

# Insights

## CFPB Aims to Ease Servicer Loss Mitigation Efforts and Encourage Small Dollar Loans with New No-Action Letter Templates

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In an effort to ease loss mitigation efforts for servicers and assist struggling consumers, The Consumer Financial Protection Bureau ("CFPB") issued two No-Action Letter ("NAL") Templates on May 22, 2020.<sup>[1]</sup> NALs are issued by the CFPB in response to NAL applications submitted by lenders, servicers, and trade associations to seek clarification on whether certain products or services are subject to regulation, and if they are violating those regulations. The NAL is a statement by the CFPB that based on the facts and circumstances stated in the NAL application, CFPB will not pursue a supervisory or enforcement action against that entity.

The first NAL Template issued by the CFPB is for applications concerning the use of Brace Software, Inc ("Brace"). Brace offers an online platform to assist mortgage servicers in their loss mitigation efforts.<sup>[2]</sup> Because Brace's platform mirrors Fannie Mae Form 710, for loss mitigation.

The second NAL Template issued by the CFPB is offered to encourage insured depository institutions to seek approval for new small-dollar credit products. The current economic crisis brought on by COVID-19 has heightened the need for small-dollar loans for consumers facing cash flow shortages, unexpected expenses, and overall periods of financial distress.<sup>[3]</sup> In response to the heightened demand, many financial institutions are offering small-dollar loan products in various structures to their customers. Accordingly, the second NAL Template is available for institutions offering new small-dollar products that wish to receive a NAL from the CFPB.

Both templates may be accessed here: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-helps-struggling-homeowners-seeking-mitigation-efforts-consumers-seeking-small-dollar-loans/>

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[1] See "CFPB Takes Action to Help Struggling Homeowners Seeking Mitigation Efforts; Consumers Seeking Small Dollar Loans," Consumer Financial Protection Bureau (May 22, 2020).

[2] *Id.*

