FCFSA℠
FLORIDA COMMUNITY FINANCIAL SERVICES ASSOCIATION

# A NATIONAL MODEL FOR **SMALL-DOLLAR LENDING**

Short-term, small-dollar lending can be a life saver for Americans who find themselves in an unexpected bind and need cash quickly. Regulations of small-dollar loans vary from state to state; however, there are overarching guidelines that provide strong consumer protection, protecting borrowers from spiraling debt, while ensuring marketplace access to these crucial loans.

---

- The **amount that can be borrowed is limited** from $500 to $1,000, depending on whether the loan is due all at once or can be repaid in installments. Single-pay loans should be limited to smaller amounts of no more than $500. Additionally, borrowers should have a 24-hour right of rescission after taking out a loan.

- **Databases** allow for lenders to check before a loan can be made to make sure no new loan is issued while any portion of an existing loan remains outstanding.

- **Fees are capped**, but should be enough to cover the lender's cost of providing access to small-dollar loans.

- Loan terms should extend up to **30 days** for loans repayable all at once, and up to **90 days** for those payable in installments. Loans may be prepaid at any time without penalty, and installment loans should allow the borrower the option to skip one payment without additional fees.

- A minimum **24-hour cooling-off period** is required after a loan is paid off in full before a borrower can receive a new loan, and existing loans may not be refinanced from the proceeds of a new loan (sometimes called rollovers).

- Lenders may charge only the **finance charges disclosed in the Truth In Lending Act** disclosure at the time of the loan – no additional fees or interest even if the loan goes into default or the borrower requests extra time to repay. This essential feature prevents open-ended, spiraling interest charges.

- Borrowers who can't make the required single payment should have the **right to an extended repayment plan**, and to seek **credit counseling** from an accredited credit counselor – with **no additional fee** or interest and paid by the lender from half the loan's finance charge. The lender would be required to adhere to any extended repayment plan worked out by the credit counselor and borrower.

- **Lenders may not sue or seek criminal charges** against borrowers in default. All borrowers' rights must be prominently disclosed in each borrower agreement.