



CFPB ANNOUNCES EFFECTIVE DATE FOR PAYMENT PROVISIONS OF PAYDAY LOAN RULE

The Consumer Financial Protection Bureau (CFPB) announced that the payment provisions of the "Payday Loan Rule" (Rule) will go into effect March 30, 2025 based on the Supreme Court entering its judgement in *Consumer Financial Protection Bureau v. Community Financial Services Association of America* on June 17, 2024.

The compliance date for the payment provisions had been delayed pursuant to a court order issued in *Community Financial Services Association v. CFPB*, No. 1:18-cv-00295 (W.D. Tex. Nov. 6, 2018). The court order pausing the Rule provides that the order will expire 286 days after the Supreme Court enters its judgment.

In May the U.S. Supreme Court upheld the CFPB's funding mechanism, the basis for the delay in the enforcement of the payment provisions of the Rule.

The payment provisions were originally part of a larger rule titled Payday, Vehicle Title and Certain High-Cost Loans. The provisions relating to the ability to repay and underwriting were revoked before the Rule took effect. This left only the payment provisions, which originally had received little attention.

The payment provisions of the Rule apply to "covered loans." Although the rule was presented as addressing issues related to "payday loans," "covered loans" are defined as closed-end or open-end loans that meet certain additional requirements that include many common loans products unconnected to payday loans. The payment provisions imposes various requirements related to payments, including notice requirements and restrictions on initiating a payment transfer after two consecutive failed payment transfers.

Lenders should review the definition of "covered loan" in the Rule to determine if compliance with the payment provisions is required. We can assist with questions regarding the definition of "covered loan" and the payment provision requirements. □

✧ *Elizabeth Anstaett and Mercedes Ramsey*

Darrell L. Dreher
ddreher@dtlaw.com

Elizabeth L. Anstaett
eanstaett@dtlaw.com

Susan L. Dreher
sdreher@dtlaw.com

2750 HUNTINGTON CENTER
41 S. HIGH STREET
COLUMBUS, OHIO 43215
TELEPHONE: (614) 628-8000 FACSIMILE: (614) 628-1600
WWW.DTLAW.COM

Michael C. Tomkies
mtomkies@dtlaw.com

Mercedes C. Ramsey
mramsey@dtlaw.com

Robin R. De Leo
robin@deher-la.com

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