



**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551**

**DIVISION OF SUPERVISION AND
REGULATION**

**DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS**

SR 20-7

CA 20-5

March 30, 2020

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE
BANK AND TO INSTITUTIONS SUPERVISED BY THE FEDERAL RESERVE**

SUBJECT: Joint Statement Encouraging Responsible Small-Dollar Lending in Response to
COVID-19

Applicability: This letter is relevant to all institutions supervised by the Federal Reserve.

On March 26, 2020, the Federal Reserve and four other federal financial regulatory agencies issued a joint statement encouraging banks, savings institutions, and credit unions to offer responsible small-dollar loans to consumers and small businesses in response to COVID-19.¹ A supervised institution's small-dollar lending activity could help customers meet their needs for credit due to temporary cash-flow imbalances, unexpected expenses, or income short-falls during periods of economic stress or disaster recoveries. This guidance follows other recent issuances of the agencies to encourage financial institutions to meet the financial services needs of their customers who have been affected by COVID-19.²

Reserve Banks are asked to distribute this letter to the Federal Reserve-supervised institutions in their districts, as well as to their supervisory and examination staff. If Federal Reserve-supervised financial institutions have questions about the guidance set forth in this letter, they are encouraged to contact their primary contact at the responsible Federal Reserve Bank. In addition, questions may be sent via the Board's public website.³

Michael S. Gibson
Director
Division of Supervision
and Regulation

Eric S. Belsky
Director
Division of Consumer and
Community Affairs

¹ See March 26, 2020, Board press release at: <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200326a.htm>

² Refer to the Board's public website for COVID-19 related guidance at: <https://www.federalreserve.gov/covid-19.htm>

³ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>

Attachment:

- Joint Release, “Encouraging Responsible Small-Dollar Lending in Response to COVID-19” (*March 26, 2020*).

Cross References:

- SR Letter 20-4/CA Letter 20-3, “Supervisory Practices Regarding Financial Institutions Affected by Coronavirus”
- CA Letter 20-4, “CRA Consideration for Activities in Response to the Coronavirus”

**Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency**

**Joint Statement Encouraging Responsible Small-Dollar
Lending in Response to COVID-19**

The Board of Governors of the Federal Reserve System (Federal Reserve), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB) (collectively, “the agencies”) recognize the potential for the Coronavirus Disease (referred to as COVID-19) to adversely affect the customers and operations of banks, savings associations and credit unions (collectively, “financial institutions”). On March 9, 2020, the federal financial institution regulatory agencies and state bank regulators issued a statement to encourage financial institutions to meet the financial services needs of their customers and members in areas affected by COVID-19.¹ Additionally, on March 19, 2020, the Federal Reserve, FDIC, and OCC issued a joint statement on Community Reinvestment Act (CRA) consideration for activities in response to COVID-19, stating that for CRA purposes, the agencies will favorably consider retail banking and lending activities that meet the needs of affected low- and moderate-income individuals, small businesses, and small farms, consistent with safe and sound banking practices and applicable laws, including consumer protection laws.² This statement noted such activities could include offering short-term, unsecured credit products for creditworthy borrowers.

The agencies are issuing this statement to specifically encourage financial institutions to offer responsible small-dollar loans to both consumers and small businesses. The agencies recognize the important role that responsibly offered small-dollar loans can play in helping customers meet their needs for credit due to temporary cash-flow imbalances, unexpected expenses, or income short-falls during periods of economic stress or disaster recoveries.

Federally supervised financial institutions are well-suited to meet the credit needs of customers affected by the current COVID-19 emergency. Many financial institutions may offer products that could be used or modified to help meet these customers’ needs, in conformity with applicable laws and regulations. The current regulatory framework allows financial institutions to make responsible small-dollar loans. Such loans can be offered through a variety of loan structures that may include, for example, open-end lines of credit, closed-end installment loans,

¹ Joint Release, “Agencies Encourage Financial Institutions to Meet Financial Needs of Customers and Members Affected by Coronavirus” (March 9, 2020).

² Joint Statement, “Pandemic Planning: Joint Statement on CRA Consideration for Activities in Response to COVID-19” (March 19, 2020).

or appropriately structured single payment loans.³ For borrowers who experience unexpected circumstances and cannot repay a loan as structured, financial institutions are encouraged to consider workout strategies designed to help enable the borrower to repay the principal of the loan while mitigating the need to re-borrow. For all products, financial institutions should offer loans in a manner that is consistent with safe and sound practices, provides fair treatment of consumers, and complies with applicable statutes and regulations, including consumer protection laws.⁴

The agencies also recognize that responsible small-dollar loans can benefit financial institution customers in more normalized times when unexpected expenses occur or there are temporary income short-falls. The agencies are working on future guidance and lending principles for responsible small-dollar loans to facilitate the ability of financial institutions to more effectively meet the ongoing credit needs of their communities and customers.

³ Financial institutions may, but are not required to, consult with their primary federal regulator about small-dollar loan products that they offer or plan to offer to customers affected by COVID-19.

⁴ *See, e.g.*, Interagency Guidelines Establishing Standards for Safety and Soundness at 12 CFR 30, Appendix A (OCC); 12 CFR 208, Appendix D-1 (Federal Reserve); and 12 CFR 364, Appendix A (FDIC).