

Trojan's Horse? Federal Regulatory Relief Gifted to Alternative Financial Service Providers in 2025

By Justin B. Hosie, K. Dailey Wilson, and Christopher J. Capurso*

I. INTRODUCTION¹

The past year has been quieter than usual with respect to regulatory developments for the alternative financial services industry. However, under the new administration, the Consumer Financial Protection Bureau (CFPB) provided some apparent regulatory relief for small loan providers under the Payday Loan Rule. The CFPB took action against a national pawnbroker for activity related to protecting servicemembers. Likewise, state regulators have continued to take action to curtail certain practices, particularly with respect to protecting servicemembers. Moreover, certain states have amended legislation and regulations governing alternative financial services, including laws related to small-dollar credit and alternatives. This survey addresses developments related to the alternative financial services industry, including federal and state enforcement actions, consumer litigation, and new state laws and regulations.

II. PAYDAY LOAN RULE

As part of a notice of regulatory relief, the CFPB announced that on March 30, 2025, the CFPB's Payday, Vehicle Title, and Certain High-Cost Installment Loans Rule ("Payday Loan Rule") would finally "become operative" but would not be an enforcement priority, without giving any further detail.² In summary, for covered loans, the Payday Loan Rule requires specific disclosures, limits the number of payment withdrawal attempts, requires lenders to maintain a specific compliance

* Justin B. Hosie is a partner at the Ooltewah, Tennessee, office of Hudson Cook, LLP. K. Dailey Wilson is a partner at the Ooltewah, Tennessee, office of Hudson Cook, LLP. Christopher J. Capurso is an associate at the Richmond, Virginia, office of Troutman Pepper.

1. This survey is one in a series of works covering recent updates in various areas of consumer financial services law. For an overview of the other surveys in this issue of *The Business Lawyer*, see John L. Ropiequet, Sabrina A. Neff, Christopher K. Odinet & Caren D. Enloe, *Introduction to the 2026 Annual Survey of Consumer Financial Services Law*, 81 *Bus. Law.* 527 (2026) (in this *Annual Survey*).

2. Press Release, CFPB, CFPB Offers Regulatory Relief for Small Loan Providers (Mar. 28, 2025) [hereinafter *Regulatory Relief*], <https://www.consumerfinance.gov/about-us/newsroom/cfpb-offers-regulatory-relief-for-small-loan-providers>.

program, and requires lenders to follow detailed recordkeeping requirements.³ Regarding regulatory relief, the CFPB announced that “it will not prioritize enforcement or supervision actions with regard to any penalties or fines associated with the Payment Withdrawal provisions and the Payment Disclosure provisions once they become operative on March 30, 2025.”⁴ Without addressing how to implement compliance under this limited regulatory relief notice, the CFPB announcement stated that the CFPB would “keep its enforcement and supervision resources focused on pressing threats to consumers, particularly servicemen and veterans.”⁵

III. OTHER FEDERAL AGENCY ACTIVITY

In July 2025, the CFPB obtained a consent order with FirstCash, Inc., the owner and operator of numerous retail pawnshops.⁶ The CFPB alleged that the company entered into pawn transactions with consumers at rates exceeding the maximum allowable APR of 36 percent for the Military Lending Act (MLA), which included arbitration clauses, and failed to provide mandatory MLA disclosures.⁷ The CFPB also claimed that the company violated the Consumer Financial Protection Act because the alleged violations also allegedly violated a 2013 CFPB order against a predecessor entity.⁸ Among other things, the settlement requires the company to set aside \$5 million for the purpose of providing redress to affected consumers; pay a \$4 million fine to the CFPB’s civil penalty fund; and comply with the MLA

