

118TH CONGRESS  
2D SESSION

# H. R. 8356

To amend the Truth in Lending Act to provide for a safe harbor for small-dollar credit products, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2024

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

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## A BILL

To amend the Truth in Lending Act to provide for a safe harbor for 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 “Small Dollar Loan  
5 Certainty Act”.

6 **SEC. 2. SAFE HARBOR FOR SMALL-DOLLAR CREDIT PROD-**  
7 **UCTS.**

8 (a) IN GENERAL.—The Truth in Lending Act (15  
9 U.S.C. 1601 et seq.) is amended by inserting after section  
10 109 the following:

1 **“§ 110. Safe harbor for small-dollar credit products**

2 “(a) IN GENERAL.—If a covered entity complies with  
3 the requirements set forth in subsections (b), (c), and (e)  
4 with respect to the offering of a small-dollar product to  
5 a consumer, such covered entity shall not be liable in con-  
6 nection with such offering of a small-dollar product, 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 “(b) PRODUCT STRUCTURE REQUIREMENTS.—

16 “(1) IN THE CASE OF AN INSTALLMENT  
17 LOAN.—If a small-dollar credit product is structured  
18 by a covered entity as an installment loan—

19 “(A) the repayment term shall be more  
20 than 45 days;

21 “(B) payments shall be fully amortized  
22 across more than one payment;

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

25 “(D) the covered entity may not issue any  
26 small-dollar credit product to a consumer if

1 such consumer has a small-dollar credit product  
2 open with such covered entity at the time such  
3 consumer applies for a small-dollar credit prod-  
4 uct.

5 “(2) IN THE CASE OF A LINE OF CREDIT.—If  
6 a small-dollar credit product is structured by a cov-  
7 ered entity as a line of credit—

8 “(A) the repayment term for each draw  
9 shall be more than 45 days unless a single pay-  
10 ment is used and the draw is not more than 10  
11 percent of the lesser of \$3,500 or 20 percent of  
12 the total amount of a consumer’s average  
13 monthly direct deposits during the preceding six  
14 months; and

15 “(B) payments for each draw shall be fully  
16 amortized across more than one payment, ex-  
17 cept in the case of any single-payment loans.

18 “(3) RULES OF CONSTRUCTION.—

19 “(A) IN GENERAL.—Nothing in this sub-  
20 section may be construed to prohibit the Bu-  
21 reau, a Federal banking agency, or the National  
22 Credit Union Administration from issuing a  
23 cease-and-desist order or restitution order  
24 under this title against a covered entity.

1           “(B) ENFORCEMENT OF OTHER STAT-  
2           UTES.—Nothing in this subsection may be con-  
3           strued to prohibit the Bureau, a Federal bank-  
4           ing agency, or the National Credit Union Ad-  
5           ministration from enforcing any provision of  
6           law not contained within this title against a  
7           covered entity.

8           “(c) UNDERWRITING REQUIREMENTS.—When con-  
9           sidering whether to offer a small-dollar credit product to  
10          a specific consumer, a covered entity—

11           “(1) shall use sound underwriting processes;  
12          and

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

16          “(d) RULE OF CONSTRUCTION.—Nothing in this title  
17          may be construed to prohibit a covered entity from offer-  
18          ing a small-dollar product that does not comply with the  
19          safe harbor requirements set forth under this section.

20          “(e) ADDITIONAL LIMITATIONS AND REQUIRE-  
21          MENTS.—

22           “(1) BALLOON PAYMENTS.—No payment re-  
23          quired in association with a small-dollar credit prod-  
24          uct offered by a covered entity may be greater than

1 double the amount of any other payment required in  
2 association with such product.

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

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

10 “(4) TRANSFER OF AMOUNTS.—Amounts made  
11 available to a consumer through a small-dollar credit  
12 product offered by a covered entity shall be dis-  
13 bursed to the account of such consumer by such cov-  
14 ered entity not later than 5 days after the approval  
15 of the consumer for the small-dollar credit product.

16 “(f) DEFINITIONS.—In this section:

17 “(1) COVERED ENTITY.—The term ‘covered en-  
18 tity’ means—

19 “(A) an insured depository institution;

20 “(B) an insured credit union;

21 “(C) a third party with whom an insured  
22 depository institution has contracted for prod-  
23 ucts or services related to origination, servicing,  
24 or administrative management of a small-dollar  
25 credit product; or

1           “(D) a third party with whom an insured  
2           credit union has contracted for products or  
3           services related to origination, servicing, or ad-  
4           ministrative management of a small-dollar cred-  
5           it product.

6           “(2) FEDERAL BANKING AGENCY DEFINI-  
7           TIONS.—The terms ‘appropriate Federal banking  
8           agency’ and ‘Federal banking agency’ have the  
9           meaning given those terms, respectively, in section 3  
10          of the Federal Deposit Insurance Act.

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

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

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

21          (b) CLERICAL AMENDMENT.—The table of contents  
22          for chapter 1 of the Truth in Lending Act is amended  
23          by striking the item relating to section 110 and inserting  
24          the following:

“110. Safe harbor for small-dollar credit products.”.