§ 4719. Grants to establish loan-loss reserve funds

(a) Purposes

The purposes of this section are—

(1) to make financial assistance available from the Fund in order to help community development financial institutions defray the costs of operating small dollar loan programs, by providing the amounts necessary for such institutions to establish their own loan loss reserve funds to mitigate some of the losses on such small dollar loan programs; and

(2) to encourage community development financial institutions to establish and maintain small dollar loan programs that would help give consumers access to mainstream financial institutions and combat high cost small dollar lending.

(b) Grants

(1) Loan-loss reserve fund grants

The Fund shall make grants to community development financial institutions or to any partnership between such community development financial institutions and any other federally insured depository institution with a primary mission to serve targeted investment areas, as such areas are defined under section 4702 (16) of this title, to enable such institutions or any partnership of such institutions to establish a loan-loss reserve fund in order to defray the costs of a small dollar loan program established or maintained by such institution.

(2) Matching requirement

A community development financial institution or any partnership of institutions established pursuant to paragraph (1) shall provide non-Federal matching funds in an amount equal to 50 percent of the amount of any grant received under this section.

(3) Use of funds

Any grant amounts received by a community development financial institution or any partnership between or among such institutions under paragraph (1)—

(A) may not be used by such institution to provide direct loans to consumers;

(B) may be used by such institution to help recapture a portion or all of a defaulted loan made under the small dollar loan program of such institution; and

(C) may be used to designate and utilize a fiscal agent for services normally provided by such an agent.

(4) Technical assistance grants

The Fund shall make technical assistance grants to community development financial institutions or any partnership between or among such institutions to support and maintain a small dollar loan program. Any grant amounts received under this paragraph may be used for technology, staff support, and other costs associated with establishing a small dollar loan program.

(c) Definitions

For purposes of this section—

(1) the term “consumer reporting agency that compiles and maintains files on consumers on a nationwide basis” has the same meaning given such term in section 1681a (p) of title 15; and
(2) the term “small dollar loan program” means a loan program wherein a community development financial institution or any partnership between or among such institutions offers loans to consumers that—
   (A) are made in amounts not exceeding $2,500;
   (B) must be repaid in installments;
   (C) have no pre-payment penalty;
   (D) the institution has to report payments regarding the loan to at least 1 of the consumer reporting agencies that compiles and maintains files on consumers on a nationwide basis; and
   (E) meet any other affordability requirements as may be established by the Administrator.


**Effective Date**

Section effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111–203, set out as a note under section 5301 of this title.