Adam Rust
Director of Financial Services
Consumer Federation of America
arust@consumerfed.org

Q & A



CBA Fund

CBA Fund is Credit Builders Alliance's Community Development Financial Institution (CDFI) intermediary.

We help nonprofit leaders start or grow a small dollar consumer loan program to provide safe and affordable alternatives to predatory loans in their communities.

We employ a three-pronged approach of support:

1. Loan capital
2. Capacity-building grants
3. Technical assistance

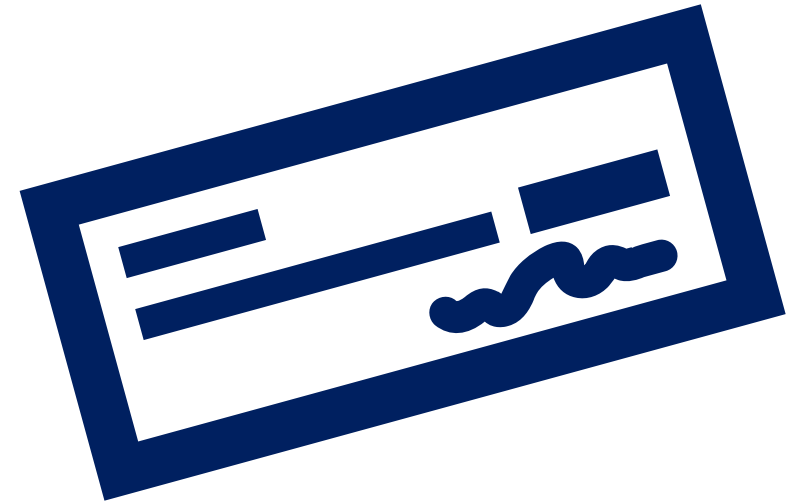


High APRs

Alternative Financial Services:

- Payday Loans ~391%
- Car-Title Loans ~300%

By comparison—the
average APR for credit
cards was just under 21%

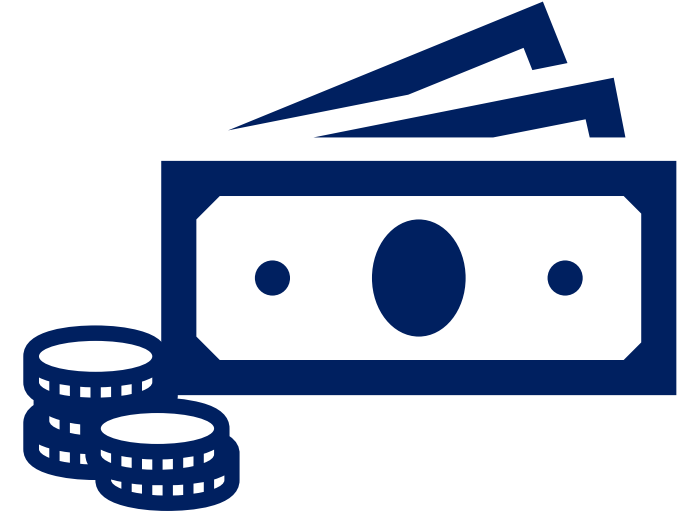


Source: Federal Trade Commission

The Reality

High-Cost Debt Traps

The average payday loan borrower is in debt for five months of the year, spending an average of \$520 in fees to repeatedly borrow \$375.



Source: The Pew Charitable Trusts

Who is Impacted

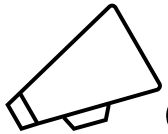
- 77% of consumers using alternative financial services experienced a shock and had difficulty paying a bill or expense.
- Three fourths of payday loan users do not have access to other forms of personal credit.
- Black and Latino consumers are more likely than white consumers to depend on unsafe, high-interest financial services.

*Sources: Brookings;
CFPB; Federal Reserve
Bank of San Francisco;
NCRC*

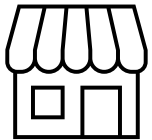
Why Now?



Lack of affordable
small dollar products



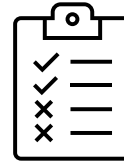
More lenders entering the
consumer loan market



Support CBA Members
creating products



Need for a framework
to guide consumers



National standards



Support CBA Members
connecting their
participants

Small Dollar Loan Standards

Credit Builders Alliance (CBA) developed the Small Dollar Consumer Loan Product standards aimed at helping community-based lenders design safe and affordable small dollar consumer loans (SDCLs) in their communities.



