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January 8, 2025

Consumer Bankers Association
Center for Responsible Lending

RE: Petition for Rulemaking Defining Larger Participants for Personal Loans (Docket No. CFPB-2022-0064-0001)

Thank you for filing a petition for rulemaking regarding supervision of larger nonbanks in the personal loan market.¹ On September 15, 2022, the Consumer Financial Protection Bureau (CFPB) posted this petition on Regulations.gov with a 60-day comment period, which ended on November 15, 2022.

Your petition proposed that the CFPB begin a rulemaking under section 1024(a)(2) of the Consumer Financial Protection Act to define “larger participants” in the nonbank personal loan market, which would subject larger nonbanks in that market to the CFPB’s supervisory authority.² The CFPB has a statutory obligation to ensure that “Federal consumer financial law is enforced consistently, without regard to the status of a person as a depository institution, in order to promote fair competition.”³ The CFPB has supervisory authority over both nonbanks and very large banks in most segments of consumer lending – including mortgages, auto finance, and private education loans – but not the entirety of the personal loan market, where the CFPB generally only has supervisory authority over large banks and nonbank payday lenders.⁴ Banks provide a substantial portion of the personal loans in the United States, in the form of credit

¹ <https://www.regulations.gov/document/CFPB-2022-0064-0001>.

² 12 U.S.C. 5514(a)(1)(B).

³ 12 U.S.C. 5511(b)(4).

⁴ 12 U.S.C. 5514(a)(1)(E).

cards, but as your petition notes, there is a large nonbank segment of the personal loan market consisting of 85 million accounts and over \$125 billion in outstanding balances.⁵

Your concerns about the existence of an unlevel playing field in the market for personal loans have merit. In particular, banks that offer credit cards and nonbanks that offer payday loans (including traditional payday loans or online or app-based payday loans that are sometimes marketed as “earned wage” products) are subject to CFPB supervision, while other nonbanks in the personal loan market (e.g., Buy-Now-Pay-Later and installment lenders) generally are not. While the CFPB is already supervising certain nonbank participants in this market utilizing other authorities, after considering your petition and the responsive comments, we intend to develop a proposed rule as suggested by your petition.

Thank you again for submitting the petition.

Sincerely,

Seth Frotman

Seth Frotman
General Counsel
Consumer Financial Protection Bureau

⁵ Petition at 2.