

## FiSCA's Revised Code of Conduct Enhances Industry Best Practices in Offering Payday Advances

Reaffirming the association's leadership within the industry, the FiSCA Board of Directors has approved an enhanced "Code of Conduct in Offering Access to Credit," which applies to the offering and marketing of payday advances. The expanded Code of Conduct includes principles that strengthen consumer protections while also providing members with guidelines for implementing the best practices. FiSCA was the first organization to formally adopt such protocols for payday advances in 1998, and all FiSCA members will be required to comply with the new Code as of December 31, 2007.

The enhanced Code sets forth clear policies in a number of key areas, including: disclosure and transparency; advertising and marketing; extended payment plans; limits on rollovers; and financial education.

In addition to the Code, FiSCA has developed Guidelines to assist members in implementing the Extended Payment Plan provision of the Code. These can be found on the Members Only section of the FiSCA Web site ([www.fisca.org](http://www.fisca.org)). The Code is also available on the General and Members Only areas of the Web site. All attendees at the 2007 FiSCA Annual Conference & Expo will receive a Code of Conduct brochure.

*The Code of Conduct follows:*



### FINANCIAL SERVICE CENTERS OF AMERICA

#### FISCA CODE OF CONDUCT IN OFFERING ACCESS TO CREDIT

FiSCA members are a well-established and growing alternative to banks for a large and expanding segment of the American public. FiSCA members provide convenient locations where consumers can cash checks, transfer money, purchase money orders, pay bills, and engage in a variety of other financial service transactions. In addition, many FiSCA members offer access to credit in the form of small-dollar, short-term cash advances or payday advances. As a condition of membership, FiSCA members shall conduct each payday advance transaction with the utmost integrity and adhere to the following core principles in "OFFERING ACCESS to CREDIT":

#### OFFERING

**O**perations: FiSCA members have an affirmative duty to educate themselves and their employees on how best to assure that their business is operating in accord with all applicable statutes and regulations. Every FiSCA member must conduct each payday advance transaction in full compliance with all applicable laws. Moreover, FiSCA members are committed to maintaining the appearance of their locations in a manner that reflects positively on the financial services industry and that is inviting to the communities in which they are located.

**F**reedom of Choice: FiSCA members support preserving a customer's right to choose which financial products and services best satisfy his/her financial needs. Through education, disclosure and transparency in all financial transactions, FiSCA members' customers are able to make informed financial decisions.

**F**inancial Education: FiSCA members wholeheartedly support financial education efforts that seek to educate consumers about savings, managing finances and analyzing available credit options, including payday advances. FiSCA members must strive to educate consumers that payday advances are intended to satisfy short-term credit needs and are not intended to be a long-term solution for ongoing financial needs.

**E**xtended Payment Plan: FiSCA members recognize that on occasion a customer may have difficulty repaying a loan when it becomes due. Where appropriate, FiSCA members will work with customers to establish achievable extended payment schedules, including, to the extent permissible under state law, offering a customer at least once in a 12-month period the option of repaying a loan over an extended period at no additional cost to the customer.

**R**ollovers: FiSCA members believe limitations should be imposed on the number of times that consumers can rollover or extend a loan. In states where rollovers are expressly prohibited, FiSCA members shall not allow customers to rollover or extend a payday advance. To the extent that rollovers are permissible under state law, FiSCA members shall limit the number of rollovers to four (4) or the state limit, whichever is less.

**I**nnovative Financial Services: While FiSCA members have evolved over the years from check cashers to modern-day Financial Service Centers, members understand that it is vital

to our industry and the consumers we serve that we continue to explore products and services that can help millions of customers handle their everyday finances. As such, FiSCA members shall strive to develop and implement innovative financial products and services, such as savings accounts and credit-building programs, which will benefit our customers.

**N** **ighborhood Leaders in Financial Services:** FiSCA members are the primary providers of valuable financial services, including check cashing, money orders, bill payment services, wire transfers as agents of regulated money transfer companies, payday advances and installment loans, to many consumers in the neighborhoods in which they are located. To meet customer needs, FiSCA members are committed to continually expanding the roster of products and services offered.

**G** **oodwill:** FiSCA members are committed to providing leadership and building goodwill in the communities in which they are located by being involved in activities and events of importance to these neighborhoods.

