

CFPB Takes Action to Help Struggling Homeowners Seeking Mitigation Efforts; Consumers Seeking Small-Dollar Loans

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (Bureau) today announced that it issued two No-Action Letter (NAL) Templates under its innovation policies. Regulatory uncertainty can hinder the development of innovative products and services with the potential to benefit consumers. To encourage innovation, last year the Bureau introduced an improved NAL Policy that includes, among other things, a more streamlined review process focusing on the consumer benefits and risks of the applicant’s product or service. NALs provide increased regulatory certainty through a statement that the Bureau will not bring a supervisory or enforcement action against a company for providing a product or service under certain facts and circumstances. The improved Policy also includes an innovative provision concerning NAL templates, which permits entities such as service providers and trade associations to secure a template that can serve as the foundation for NAL applications from companies that provide consumer financial products and services.

Using the first NAL Template approved today, mortgage servicers seeking to assist struggling borrowers to avoid foreclosure and engage in loss mitigation efforts would be able to apply for their own NAL. The template, requested by Brace Software, Inc. (Brace), would enable mortgage servicers to use Brace’s online platform to implement loss-mitigation efforts for their borrowers.

The platform is an online version of the Fannie Mae Form 710, which is the loss mitigation application used by most mortgage servicers. While the Bureau does not endorse particular products or providers, digitizing the loss mitigation application process has the potential to improve a process that is experiencing an increase in loss mitigation requests from consumers due to the COVID-19 pandemic.

To further competition in the small-dollar lending space and facilitate robust competition that fosters access to credit, the Bureau also approved a NAL template that insured depository institutions can use to apply for a NAL covering their small-dollar credit products. The NAL template includes important protections for consumers who seek small-dollar loan products.

In March, the Bureau and federal financial regulators also released a statement encouraging financial institutions and credit unions to offer responsible small-dollar loans to their customers affected by the COVID-19 pandemic. The statement underscored that small-dollar lending plays an important role in “meeting customers’ credit needs because of temporary cash-flow imbalances, unexpected expenses, or income disruptions during periods of economic stress or disaster recoveries. Such loans can be offered through a variety of structures including open-end lines of credit, closed-

end installment loans, or appropriately structured single payment loans. The agencies state that loans should be offered in a manner that provides fair treatment of consumers, complies with applicable laws and regulations, and is consistent with safe and sound practices.”

Brace’s application may be found

here: https://files.consumerfinance.gov/f/documents/cfpb_brace_no-action-letter-request.pdf

The Brace NAL Template may be found

here: https://files.consumerfinance.gov/f/documents/cfpb_brace_no-action-letter.pdf

BPI’s application may be found

here: https://files.consumerfinance.gov/f/documents/cfpb_bpi_no-action-letter-request.pdf

The BPI NAL Template may be found

here: https://files.consumerfinance.gov/f/documents/cfpb_bpi_no-action-letter.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by regularly identifying and addressing outdated, unnecessary, or unduly burdensome regulations, by making rules more effective, by consistently enforcing federal consumer financial law, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.