



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-71-2018
November 14, 2018

REQUEST FOR INFORMATION ON SMALL-DOLLAR LENDING

Summary: The Federal Deposit Insurance Corporation (FDIC) is seeking comments from interested parties on issues related to small-dollar lending, including steps that can be taken to encourage FDIC-supervised institutions to offer small-dollar credit products that are responsive to customers' needs and that are underwritten and structured prudently and responsibly. Specifically, the request for information solicits comments on the consumer demand for small-dollar credit products, the supply of small-dollar credit products currently offered by banks, and what the FDIC can do to better enable banks to offer responsible, prudently underwritten credit products to consumers to meet demand. This request for information will be separately published in the *Federal Register*. Comments on this request for information must be received no later than 60 days after the date of publication in the *Federal Register*.

Statement of Applicability to Institutions with Total Assets under \$1 Billion: This Financial Institution Letter applies to all FDIC-supervised financial institutions.

Suggested Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Lending Officer
Compliance Officer

Attachment:

[RFI on Small-Dollar Lending](#)

Contact:

Paul Robin, Section Chief, at (202) 898-6818 or email probin@fdic.gov.

Note:

FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's website at www.fdic.gov/news/news/financial/2018/

To receive FILs electronically, please visit www.fdic.gov/about/subscriptions/fil.html.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (877-275-3342 or 703-562-2200).

Highlights:

- The FDIC is issuing a request for information to seek public input on steps the FDIC could take to encourage FDIC-supervised institutions to offer responsible, prudently underwritten small-dollar credit products that are economically viable and address the credit needs of bank customers.
- This effort is consistent with the FDIC's commitment to increase transparency, improve efficiency, support innovation, and provide opportunities for public feedback on issues affecting FDIC-supervised institutions and their customers.
- The FDIC recognizes the important role small-dollar credit products can play, as part of the spectrum of credit and savings products offered by banks, in helping consumers meet the need for credit for purposes such as addressing cash-flow imbalances, unexpected expenses, or income volatility.
- Given the unique role banks play in the communities they serve and the benefits to consumers of having a relationship with an insured financial institution, banks are well-positioned to address the credit needs of their customers and to serve them in a responsible manner.
- The FDIC invites public comments on the full spectrum of issues related to the role banks can play in offering small-dollar credit, obstacles – regulatory and non-regulatory – that banks currently encounter in offering such credit, and whether there are steps the FDIC could take to enable banks to better serve this market.
- Comments on the request for information must be received no later than 60 days after the date of publication in the *Federal Register*.

FDIC Request for Information on Small-Dollar Lending

The FDIC is seeking comments and information from interested parties on small-dollar lending, including steps that can be taken to encourage FDIC-supervised financial institutions (banks) to offer small-dollar credit products that are responsive to customers' needs and that are underwritten and structured prudently and responsibly. This request for information will be separately published in the *Federal Register*.

Background Information

The FDIC is responsible for maintaining stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, making large and complex financial institutions resolvable, and managing receiverships. As discussed further below, the FDIC is soliciting public comments on issues related to small-dollar lending by banks. Specifically, we are requesting information on the consumer demand for small-dollar credit products, the supply of small-dollar credit products currently offered by banks, and whether there are steps the FDIC could take to better enable banks to provide such products to consumers to meet demand.

Request for Comments from Interested Parties

The FDIC is issuing this request for information (RFI) to seek public input on steps the FDIC could take to encourage FDIC-supervised institutions to offer responsible, prudently underwritten small-dollar credit products that are economically viable and address the credit needs of bank customers. This effort is consistent with the FDIC's commitment to increase transparency, improve efficiency, support innovation, and provide opportunities for public feedback on issues affecting FDIC-supervised institutions and their customers.

The FDIC recognizes the important role small-dollar credit products can play, as part of the spectrum of credit and savings products offered by banks, in helping consumers meet the need for credit for purposes such as addressing cash-flow imbalances, unexpected expenses, or income volatility. Recent research from the FDIC indicates that 20 percent of U.S. households reported that their income varied "somewhat" or "a lot" from month-to-month.¹ Moreover, according to

¹ "2017 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, October 2018.

research from the Federal Reserve, if faced with a hypothetical \$400 expense, 4 in 10 U.S. adults in 2017 would borrow, sell something, or not be able to pay.²

Given the unique role banks play in the communities they serve and the benefits to consumers of having a relationship with an insured financial institution, banks are well-positioned to address the credit needs of their customers in a responsible manner. While some banks currently offer small-dollar credit products, there may be additional opportunities for banks to address unmet demand for consumer credit in their communities. For example, research from the FDIC suggests that in 2017, 14.8 million or nearly 13 percent of U.S. households may have had unmet demand for small-dollar credit from banks. A majority of these households reported staying current on bills in the prior year. Although the vast majority (nearly 9 in 10) of these households had a bank account, fewer than one in three applied for credit from a bank.³ Some of these households may present opportunities for banks to extend credit in the form of small-dollar loans.

