

CFPB
Examination Procedures

**Short-Term,
Small-Dollar Lending**

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**Short-Term, Small-Dollar Lending
Commonly Known as Payday Lending**

These examination procedures apply to the short-term, small-dollar credit products commonly known as payday lending. The procedures are comprised of modules covering a payday loan lifecycle, and each module identifies relevant matters for review. Prior to conducting the examinations, however, examiners should complete a risk assessment and examination scope memorandum.

Are You Ready For the
CFPB?

CFPB Examinations for Payday Lenders – Are You Prepared?

“So now, the Bureau will be giving payday lenders much more attention. This is an important new area for us.”

“We hear a lot about repeated long-term use of payday loans. We plan to dig deep on this topic.”

“In addition to the things we need to learn more about, we know there are some payday lenders engaged in practices that present immediate risk to consumers and are clearly illegal.”

~ Richard Cordray, CFPB Director

Soon after Director Cordray was appointed, the CFPB published its Short-Term, Small-Dollar Lending Examination Procedures. Several payday lenders are currently under examination. The CFPB also has the authority to monitor third-party service providers to payday lenders. When the CFPB comes knocking, it will take a comprehensive look at your operations, policies and procedures, state examinations, and complaint history and handling process.

Use the following checklist to see if you are ready for an examination.

Do you have written policies and procedures in place covering:

- Federal regulations under the CFPB's authority (e.g., regulations under TILA, ECOA, FCRA, EFTA and GLBA)?
- Sustained use of payday loans and other practices the CFPB may consider unfair, deceptive, or abusive?
- Marketing practices?
- Collection practices, including written communications, telephone calls, and visits to borrowers?
- Oversight of third-party service providers?

- Have you conducted, directly or through a third party, a recent compliance audit?
- Have your governing body and senior management demonstrated in a documented way their commitment to consumer compliance?
- Does your employee training program adequately address compliance issues?
- Have you reviewed the CFPB's Examination Manual?
- Are your electronic systems ready to interface with the CFPB's e-examination system?
- Do you have the capability to run reports and analyses from your data in the same manner that the CFPB can, using its e-examination system?

We Can Help

Ballard Spahr has unrivaled experience concerning the payday lending industry and the CFPB. Our blog, *CFPB Monitor*, provides the most relevant and up-to-date information about developments at the CFPB. Additionally, we are helping numerous clients deal with the CFPB by:

- Designing and overseeing self-assessments
- Drafting, reviewing, and revising policies and procedures
- Conducting compliance audits
- Quarterbacking responses to civil investigative demands

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