

# BEST PRACTICES FOR THE SMALL-DOLLAR LOAN INDUSTRY



## CFSA Corporate Members Must Abide by the Following Best Practices:

**1. COMPLIANCE.** A member will comply with all applicable laws. A member will not charge a fee or rate for a loan that is not authorized or that is prohibited by local, state or federal law.

**2. LICENSING/REGISTRATION.** A member agrees to register with the appropriate government agencies and hold all necessary business licenses to operate legally in the jurisdictions in which it offers small-dollar loan products. A member that offers small-dollar loans through the Internet or other electronic modes shall be licensed in each state where its customers reside and shall comply with the disclosure, renewal, refinance rate, and other requirements imposed by each such state, unless such state does not require the member to be licensed or to comply with such provisions, or the state licensing requirements and other applicable laws are preempted by federal law.

**3. FULL DISCLOSURE.** A member will comply with the disclosure requirements of the state in which the loan is made and with federal disclosure requirements, including the Federal Truth in Lending Act and the Electronic Fund Transfer Act (Regulation E). A contract between a member and the customer must fully and completely outline the terms of the loan transaction. Members agree to disclose the cost of the service fee both as a dollar amount and as an annual percentage rate ("APR"). A member, in compliance with CFSA guidelines where they do not conflict with applicable federal, state or local requirements, will further ensure full disclosure by making rates clearly visible to customers before they enter into the transaction process.

**4. TRUTHFUL ADVERTISING.** A member will not advertise a credit product in any false, misleading, or deceptive manner, and will promote only the responsible use of credit.

**5. ENCOURAGE CONSUMER RESPONSIBILITY.** A member will implement procedures to inform consumers of the appropriate use of the small-dollar loan. These procedures will include the placement of a "Customer Notice" on all marketing materials, including all television, print, radio and on-line advertising, direct mail and in-store promotional materials where it is reasonable to do so. When determining reasonableness, a member should consider size, location, and audience.

**CUSTOMER NOTICE:** *There are a wide variety of loan products available in the marketplace, so your choice of lending products should match your financial needs. Small-dollar loans used over a long period of time can be expensive.*

**6. ABILITY TO REPAY.** A member, before extending credit, shall undertake a reasonable, good-faith effort to determine a customer's creditworthiness and ability to repay the loan.

**7. RIGHT TO RESCIND.** Unless state law requires otherwise, a member will give its customers the right to rescind a loan, at no cost, on or before the close of the following business day.

**8. NO CRIMINAL ACTION.** A member will not threaten or pursue criminal action against a customer for non-payment of a small-dollar loan.

**9. RESPONSIBLE REPAYMENT.** A member shall ensure that all credit products offered provide customers with a structure to reduce the principal balance.

**For a single repayment loan,** a member shall comply with state law regarding repayment of a single repayment loan. In such cases where authorized, a member will limit rollovers of a single repayment loan to four (4) or the state limit where not otherwise limited by law. (A rollover is the extension of an outstanding advance by payment of only a fee.)

**10. APPROPRIATE COLLECTION PRACTICES.** A member must collect past due accounts in a professional, fair and lawful manner. A member will not use unlawful threats, intimidation, or harassment to collect accounts. The collection limitations contained in the Fair Debt Collection Practices Act (FDCPA) should guide a member's practice in this area.

**11. EXTENDED REPAYMENT PLAN.** A member shall ensure that a consumer who is undergoing financial hardship and is unable to repay the loan in a timely manner is afforded a reasonable repayment program without incurring extraordinary costs or penalties.

**For a single repayment loan,** a member will make available to customers who are unable to repay a loan according to its original contract terms, the option of repaying the loan over a longer period of time unless otherwise not allowed by state law. Such an extended payment plan will be offered in compliance with any requirement in state law to provide an extended payment plan or, in the absence of such a requirement in state law, in compliance with the Best Practice "Guidelines for Extended Payment Plans." A member will adequately disclose the availability of the Extended Payment Plan to its customers in compliance with any requirement in state law for such a disclosure or, in the absence of such a requirement in state law, in compliance with the Best Practice "Guidelines for Extended Payment Plans."

**12. RESOLVING CUSTOMER COMPLAINTS.** Each member company agrees to maintain and post its own toll-free consumer hotline telephone number in each of its storefronts and on its website, as well as provide electronic means for consumers to submit concerns and complaints about company products or services. A member commits to responding to and resolving consumer complaints in a timely and appropriate manner.

**13. MAINTAINING PRIVACY.** A member who possesses any personally identifiable information about a consumer agrees to maintain the privacy of such information in accordance with all state and federal privacy laws and regulations.

**14. SUPPORT BALANCED LEGISLATION.** A member will work with legislators and regulators to support responsible legislation of the short-term lending industry that incorporates these Best Practices.

**15. DISPLAY OF THE CFSA MEMBERSHIP SEAL.** A member company shall prominently display the CFSA Membership Seal in all stores to alert customers to the store's affiliation with the association and adherence to the association's Best Practices.

*CFSA Best Practices are intended to cover all small-dollar loans made by members to the extent that such practices are allowed by applicable laws and regulations. State or local laws and regulations may not permit implementation of some Best Practices for certain types of small-dollar loans. However, all members are expected to comply with these Best Practices to the fullest extent possible. Supplemental Guidelines for implementation of the Best Practices are incorporated herein by reference and are available on the CFSA website.*