Small Dollar Loan Standards

Certified Standards

1. Max of 36% Annual Percentage Rate (APR), as defined by the Military Lending Act
2. Equal, amortizing installment payments instead of balloon payments
3. The lender clearly discloses the full cost of the loan, with all anticipated charges and payments included in the annual percentage rate (APR), and no allegedly voluntary payments such as “tips” or expedite fees are included

Small Dollar Loan Standards

Self-Certified Standards

4. The lending decision is based on the borrower's ability to repay the loan on agreed terms and follows applicable laws, regulations, and guidance
5. Loans do not rely solely on collateral for repayments
6. Qualifying and disqualifying factors are communicated before application
7. Customers can access their loan information, as well as customer service support, throughout the course of the loan

Loan Standards Certification

CBA is working with the National Consumer Law Center (NCLC) as the external assessor. The annual certification fee is \$1,250.

Organizations interested in certification must comply with all local, state, and federal lending laws including the Electronic Funds Transfer Act, the Truth in Lending Act, and the Fair Credit Reporting Act.

Loan Standards Certification

Once you reach out to CBA to start the certification process, you'll be asked to acknowledge that you meet all of the self-certified standards.

Self-Certified Standards

- **The lending decision is based on the borrower's ability to repay the loan on agreed terms and follows applicable laws, regulations, and guidance**
- **Loans do not rely solely on collateral for repayments**
- **Qualifying and disqualifying factors are communicated before application**
- **Customers can access their loan information, as well as customer service support, throughout the course of the loan**

Loan Standards Certification

CBA will ask you to provide the following materials for your small dollar consumer loans:

- Loan marketing materials (including screenshots of loan information on your website).
- Loan contracts
- Loan disclosures

Loan Standards Certification

NCLC will use these materials to assess and confirm you comply with the certified standards.

Certified Standards

- Max of 36% Annual Percentage Rate (APR), as defined by the Military Lending Act
- Equal, amortizing installment payments instead of balloon payments
- The lender clearly discloses the full cost of the loan, with all anticipated charges and payments included in the annual percentage rate (APR), and no allegedly voluntary payments such as “tips” or expedite fees are included

Loan Standards Certification

Once NCLC certifies your small dollar consumer loan products as safe and affordable, you'll receive the CBA certification seal that you can display on your website.



