



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Issues Draft Guidelines on Small-Dollar Loans

The Federal Deposit Insurance Corporation (FDIC) has issued for comment guidelines to state non-member banks to encourage them to offer small-dollar loan products that are affordable. FDIC-supervised institutions that offer these products in a responsible, safe and sound manner may receive favorable consideration under the Community Reinvestment Act (CRA).

"There is a huge demand for small-dollar, unsecured loans, but there are far too few low-cost options available for consumers," said FDIC Chairman Sheila C. Bair. "It is our obligation as a regulator to encourage those we regulate to create products that are beneficial to both the banks and their customers."

A growing number of institutions have found ways to offer these types of loans in a safe and sound manner that is also cost-effective and responsive to customer needs. The guidelines issued today explore several aspects of product development, including affordability and streamlined underwriting. They also discuss tools, such as financial education and savings, that may address long-term financial issues that concern borrowers. The FDIC seeks comment on all aspects of the proposed guidelines.

In the proposed guidelines, the FDIC encourages banks to offer products with affordable, reasonable interest rates with no or low fees; payments that pay down the principal balance of the loan; and a savings component incorporated into the loans. The FDIC also encourages banks to leverage technology in managing these products. In addition to a savings component, programs also should include financial education for frequent borrowers.

The guidelines are being issued in advance of a conference for bankers that the FDIC is sponsoring on affordable, short-term, small-dollar lending to military personnel and their families. Members of the military and their families are frequent users of these types of



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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loans, and often resort to lenders who offer very expensive products. The conference is being held at the FDIC's facilities in Arlington, Virginia, on December 6.

Comments on the guidelines will be accepted for 60 days, with the period expiring on February 2, 2007. To submit comments, please e-mail: supervision@fdic.gov or send hardcopy comments to:

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

The guidelines are attached.

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Attachment:

[Affordable Small-Dollar Loan Guidelines](#)