



Merchants Face Increased Regulatory Scrutiny When Providing Consumer Financing

Merchants may be facing new challenges and do not even know it. These issues arise out of providing payment plans to cover products and services. Unbeknownst to most Merchants, there has been an increase in the scrutiny that state and federal regulators look at with Consumer Lending and they are looking specifically at Consumer Financing. There are several risks in providing payment plans directly to Consumers that require expertise, time and expense to properly address and administer. These areas of concern include:

Compliance

Merchant's who directly extend credit to Consumers, whether in the form of no interest installment payment plans or interest-bearing products, is required to comply with and face potential liability under:

- Federal consumer protection laws and regulations
- State consumer credit laws
- State registration and licensing laws for businesses engaged in consumer credit
- Lack of management controls over debt collection, privacy, telephone communication, and others

Credit and consumer compliance is a web of complexity, varying state-to-state, requiring Merchants to stay on top of changes and industry developments.

Operational

A Merchant's typical back office is challenged by:

- Disparate office systems that don't seamlessly exchange data
- Weak handoffs between these systems and staff support
- Manual entry that introduces a high risk of input error
- Poor reporting of performance, often creating a reliance on the need to create ad hoc spreadsheets
- Fragmented and tortured approach to responding to required changes in consumer protection regulations
- Lack of proper and easily available audit trails

The results of failing to properly attend to these challenges exposes the Merchant to significant inefficiencies, lost revenue, and the inability to scale the business.

Financial

Revenue and business management experts recommend that Merchant's shift the risk of Consumer default to third parties to mitigate or eliminate additional financial burdens including:

- Uncertainty about revenue cycle processes and lack of payments analysis
- Need to ensure that office technology will meet future industry demands
- Challenge to attract and retain qualified billing staff members
- Difficulty in controlling fixed costs
- Employees misappropriating funds or fraudulently processing payments

Choice Payment Services (Choice) is a Fintech Consumer Lending Company that offers comprehensive financing options that empower Merchant's to serve and retain more Consumers. Choice works collectively with a variety of Balance Sheet lending partners to architect and implement a variety of loan products so our Merchant partners can offer the most compelling loan product to their Consumers given the ongoing credit climate changes. Choice manages and services portfolios for efficient and compliant customer service and collections. Over the loan cycle, Choice continues to analyze and mitigate risks from industry developments while keeping the Merchant in compliance without requiring the Merchant to license or register as a lender.