Testimonial



Angie Main, Executive Director of NACDC



How CBA Members are Displaying Their Certification Seals



Address:
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P.O. Box 3029
Browning, MT 59417
Phone: (406) 338-2099
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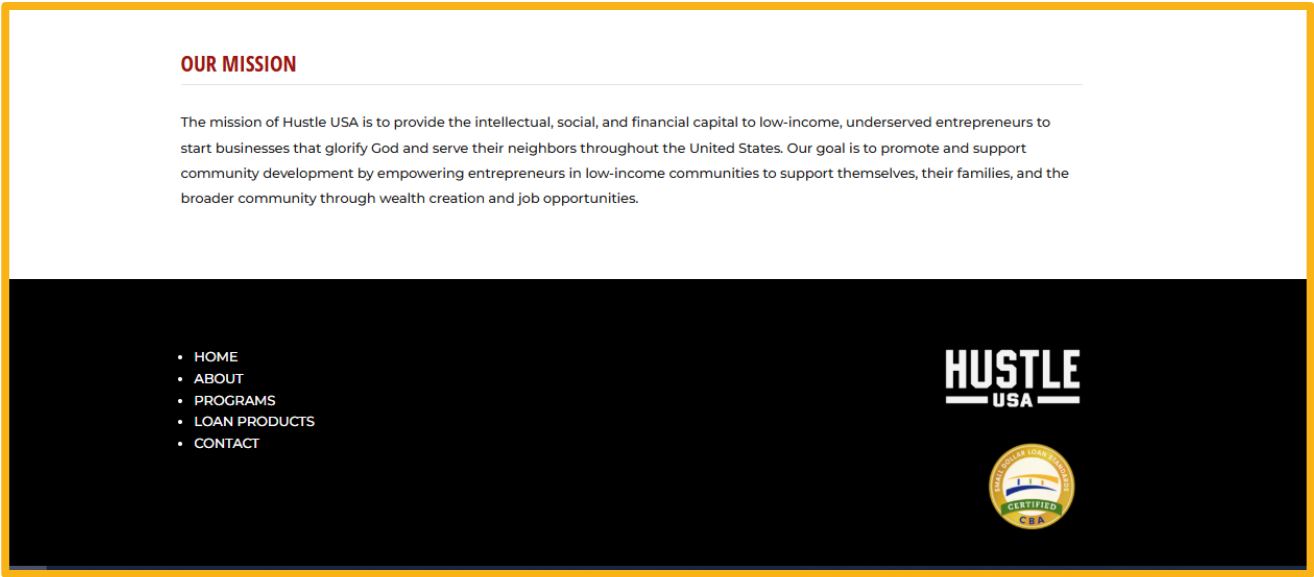
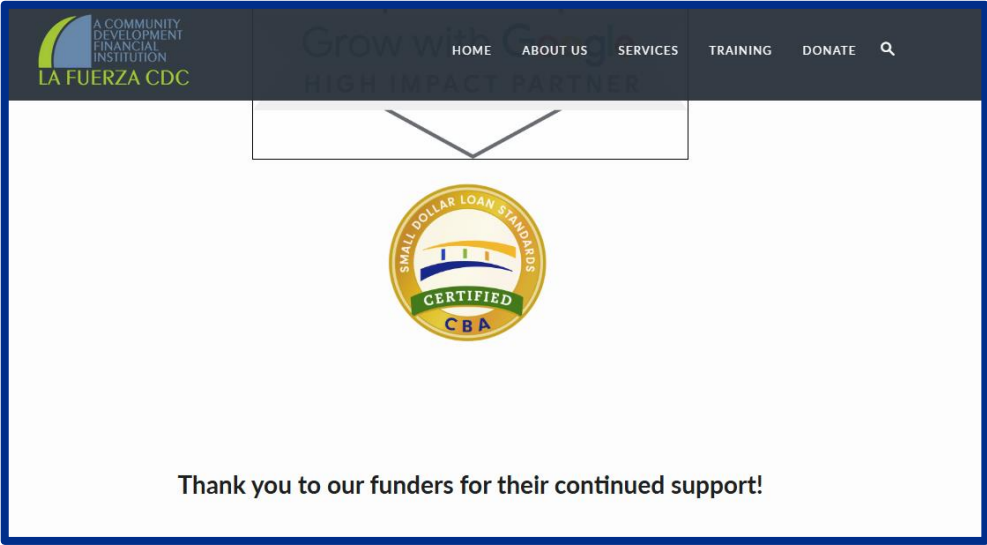
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How CBA Members are Displaying Their Certification Seals



Interested in Certification?

