



COURT RULES IN FAVOR OF CFPB ON SUMMARY JUDGEMENT MOTION IN PAYDAY LOAN RULE PAYMENT PROVISIONS CASE

The Texas federal district court issued a Final Order granting summary judgement to the Consumer Financial Protection Bureau in a case challenging the validity of the Payment Provisions of the CFPB Payday Loan Rule. The decision means that the Payment Provisions will go into effect, but the court sided with the trade associations and extended the compliance date stay for 286 days after the final judgment. At the time the stay was entered, there were 286 days remaining before the Payment Provisions were required to be implemented by lenders. The court was persuaded that the industry should receive the full benefit of the temporary stay and noted that the delayed compliance date would allow time for appeal. While the decision in favor of the CFPB is disappointing, the delayed compliance date is good news.

The Payment Provisions of the Rule apply to "covered loans." Although the Payment Provisions were part of the Payday Loan rule, the Payment Provisions apply broadly and cover lenders that are not "payday lenders." The Payment Provisions will create operational challenges for lenders and they will need the 286 days to prepare. See our prior Alert from July 10, 2020 for a detailed description of the payment provisions and their applicability.

Although an appeal is possible, lenders should evaluate the applicability of the Payment Provisions and the steps required to comply by the new compliance date, which should be in June of 2022 assuming no further changes or delays. We will continue to follow the litigation and keep you advised of further developments. Let us know if you have questions or need assistance in evaluating the applicability of the Payment Provisions and the requirements. □

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