

## FACT SHEET

### Regulators Issue Guidance for Offering Responsible Small-Dollar Loans

- Recognizing the important role small-dollar credit products can play in addressing consumers' cash-flow imbalances or budget shortfalls, the Federal Deposit Insurance Corporation, Federal Reserve Board, National Credit Union Administration, and Office of the Comptroller of the Currency have issued guidance to financial institutions to encourage them to offer responsible small-dollar loans.
- Millions of Americans use small-dollar loan products to meet the credit needs of their families.
  - 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.<sup>1</sup>
  - According to research from the Federal Reserve, **37 percent of U.S. adults in 2019** would borrow, sell something, or not be able to pay if faced with a hypothetical \$400 expense.<sup>2</sup>
  - Additionally, **1-in-5 U.S. adults reported using alternative financial services**, including small-dollar loans, through providers other than traditional banks and credit unions.<sup>3</sup>
- In November 2018, the FDIC issued a [Request for Information](#) to solicit 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 meet consumer demand.
  - [Commenters provided a number of suggestions](#), and many urged the FDIC to provide guidance to banks to enable them to better serve this market, arguing financial institutions are well-suited to meet consumers' credit needs through responsible small-dollar lending programs.
- The agencies had previously adopted separate and conflicting guidance on small-dollar loans. By adopting the interagency guidance, the agencies are providing uniform principles for all financial institutions.
- To address conflicts with previous guidance on small-dollar loan products, the FDIC will rescind two letters—one from 2007 and another from 2013. It will also make technical corrections and reissue guidance from 2015.

<sup>1</sup> [“2017 FDIC National Survey of Unbanked and Underbanked Households,”](#) Federal Deposit Insurance Corporation, October 2018.

<sup>2</sup> [“Report on the Economic Well Being of U.S. Households in 2019,”](#) Board of Governors of the Federal Reserve System, May 2020.

<sup>3</sup> Id.