Reach out to CBA fund with any questions or to start the certification process

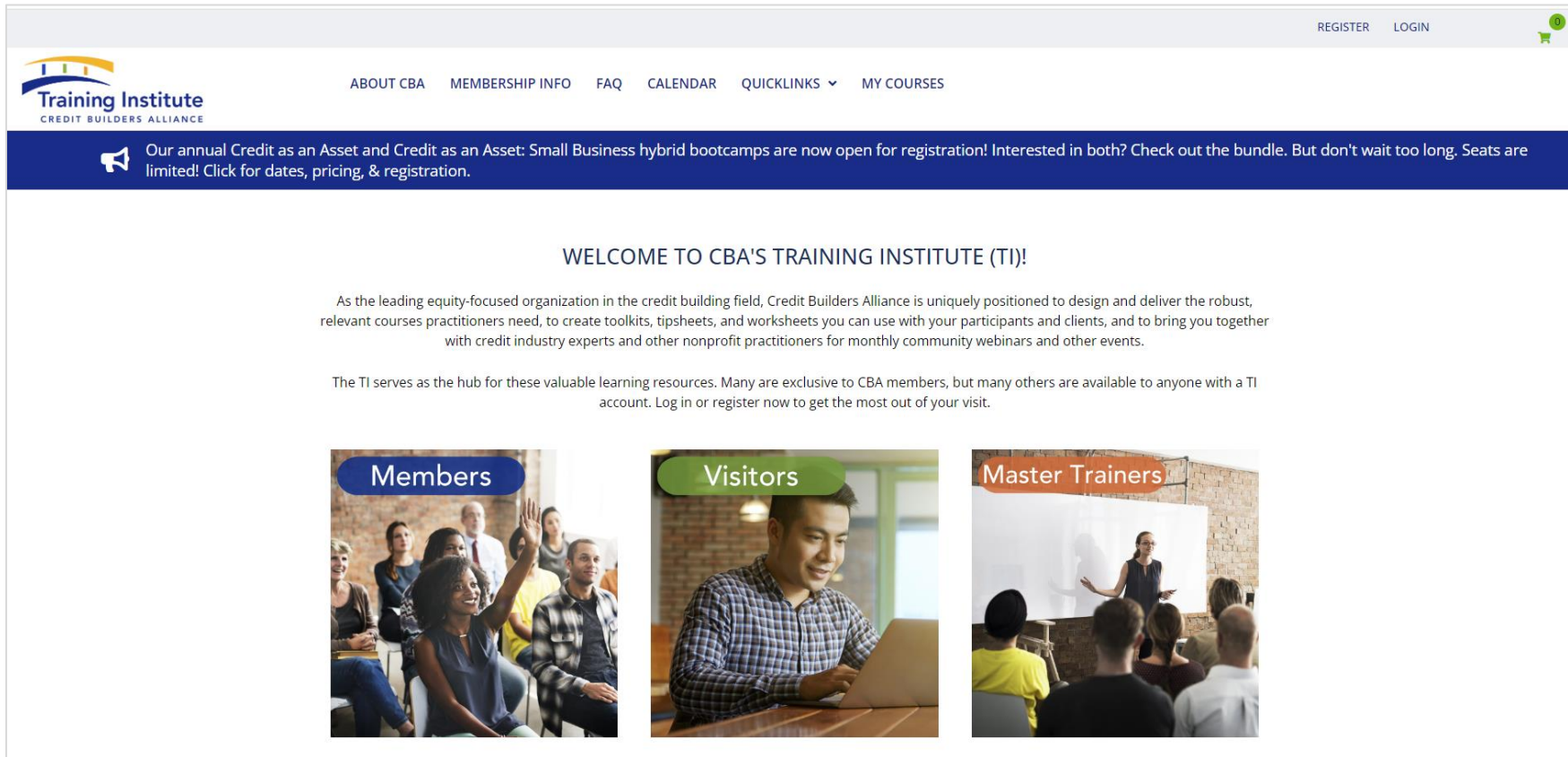
cbafund@creditbuildersalliance.org



Q & A



Register for the Training Institute



The screenshot shows the homepage of the Credit Builders Alliance Training Institute. At the top, there is a navigation bar with links for REGISTER, LOGIN, and a shopping cart icon. Below this is a header with the Training Institute logo and a menu with links: ABOUT CBA, MEMBERSHIP INFO, FAQ, CALENDAR, QUICKLINKS (with a dropdown arrow), and MY COURSES. A dark blue banner below the header contains a megaphone icon and text: "Our annual Credit as an Asset and Credit as an Asset: Small Business hybrid bootcamps are now open for registration! Interested in both? Check out the bundle. But don't wait too long. Seats are limited! Click for dates, pricing, & registration." The main content area has a heading "WELCOME TO CBA'S TRAINING INSTITUTE (TI)!" followed by two paragraphs of text. The first paragraph describes the organization's mission to provide relevant courses and resources. The second paragraph explains that the TI serves as a hub for learning resources, with some exclusive to members and others available to anyone with a TI account. Below the text are three images with labels: "Members" (a group of people in a meeting), "Visitors" (a man working on a laptop), and "Master Trainers" (a woman presenting to a group).

REGISTER LOGIN

Training Institute
CREDIT BUILDERS ALLIANCE

ABOUT CBA MEMBERSHIP INFO FAQ CALENDAR QUICKLINKS ▼ MY COURSES

Our annual Credit as an Asset and Credit as an Asset: Small Business hybrid bootcamps are now open for registration! Interested in both? Check out the bundle. But don't wait too long. Seats are limited! Click for dates, pricing, & registration.

WELCOME TO CBA'S TRAINING INSTITUTE (TI)!

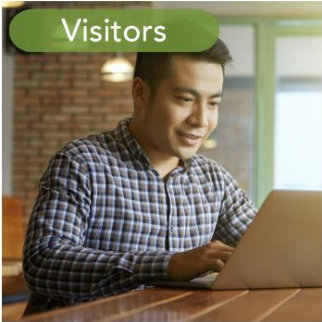
As the leading equity-focused organization in the credit building field, Credit Builders Alliance is uniquely positioned to design and deliver the robust, relevant courses practitioners need, to create toolkits, tipsheets, and worksheets you can use with your participants and clients, and to bring you together with credit industry experts and other nonprofit practitioners for monthly community webinars and other events.

The TI serves as the hub for these valuable learning resources. Many are exclusive to CBA members, but many others are available to anyone with a TI account. Log in or register now to get the most out of your visit.

Members



Visitors



Master Trainers



Register for a free account:
cbatraininginstitute.org

Thank You!

Questions?
webinars@creditbuildersalliance.org