3. 12 C.F.R. pt. 1041 (2025). Details and developments concerning the Payday Loan Rule since the CFPB announced that it was re-considering the rule in 2018 have been reported in Justin B. Hosie, K. Dailey Wilson & Christopher J. Capurso, *The Tortured Creditors Department: Decoding Alternative Financial Services Developments in 2024*, 80 Bus. Law. 655, 655–56 (2025) (in the 2025 Annual Survey); Justin B. Hosie, K. Dailey Wilson, Andrea S. Cottrell & Christopher J. Capurso, *So Long, Farewell: Compliance Issues Facing Small-Dollar Lenders in 2023*, 79 Bus. Law. 555, 555–56 (2024) (in the 2024 Annual Survey); Justin B. Hosie, K. Dailey Wilson, Andrea S. Cottrell & Christopher J. Capurso, *The Gathering Storm: Compliance Issues Facing Small-Dollar Lenders in 2022*, 78 Bus. Law. 587, 587 (2023) (in the 2023 Annual Survey); Justin B. Hosie, Erica A.N. Kramer, K. Dailey Wilson, Andrea S. Cottrell & Christopher J. Capurso, *Stuck in a Time Loop: The Compliance Clock Is Still Ticking for Small-Dollar Lenders in 2021*, 77 Bus. Law. 611, 611–12 (2022) (in the 2022 Annual Survey); Justin B. Hosie, Hurshell K. Brown, Erica A.N. Kramer, K. Dailey Wilson, Andrea S. Cottrell & Christopher J. Capurso, *Tik Tok: The Compliance Clock Is Ticking for Small-Dollar Lenders in 2020*, 76 Bus. Law. 739, 739–40 (2021) (in the 2021 Annual Survey); Justin B. Hosie, K. Dailey Wilson, Erica A.N. Kramer & Christopher J. Capurso, *Small Dollar Lending Regulation in 2019*, 75 Bus. Law. 2025, 2029–31 (2020) (in the 2020 Annual Survey); Justin B. Hosie, Erica A.N. Kramer, K. Dailey Wilson & Andrea S. Cottrell, *The Walking Dead: 2018 Small Dollar Lending Updates—Is the Small Dollar Loan Industry Mostly Dead or Slightly Alive?*, 74 Bus. Law. 553, 553–54 (2019) (in the 2019 Annual Survey).

4. Regulatory Relief, *supra* note 2.

5. *Id.*

6. Stipulated Final Judgment and Order at 1, CFPB v. FirstCash, Inc., No. 21-cv-01251 (N.D. Tex. July 11, 2025) [hereinafter FirstCash Order].

7. Complaint at 7–10, CFPB v. FirstCash, Inc., No. 21-cv-1251 (N.D. Tex. June 21, 2022).

8. *Id.* at 10.

and either offer MLA-compliant pawn transactions or comply with a regulatory safe harbor meant to screen for MLA-protected consumers.⁹

The Federal Trade Commission (FTC) reached a \$17 million settlement with Cleo AI, a company offering a mobile app that provides financial information and services on a subscription basis, including offering online cash advances to consumers.¹⁰ The settlement resolved allegations that the company misled consumers about the amounts and timing of cash advances, and that the company made it difficult for consumers to cancel their subscriptions.¹¹ Under the settlement, the company must refrain from misrepresenting various terms.¹² Likewise, the company must clearly and conspicuously disclose all material terms before obtaining a consumer's billing information.¹³ In addition, it must obtain the consumer's express informed consent before charging the consumer.¹⁴ It must also provide a simple mechanism for consumers to cancel and avoid being charged, or to be charged an increased amount, and to immediately stop any recurring charges.¹⁵ That simple mechanism must be at least as easy to use as the mechanism the consumer used to consent, be provided through the same medium the consumer used to consent, and comply with numerous other limitations.¹⁶ The company also paid monetary relief of \$17 million to the FTC and must submit to compliance monitoring and adhere to recordkeeping requirements.¹⁷

The FTC, and then the U.S. Department of Justice, filed complaints against an online cash advance firm, Dave Inc., and its chief executive officer, seeking civil penalties. Initially, the FTC filed a complaint against the company, alleging that it violated the FTC Act and the Restore Online Shoppers' Confidence Act (ROSCA).¹⁸ With respect to alleged FTC Act violations, the FTC claimed the company misrepresented cash advance amounts and tipping charges.¹⁹ With respect to ROSCA, the FTC claimed that the company failed to provide clear and conspicuous disclosures, failed to express informed consent, and failed to provide a simple mechanism to stop recurring charges.²⁰ Ten days later, the FTC filed an amended complaint that included new facts and allegations concerning an alleged disparity between advertised advance amounts and typical advance amounts.²¹ To

9. FirstCash Order, *supra* note 6, at 4–6, 8, 12.

10. Stipulated Order for Permanent Injunction, Monetary Judgment, and Other Relief at 1–2, FTC v. Cleo AI, Inc., No. 25-cv-02594 (S.D.N.Y. Mar. 11, 2025) [hereinafter Cleo AI Order].

