

**[DISCUSSION DRAFT]**

118TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Truth in Lending Act to allow covered entities to offer small-dollar credit products, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mrs. KIM of California introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Truth in Lending Act to allow covered entities to offer small-dollar credit products, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “[\_\_\_\_\_ Act  
5 of 2023]”.

6 **SEC. 2. FINDING; SENSE OF CONGRESS.**

7 (a) FINDING.—Congress finds that, according to the  
8 Board of Governors of the Federal Reserve System’s most  
9 recent Survey of Household Economics and Decision-

1 making, 37 percent of Americans could not cover a \$400  
2 emergency expense with their existing savings.

3 (b) SENSE OF CONGRESS.—It is the sense of Con-  
4 gress that—

5 (1) having access to a wide array of financial  
6 options – like small-dollar credit products from  
7 State- and federally-regulated financial institutions –  
8 can empower consumers and allow them to attain fi-  
9 nancial security;

10 (2) this Act aims to provide consumers with ad-  
11 ditional access to affordable, responsible small dollar  
12 credit;

13 (3) credit products offered by nonbank institu-  
14 tions are complementary to those offered by banks  
15 and credit unions; and

16 (4) this Act recognizes the benefits of small-dol-  
17 lar consumer loan products offered successfully for  
18 over a hundred years by State-regulated finance  
19 companies whose terms differ from the model de-  
20 scribed in the amendments made by this Act.

21 **SEC. 3. SMALL-DOLLAR CREDIT PRODUCTS.**

22 (a) IN GENERAL.—The Truth in Lending Act (15  
23 U.S.C. 1601 et seq.) is amended by inserting after section  
24 109 the following:

1 **“§ 110. Small-dollar credit products**

2 “(a) IN GENERAL.—Each covered entity may offer  
3 small-dollar credit products to consumers.

4 “(b) PRODUCT STRUCTURE.—

5 “(1) INSTALLMENT LOAN.—If a small-dollar  
6 credit product is structured by a covered entity as  
7 an installment loan—

8 “(A) the repayment term shall be more  
9 than 45 days;

10 “(B) payments shall be amortized on a  
11 straight-line basis across more than one pay-  
12 ment;

13 “(C) rollovers into new small-dollar credit  
14 products shall be prohibited; and

15 “(D) the covered entity may not issue any  
16 small-dollar credit product to a consumer if  
17 such consumer has a small-dollar credit product  
18 open with such covered entity at the time such  
19 consumer applies for a small-dollar credit prod-  
20 uct.

21 “(2) LINE OF CREDIT.—If a small-dollar credit  
22 product is structured by a covered entity as a line  
23 of credit—

24 “(A) the repayment term for each draw  
25 shall be more than 45 days unless a single pay-  
26 ment is used and the draw is not more than 10

1 percent of the lesser of \$3,500 or 20 percent of  
2 the total amount of a consumer's average  
3 monthly direct deposits during the preceding six  
4 months; and

5 “(B) payments for each draw shall be am-  
6 ortized on a straight-line basis across more  
7 than one payment, except in the case of any  
8 single-payment loans.

9 “(3) RULES OF CONSTRUCTION.—

10 “(A) IN GENERAL.—Nothing in this sub-  
11 section may be construed to prohibit the Bu-  
12 reau, a Federal banking agency, or the National  
13 Credit Union Administration from issuing a  
14 cease-and-desist order or restitution order  
15 under this title against a covered entity.

16 “(B) ENFORCEMENT OF OTHER STAT-  
17 UTES.—Nothing in this subsection may be con-  
18 strued to prohibit the Bureau, a Federal bank-  
19 ing agency, or the National Credit Union Ad-  
20 ministration from enforcing any provision of  
21 law not contained within this title against a  
22 covered entity.

23 “(c) UNDERWRITING.—When considering whether to  
24 offer a small-dollar credit product to a specific consumer,  
25 a covered entity—

1           “(1) shall use sound underwriting processes;  
2           and

3           “(2) may analyze internal or external data  
4           sources, including consumer deposit account activity,  
5           to assess the creditworthiness of a consumer.

6           “(d) LIMITATIONS AND REQUIREMENTS.—

7           “(1) BALLOON PAYMENTS.—No payment re-  
8           quired in association with a small-dollar credit prod-  
9           uct offered by a covered entity may be greater than  
10          double the amount of any other payment required in  
11          association with such product.

12          “(2) DISCLOSURES.—Each covered entity that  
13          offers a small-dollar credit product shall comply with  
14          all disclosure requirements set forth by this title.

15          “(3) PENALTIES AND FEES.—A covered entity  
16          may not impose any prepayment penalty, overdraft  
17          fee, or nonsufficient funds fee in connection with a  
18          small-dollar credit product.

19          “(4) TRANSFER OF AMOUNTS.—Amounts made  
20          available to a consumer through a small-dollar credit  
21          product offered by a covered entity shall be dis-  
22          bursed to the account of such consumer by such cov-  
23          ered entity not later than 5 days after the approval  
24          of the consumer for the small-dollar credit product.

1       “(e) SAFE HARBOR.—If a covered entity complies  
2 with the requirements set forth in subsections (b), (c), and  
3 (d) with respect to the offering of a small-dollar product  
4 to a consumer, such covered entity shall not be liable in  
5 connection with such offering of a small-dollar product,  
6 for—

7               “(1) any civil money penalties from any en-  
8 forcement action brought by the Bureau, the appro-  
9 priate Federal banking agency, or the National  
10 Credit Union Administration for a violation of this  
11 title; or

12               “(2) any damages or other monetary relief  
13 through a private right of action brought under this  
14 title.

15       “(f) DEFINITIONS.—In this section:

16               “(1) COVERED ENTITY.—The term ‘covered en-  
17 tity’ means an insured depository institution or an  
18 insured credit union.

19               “(2) FEDERAL BANKING AGENCY DEFINI-  
20 TIONS.—The terms ‘appropriate Federal banking  
21 agency’ and ‘Federal banking agency’ have the  
22 meaning given those terms, respectively, in section 3  
23 of the Federal Deposit Insurance Act.

1           “(3) INSURED CREDIT UNION.—The term ‘in-  
2           sured credit union’ has the meaning given the term  
3           in section 101 of the Federal Credit Union Act.

4           “(4) INSURED DEPOSITORY INSTITUTION.—The  
5           term ‘insured depository institution’ has the mean-  
6           ing given the term in section 3 of the Federal De-  
7           posit Insurance Act.

8           “(5) SMALL-DOLLAR CREDIT PRODUCT.—The  
9           term ‘small-dollar product’ means a loan or line of  
10          credit with a value of \$3,500 or less.”.

11          (b) CLERICAL AMENDMENT.—The table of contents  
12          for chapter 1 of the Truth in Lending Act is amended  
13          by inserting after the item relating to section 109 the fol-  
14          lowing:

          “110. Small-dollar credit products.”.