Accordingly, the FDIC invites public comments on the full spectrum of issues related to the role banks can play in offering small-dollar credit, obstacles – regulatory and non-regulatory – that banks currently encounter in offering such credit, and whether there are steps the FDIC could take to enable banks to better serve this market.

Suggested Topics for Commenters

The FDIC encourages comments from all interested members of the public, including but not limited to insured depository institutions, other financial institutions or companies, individual depositors and consumers, consumer groups, trade associations, and other members of the financial services industry. Please be as specific as possible to allow the FDIC to evaluate comments more effectively. In particular, the FDIC requests input on the following more specific topics and questions:

Consumer Demand

1. To what extent is there an unmet consumer demand for small-dollar credit products offered by banks?
2. To what extent do banks currently offer small-dollar credit products to meet consumer demand?

² “Report on the Economic Well Being of U.S. Households in 2017,” Board of Governors of the Federal Reserve System, May 2018.

³ “2017 FDIC National Survey of Unbanked and Underbanked Households,” Federal Deposit Insurance Corporation, October 2018.

3. To what extent and in what ways do entities outside the banking sector currently satisfy the consumer demand for small-dollar credit products?
4. What data, information, or other factors should the FDIC consider in assessing the consumer demand for small-dollar credit products?

Benefits and Risks

5. What are the potential benefits and risks to banks associated with offering responsible, prudently underwritten small-dollar credit products?
6. What are the potential benefits and risks to consumers associated with bank-offered small-dollar credit products?
7. What are the key ways that banks offering small-dollar loan products should manage or mitigate risks for banks and risks for consumers?
8. What are the potential benefits and risks related to banks partnering with third parties to offer small-dollar credit?
9. What steps could the FDIC take, consistent with its statutory authority, to encourage banks to develop and offer responsible, prudently underwritten small-dollar credit products?

Challenges

10. Are there any legal, regulatory, or supervisory factors that prevent, restrict, discourage, or disincentivize banks from offering small-dollar credit products? If so, please explain.
11. Are there any operational, economic, marketplace, or other factors that prevent, restrict, discourage, or disincentivize banks from offering small-dollar credit products? If so, please explain.
12. What factors may discourage consumers from seeking responsible, prudently underwritten small-dollar credit products offered by banks?

Product Features

13. Are there specific product features or characteristics of small-dollar loan products that are key to meeting the credit needs of consumers while maintaining prudent underwriting?
14. Are there specific product features or characteristics that are key to ensuring the economic viability to a bank of responsible, prudently underwritten small-dollar credit products?

Innovation

15. How can technology improve the ability of banks to offer responsible, prudently underwritten small-dollar loan products in a sustainable and cost-effective manner? Please specify the technology or technologies and the use case(s).
16. Are there innovations that might enable banks to better assess the creditworthiness of potential small-dollar loan borrowers with limited or no credit records with a nationwide credit reporting agency?
17. What role should the FDIC play, if any, in supporting innovations that enhance banks' abilities to offer responsible, prudently underwritten small-dollar loans? Are there specific barriers that prevent banks from implementing such technologies or innovations?
18. How can technology be leveraged to improve consumers' experiences and reduce potential risks to consumers associated with small-dollar credit products?

Alternatives

19. What other products and services that supplement or complement small-dollar credit offerings should banks consider? Are there other ways that banks can help consumers address cash-flow imbalances, unexpected expenses, or income volatility besides small-dollar credit products?

Other

20. Are there any distinguishing characteristics of particular institutions, such as a bank's size, complexity, or business model, that the FDIC should consider, and if so how?
21. Please provide any other comments or information that would be useful for the FDIC to consider.

DATES: Comments must be received no later than 60 days after the date of publication in the *Federal Register*.

ADDRESSES: You may submit comments, identified by RIN 3064-ZA04, by any of the following methods:

- *Agency Web site:* <http://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the Agency Web site.
- *Email:* Comments@fdic.gov. Include the RIN 3064-ZA04 in the subject line of the message.
- *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.

- *Hand Delivery:* Comments may be hand-delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.

Public Inspection: All comments received must include the agency name and RIN for this rulemaking. All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/>—including any personal information provided—for public inspection. Paper copies of public comments may be ordered from the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 by telephone at (877) 275-3342 or (703) 562-2200.

FOR FURTHER INFORMATION CONTACT: Paul Robin, Section Chief, at (202) 898-6818 or email probin@fdic.gov.