11. Complaint at 16–17, FTC v. Cleo AI, Inc., No. 25-cv-02594 (S.D.N.Y. Mar. 27, 2025).

12. Cleo AI Order, *supra* note 10, at 4–5.

13. *Id.* at 5–6.

14. *Id.*

15. *Id.* at 8.

16. *Id.* at 8–9.

17. *Id.* at 9–13.

18. Complaint at 29–30, FTC v. Dave, Inc., No. 24-cv-9566 (C.D. Cal. Nov. 5, 2024).

19. *Id.* at 29.

20. *Id.* at 31–32.

21. Complaint at 2, 12–15, 18–19, 21–24, 26–27, FTC v. Dave, Inc., No. 24-cv-9566 (C.D. Cal. Nov. 15, 2024).

add a claim for civil monetary penalties, the FTC then referred the case to the DOJ, which filed an amended complaint adding the company's co-founder and CEO as a defendant, adding factual allegations about the company's fee representations, and pursuing civil penalties.²² The case remains pending as of this writing.

IV. CONSUMER LITIGATION

In *Regional Finance Co. of Georgia, LLC v. Pearson*,²³ the Georgia Court of Appeals held that lenders making loans under the Georgia interest and usury provisions²⁴ are subject to the Georgia Fair Business Practices Act (GFBPA).²⁵ In 2021, Regional Finance Company of Georgia, LLC (Regional Finance) sent the plaintiff an unsolicited live check in the amount of \$3,100.²⁶ The plaintiff, however, never received the live check, and it was ultimately deposited by a third party without the plaintiff's permission.²⁷ After receiving a letter containing the terms of the loan resulting from accepting the live check, the plaintiff contacted Regional Finance to dispute the loan and was informed that he must undergo a process to contest the allegedly fraudulent loan, including submission of a police report and execution of a notarized affidavit claiming fraud. At that point, Regional Finance would conduct an investigation into the alleged fraud.²⁸

The plaintiff filed suit against Regional Finance alleging that the company violated the GFBPA by allowing someone other than the plaintiff to cash the check; failing to adequately verify that the plaintiff was the one signing the check; representing that the plaintiff was required to pay the fraudulent loan; reporting the fraudulent loan to credit reporting agencies; and requiring an onerous dispute process to investigate the fraud.²⁹ Regional Finance claimed that the GFBPA did not apply because it only applies to the "unregulated consumer marketplace" and that it "operates in the highly regulated lending industry."³⁰ The court disagreed, noting that although the GFBPA does not apply to "actions or transactions specifically authorized under laws administered by or rules and regulations promulgated by any regulatory agency of this state or the United States," Regional Finance did not establish that it is subject to such regulation.³¹ The live check was in the amount of \$3,100, thus removing it from application of the Georgia Installment Loan Act,³² which applies only to loans of \$3,000 or less.³³ Additionally, Regional

22. Amended Complaint at 1–2, 4, 17–21, 26–28, 38, *United States v. Dave, Inc.*, No. 24-cv-09566 (C.D. Cal. Dec. 30, 2024).

23. 908 S.E.2d 643 (Ga. Ct. App. 2025).

24. GA. CODE ANN. §§ 7-4-1 to 7-4-36 (2025).

25. *Id.* §§ 10-1-390 to 10-1-408.

26. *Pearson*, 908 S.E.2d at 646.

27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.*

31. *Id.* at 648.

32. GA. CODE ANN. §§ 7-3-1 to 7-3-52 (2025).

33. *Regional Finance*, 908 S.E.2d at 648.

