

CFPB Announces Plans to Regulate Nonbank Personal Loan Providers

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On January 8, the CFPB announced its intent to pursue rulemaking that would allow the agency to oversee nonbank personal loan lender. The announcement came in response to a [petition](#) filed in September 2022 by the Consumer Bankers Association and the Center for Responsible Lending, which called on the CFPB to engage in rulemaking under section 1024(a)(2) of the Consumer Financial Protection Act to subject certain “larger participants” in the nonbank personal loan market to the CFPB’s supervisory authority.

The petitioners argued that, although the CFPB’s supervisory authority already extends to large banks and nonbanks in most segments of consumer lending, the CFPB’s authority over the personal loan market currently does not extend beyond short-term payday lenders. The petitioners further argued that this gap in the CFPB’s supervisory authority creates both an unlevel playing field and a significant risk that consumer protection issues affecting vulnerable consumers will go undetected.

In a response [letter](#) to the petitioners, the CFPB’s general counsel acknowledged the gap in the agency’s authority over the nonbank segment of the personal loan market, which consists of 85 million accounts and over \$125 billion in outstanding balances. In addition, the letter expresses agreement with the petitioners’ concerns with respect to the unlevel playing field that this gap creates. Finally, the letter states that, while the CFPB is already supervising certain nonbank personal loan providers pursuant to other authorities, the Bureau further intends to develop a proposed rule in line with the petitioners’ suggestion.

Putting it into Practice: Although the CFPB has expressed its intent to pursue so-called “large participant” rulemaking, it is unclear whether there will be any follow through. Anticipated shifts in policy priorities under the incoming administration may mean that the Bureau will not ultimately pursue the rulemaking. Despite this uncertainty, the petitioners have expressed that they are eager to continue working with the Bureau to level the playing field in the nonbank personal loan market.

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