## ACCESS

**A** **ccess to Financial Services:** Through FiSCA members, millions of customers have access to a wide array of financial services that our member locations offer. These customers choose FiSCA members for the advantages that they provide, including: convenience, instant liquidity, quality service, and access to simple and affordable small-dollar, short-term credit. FiSCA members remain dedicated to providing our customers with access to a variety of necessary financial services.

**C** **redit Building:** FiSCA recognizes that alternative Financial Service Centers are uniquely positioned to assist customers with limited or poor credit histories to build and/or improve their creditworthiness. Through a relationship with alternative credit bureaus, FiSCA members should offer their customers the opportunity to create a positive credit history through the payment of bills and rent, as well as by repaying a payday advance.

**C** **onsumer Charges and Pricing:** FiSCA supports the free market as the best economic determinant of the price of a small-dollar, short-term loan. However, in no instance can a FiSCA member charge

a customer a fee that is greater than the amount permissible, as authorized by applicable law. FiSCA members must make consumers aware of all fees and charges related to taking out a payday advance before the customer enters into a contract.

**E** **thical Code of Conduct for Payday Advance Lending to Military Personnel:** Recognizing the unique circumstances in which military personnel and their families are situated, FiSCA has adopted a separate code of conduct that sets forth principles that must be adhered to by FiSCA members in engaging in payday advance transactions with service members. In addition to complying with FiSCA's Ethical Code of Conduct for Payday Advance Lending to Military Personnel, FiSCA members must comply with all applicable federal and state laws in making payday advances to military personnel and their families.

**S** **elf-Monitoring:** FiSCA is prepared to take action, including expulsion, against

any of its members who do not follow this Code of Conduct or fail to comply with applicable laws in dealing with the public. FiSCA members should report all violations of the Code of Conduct to FiSCA headquarters.

**S** **avings:** FiSCA members enthusiastically support efforts to build individual wealth through savings, as reflected in FiSCA's partnership with companies offering savings products based on an interest-bearing, FDIC insured account linked to a prepaid debit card. The programs provide access to savings accounts to millions of consumers who do not have them. FiSCA members remain committed to assisting their customers in accumulating wealth and will continue to offer opportunities for customers to save.

## CREDIT

**C** **ollection Practices:** FiSCA members must not impose and/or collect excessive

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late fees or other charges for transactions that are in default. No FiSCA member shall threaten to file criminal charges against a payday advance customer merely for defaulting on a loan.

**Rescission:** FiSCA members must provide customers the right to rescind, at no cost, a payday advance transaction by the close of business on the following day or as permitted by law, whichever is longer.

**Encouraging Consumer Responsibility:** FiSCA members shall implement procedures to inform and educate consumers of financially responsible uses of payday advances. FiSCA members shall encourage consumers to use this form of credit to only address short-term credit needs.

**Documentation:** FiSCA members strongly support transparency in all transactions. FiSCA members agree that every payday advance transaction should be recorded in a written contract, which sets forth each and every material term of the agreement. This contract must be understandable to the customer and must include every disclosure mandated by federal and state

law, including the cost of the service fee both as a dollar amount and as an annual percentage rate.

**Internet Lending:** Any FiSCA members offering payday advances through the Internet shall be licensed in each state where its payday advance customers reside and shall comply with applicable laws and regulations, including limitations on rates, rollovers, disclosures and other requirements imposed by state law, unless such state does not require the lender to be licensed or to comply with such provisions, or the state licensing requirements and other applicable laws are preempted by federal law.

**Truthful Advertising, Marketing and Disclosures:** Every FiSCA member must engage in open and ethical advertising and marketing practices. All advertising materials and in-store signage must be clear, straightforward and truthful. FiSCA members must comply with the disclosure requirements of the state in which the members' operations are located and with federal disclosure requirements, including the federal Truth in Lending Act. ■



**FiSCA WAS THE FIRST ORGANIZATION TO FORMALLY ADOPT SUCH PROTOCOLS FOR PAYDAY ADVANCES IN 1998, AND ALL FiSCA MEMBERS WILL BE REQUIRED TO COMPLY WITH THE NEW CODE AS OF DECEMBER 31, 2007.**