Finance failed to establish any specific laws or regulations that already covered the allegedly unfair or deceptive acts or practices that would exclude Regional Finance from being subject to the GFBPA.³⁴

V. STATE LEGISLATION AND RULEMAKING

Florida amended its pawnbroker laws in 2025. First, House Bill 1359, effective July 1, 2025, requires the Florida Department of Law Enforcement to conduct a feasibility study regarding the creation of a pawn data database.³⁵ At a minimum, the database would: allow law enforcement agencies in all Florida counties to access, update, and share pawn data in real time; be provided free of charge to all Florida law enforcement agencies; be interoperable between different law enforcement databases, software solutions, and jurisdictions and meet established data standards to facilitate seamless communication between law enforcement agencies; and ensure compliance with applicable privacy and security laws.³⁶ The Act requires the Florida Department of Law Enforcement to report on the results of the feasibility study by January 1, 2026.³⁷

The second bill, Senate Bill 678,³⁸ which also became effective July 1, 2025, expressly provided that the pawnbroker transaction form, the design and format of which is approved by the Department of Agriculture and Consumer Services, may be provided to the consumer by the pawnbroker in either physical or digital form.³⁹

California also recently passed two laws related to the state's regulation of pawnbrokers. The first, Assembly Bill 2231, created the Pawnbroker Education Act.⁴⁰ The law established the California Pawnbroker Education Council⁴¹ and delegated to it the duty to develop and establish a standard course and curriculum in pawnbroker transactions that covers, at minimum: compliance with federal laws applicable to the pawnbroker business, including, but not limited to, bankruptcy, search and seizure, anti-money laundering, and lending laws; and compliance with state laws applicable to the pawnbroker business and the reporting requirements imposed upon secondhand dealers.⁴² The law also requires that on or after January 1, 2026, applicants for and those renewing a pawnbroker's license must complete at least eight hours of pre-licensing or continuing education approved by the California Pawnbroker Education Council and submit a certificate of completion issued by the council to the licensing agency.⁴³

34. *Id.* at 649.

35. H.B. 1359, 127th Reg. Sess. (Fla. 2025).

36. *Id.*

37. *Id.*

38. S.B. 678, 127th Reg. Sess. (Fla. 2025).

39. FLA. STAT. § 539.001(8) (2025).

40. A.B. 2231, 2024 Reg. Sess. (Cal. 2025).

41. CAL. FIN. CODE § 21403(a) (2025).

42. *Id.* § 21405(b)(1)–(2).

43. *Id.* § 21303.5(a)–(b).

The second, Senate Bill 1198, amended California's pawnbroker law to revise fees permitted to be charged by pawnbrokers. Effective January 1, 2025, pawnbrokers in California may impose increased handling, storage, and security charge amounts for pawned articles;⁴⁴ a remote transaction fee, if the pledgor elects to request a replacement loan or to redeem a loan through electronic means;⁴⁵ and an increased fee for notification to the pledgor of their failure to redeem the pledged article.⁴⁶

Two states also passed substantive legislation in the rent-to-own/lease-to-own space. Wyoming passed Senate Bill 146, effective July 1, 2025, which significantly revised its Consumer Rental–Purchase Agreement Act.⁴⁷ Notably, the amended law specifically provides that merchants may offer or display rental-purchase property for use under rental-purchase agreements via a website, mobile application, electronic application, or other digital or physical means made available by an independent third-party retailer or by the merchant.⁴⁸ With this express permissibility for the digital offering of rental-purchase property, Wyoming similarly revised its disclosure laws to account for digital offerings.⁴⁹

Delaware also amended its Lease–Purchase Agreement Act, effective May 22, 2025, to provide guidance for online displays or offers.⁵⁰ The amended law first defines “lease-purchase property” to mean “personal property that is owned by the lessor at the time it is *physically displayed* and offered for lease-purchase to the consumer, and prior to execution of any lease-purchase agreement.”⁵¹ The amended law then provides that the item price disclosure required under the Lease–Purchase Agreement Act may be given electronically for either “lease-purchase property” or third-party inventory offered by the lessor, so long as the disclosure is clearly and conspicuously indicated in Arabic numerals that are readable and understandable by visual inspection, and is given to the consumer before any of the disclosures required to appear in the lease-purchase agreement.⁵²

Finally, this past year, two states made significant changes related to their short-term lending laws. Mississippi revised its short-term lending law, the Credit Availability Act, to impose a maximum principal balance amount of \$3,250 for credit availability transactions with a monthly handling fee.⁵³ The revised law, which became effective July 1, 2025, also created a mechanism by which the maximum principal balance amount may be subject to adjustment annually based on

44. *Id.* § 21200.6.

