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November 20, 2018

To: Clients and Friends

From: David F. Dulock

Subject: FDIC Request for Comments and Information on Small-dollar Credit Products by FDIC-supervised Financial Institutions

This memorandum does not address residential mortgage lending topics; however, it will be of interest to our FDIC-supervised financial institution clients. In the November 20, 2018, issue of the *Federal Register* (83 FR 58566, [click here](#)), the FDIC published a request for information (RFI) 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.

The following is a redaction of the above RFI published by the FDIC in the *Federal Register*. The redacted text contains the essential information needed to submit the FDIC-requested information and comments on small-dollar lending.

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

- *Agency website:* Go to <https://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments.
- *Email:* Comments@fdic.gov. Include 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 NW building on business days between 7:00 a.m. and 5:00 p.m.

Comments must be received by the FDIC by January 22, 2019.

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.

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. The FDIC asks commenters to 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?

(3 pages)

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.

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