



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Board Approves Small-Dollar Loan Pilot Project

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved a two-year pilot project to review affordable and responsible small-dollar loan programs in financial institutions. The project, the Affordable and Responsible Consumer Credit initiative, is designed to assist bankers by identifying information on replicable business models for affordable small-dollar loans. Best practices resulting from the pilot will be identified and become a resource for other institutions.

"There is a tremendous appetite for small-dollar loans, but there are far too few low-cost alternatives for consumers to choose from," said FDIC Chairman Sheila C. Bair. "The pilot project our Board approved will be an important first step in filling the void that exists today."

Some of the key features of the pilot will include loan amounts of up to \$1,000, mandatory savings components, payment periods that extend beyond a single pay cycle, interest rates below 36 percent, low or no origination fees, no prepayment penalties, prompt loan application processing, and access to financial education to help with asset building. Participating financial institutions in the study that offer these products in a safe and sound manner may receive favorable consideration under the Community Reinvestment Act (CRA). In order to participate, banks would have to be highly rated, well managed, well capitalized and confirm that their proposed product meets consumer credit needs at a reasonable cost.

Participants will be selected from interested institutions based on information describing their small-dollar loan programs. Interest will be solicited from a wide range of insured financial institutions. It is anticipated that the participating institutions will be identified in the fall.



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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