45. *Id.* § 21200.9.

46. *Id.* § 21201.2.

47. S.B. 146, 68th Leg., Gen. Sess. (Wyo. 2025).

48. WY. STAT. § 40-19-106 (2025).

49. *See, e.g., id.* § 40-19-109(a) (providing that a notice of default may be given to the consumer via email or other electronic means); *id.* § 40-19-111 (mandating a specific format for required disclosure in digital liability waiver contracts); *id.* § 40-19-113 (providing a mechanism for merchants to digitally satisfy the physical hang tag requirements).

50. S.B. 74, 153d Gen. Assemb., 1st Reg. Sess. (Del. 2025).

51. DEL. CODE ANN. tit. 6, § 7601(5) (2025) (emphasis added).

52. *See id.* § 7601(e)–(f).

53. MISS. STAT. § 75-67-619(3)(b) (2025).

any increase or decrease in the United States Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the previous calendar year.⁵⁴

In Ohio, the Department of Commerce significantly revised the regulations implementing the Short-Term Loan Act. The revised regulations now require, instead of a “loan statement,” a sortable electronic spreadsheet containing specific details about each loan, including the loan term, the total number and frequency of payments, and fee information for, among other things, origination fees, non-sufficient funds fees, and check-cashing fees.⁵⁵ The revised regulations similarly now require a short-term lender to maintain a sortable electronic spreadsheet of all loans in litigation.⁵⁶ In addition to these recordkeeping requirements, the revised rules now set forth that the deadline for license renewal is December 31 of each year.⁵⁷

VI. OTHER STATE REGULATORY ACTIVITY

In November 2024, the Pennsylvania Attorney General finalized a settlement with GLGL Holdings, LLC and GPGI Holdings LLC, d/b/a Fast Money Car Title Loans (Fast Money).⁵⁸ The attorney general alleged that Fast Money violated the Pennsylvania Unfair Trade Practices and Consumer Protection Law⁵⁹ and the Loan Interest and Protection Law⁶⁰ by engaging in deceptive behavior to solicit leads from Pennsylvania consumers for usurious auto title loans that were ultimately sold to Community Loans of America, the subject of an earlier 2024 action.⁶¹ It was alleged that Fast Money led consumers to believe it operated physical locations in Pennsylvania by creating fake locations on Google Maps and by posting fake testimonials and endorsements.⁶² As a direct result of Fast Money’s internet advertisements, Pennsylvania consumers allegedly entered into auto title loans at rates exceeding the 6 percent usury limitation for unlicensed lenders.⁶³ Under the terms of the settlement, Fast Money was required to cease and desist doing business in Pennsylvania and pay a total of \$45,000 in both consumer restitution and civil penalties.⁶⁴

54. *Id.* § 75-67-619(3)(c).

55. OHIO ADMIN. CODE § 1301:8-11-02(a)(2) (2025).

56. *Id.* § 1301:8-11-02(a)(4).

57. *Id.* § 1301:8-11-05(b).

58. Assurance of Voluntary Compliance at 1, Commonwealth of Pa. v. GPGI, LLC (Pa. Ct. Common Pleas 2024) [hereinafter GPGI AOD], <https://www.attorneygeneral.gov/wp-content/uploads/2024/11/GPGI-AVC-FILED-TIME-STAMP.pdf>.

59. 73 PA. STAT. §§ 201-1 *et seq.*

60. 41 PA. STAT. §§ 101 *et seq.*

61. GPGI AOD, *supra* note 58, at 3-9.

62. *Id.* at 4-9.

63. *Id.* at 12-13.

64. *Id.* at 15.

