



September 16, 2015

ALTERNATIVE LENDING REPORT

The Federal Reserve Bank of Cleveland released on August 25, 2015 a report entitled "Alternative Lending through the Eyes of 'Mom & Pop' Small-Business Owners: Findings from Online Focus Groups" (attached). The report provides the results on a study of small business owners' perceptions and understandings with respect to online alternative lenders and cash advance providers and their small dollar credit products. As part of the study, researchers asked two very small online focus groups to evaluate and provide feedback on mock financing products and actual online websites of certain commercial financing providers. Based on the study, the researchers claim that the participants had concerns with respect to (i) data security and privacy, (ii) the difficulties in comparing products based on cost and (iii) the disclosure of product features. According to the researchers, some participants want lenders to make standardized annual percentage rate and certain other disclosures. The researchers have recommended that more studies be performed on the on-line lending industry. This unsupported, poor data recommendation should raise significant concerns for the industry. □

CREATION OF SMALL BUSINESS BORROWERS' BILL OF RIGHTS

A group of lenders, brokers and others have signed on to the Responsible Business Lending Coalition's Small Business Borrowers' Bill of Rights. The Bill of Rights provides that borrowers have the following six rights:

1. The Right to Transparent Pricing and Terms;
2. The Right to Non-Abusive Products;
3. The Right to Responsible Underwriting;
4. The Right to Fair Treatment from Brokers;
5. The Right to Inclusive Credit Access; and
6. The Right to Fair Collection Practices.

The Bill of Rights provides that lenders and/or brokers will abide by certain laws to which they already are subject (e.g., the Equal Credit Opportunity Act) or with which most already voluntarily comply as a matter of best practices (e.g., the Fair Debt Collection Practices Act). The Bill of Rights also provides, however, that lenders and/or brokers will take certain actions that have not been proven to be necessary or beneficial in connection with a commercial financing transaction (e.g.,

disclosing an annualized rate or APR). Additional information on the Bill of Rights can be found on the Responsible Business Lending Coalition's website at <http://www.responsiblebusinesslending.org/>. □

DEPARTMENT OF TREASURY REQUESTS INFORMATION ON ONLINE MARKETPLACE LENDERS

The Department of the Treasury issued a request for information (RFI) on online marketplace lending. Notice and Request for Information, 80 Fed. Reg. 42866-01 (July 20, 2015). The RFI contains fourteen groups of questions that relate to (i) the various business models of and products offered by online marketplace lenders to small businesses and consumers (ii) the potential for online marketplace lending to expand access to credit to historically underserved market segments and (iii) how the financial regulatory framework should evolve to support the safe growth of this industry. Comments must be submitted on or before September 30, 2015.

RECOMMENDATION

The timing and thrust of these developments indicate some form of concerted effort to attempt to pull small business lending and cash advance programs into a regulated environment akin to consumer lending. We recommend that the industry take steps to respond to these developments and to prepare for legislative and regulatory initiatives that will certainly be disadvantageous to the industry.

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