

Small Dollar Lending

Luke W. Reynolds

Chief, Outreach & Program Development

Federal Deposit Insurance Corporation



Why is this important

- ❑ Payday lending industry generates more than \$28 billion in loans/year
- ❑ Payday loans often exceed 390% APR
- ❑ Repeated use

SDL Guidelines

- Affordable Small-Dollar Loan Products
Final Guidelines
- FIL-50-2007, June 19, 2007

Why a pilot

- Demonstrate role
- Encourage innovation
- Foster new programs

Key features of preferred program

- Key features may include:
 - Loan amounts of up to \$1,000;
 - Amortization periods longer than a single pay cycle and up to 36 months for closed-end credit, or minimum payments that reduce principal
 - APR below 36 percent;
 - No prepayment penalties;
 - Origination and/or maintenance fees limited to the amount necessary to cover actual costs; and
 - An automatic savings component.

Details of pilot

- Selection
- Other parameters

Results

Also.....

- FDIC Survey of Bank Efforts
 - First bank survey 2008
 - Three main categories
 - Education and Outreach
 - Obstacles and Access
 - Products and Services
- Survey of the population
 - Supplement to January 2009 CPS

Thank you!!

Luke W. Reynolds
lureynolds@fdic.gov
(202) 898-6724