

SMALL DOLLAR LENDING: ARE THE FEDS MOVING IN?

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Is the CFPB invading the States' turf?

- Yes. And there's nothing you can do about it.
- By passing Dodd Frank, Congress acknowledged that there is a problem with payday and title loans, and that there has not been the political will to tackle this either at the state or federal level
- That said, there's inevitably overreach
- CFPB: intent versus reality: "And what's her position with the Bureau now?"

Overreach in glorious technicolor!



Is that a good or bad thing?

- Fear versus reality.
- Some concerns about diversity of experimental approaches versus one size fits all
- Overall, a benefit: take money, lobbying etc. out of equation and tackle the hard issues.
- Yes, there's bias and sometimes shocking ignorance, but they listen, research etc. without regard to reelection.
- Level playing field: in theory they can take the best approach from all 50 states and apply it universally

Implications for industry

- Outline of proposed rule itself: needs some tweaks but basically well thought out
- An end to uncertainty something to be welcomed
- Balanced by cost of compliance and hidden tax of enforcement
- Depends who you are and what you do. Winners and losers. Some business models and practices going away (unlamented)
- Implied endorsement for others should increase availability of safe products
- Time for all to adapt.

Implications for State Legislatures

- States will need to audit for compliance with new rules
- States should rewrite SDC rules to reflect new categories
- With classic payday and title models having diminished role, need to make sure have access to Traditional Installment Loans
- Key lesson: it's not about APR, but structure
- Bureau can knock out the bad products. It's up to you to make sure you give consumers access to the good ones.

Implications for consumers

- Valuable new protections against harmful products and practices
- Depending on how quickly states react, though, could be devastating in terms of access to credit
- Important that consumers not be left without access to SDC credit, especially now that you know what good credit looks like
- Some people will lose access to credit. Some of those probably should. Critical that underwriting rules and tests be flexible so that those who can pay still qualify.