



Open Letter to Banks: Don't Make Debt Trap Payday Loans October 6, 2017

In the years leading up to 2013, a handful of banks (Wells Fargo, Regions, Fifth Third, US Bank, Bank of Oklahoma, and Guaranty Bank) were making unaffordable, 300%-interest payday loans, which the banks called “deposit advance” loans. This debt trap product left customers in a worse financial position than they were before, and it was widely condemned by community and civil rights organizations, faith and military leaders, and many state and federal lawmakers.

In 2013, the FDIC and OCC issued guidance aimed at curbing the harms of these debt trap loans.¹ At the same time, the Federal Reserve issued a supervisory statement to the same end.² For the most part, the banks responded by discontinuing their products. But today, banks are attacking the FDIC and OCC protections that have prevented banks from trapping people in unaffordable payday loans.

We write to ask for the bank's pledge that it will not begin making payday loans, and that it will oppose the rollback of the regulatory guidance, which would make it easier for other banks to do so.

In April of this year, the American Bankers Association submitted a white paper to the U.S. Treasury Department calling for repeal of the OCC/FDIC guidance, and a measure has been floated in Congress to do the same. These efforts come despite overwhelming evidence that “deposit advance” loans worked just like loans from payday lender storefronts. The bank advanced the customer a loan that the customer could not afford and repaid itself the full loan amount, plus triple-digit interest, from the customer's next direct deposit. This repayment left the customer without needed funds to make it to the next payday, leading to a cycle of unaffordable, repeat loans.

Research has long shown that, despite so-called lender “protections” like “cooling-off periods,” payday loans create debt traps that cause severe harm to borrowers, including delinquency and default, overdraft and non-sufficient funds fees, increased difficulty paying mortgages, rent, and other bills, loss of checking accounts, and bankruptcy. These loans disproportionately impact communities of color, leaving them more disproportionately underserved by the banking mainstream. Payday lending by banks also undermines state law in the states that have prohibited or imposed meaningful restrictions on payday loans in recent years, or that have never allowed payday loans to be part of their marketplace.

Again, we urge the bank to pledge that it will not enter the payday loan business, and to oppose the rollback of the important consumer protections that keep other banks from doing so. We appreciate your consideration and hope to receive your commitment.

Signed by the following national, state, and local organizations:

¹ OCC, Guidance on Supervisory Concerns and Expectations Regarding Deposit Advance Products (Nov. 26, 2013), <https://www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-182a.pdf>

FDIC, Guidance on Supervisory Concerns and Expectations Regarding Deposit Advance Products (Nov. 26, 2013), available at <https://www.fdic.gov/news/news/press/2013/pr13105a.pdf>

² Federal Reserve Board, Statement on deposit advance products (2013), available at <https://www.federalreserve.gov/supervisionreg/caletters/CA13-07attachment.pdf>

National Faith Organizations:

Cooperative Baptist Fellowship
Ecumenical Poverty Initiative
National Baptist Convention USA
Religious Action Center of Reform Judaism

National Consumer and Civil Rights Organizations:

Allied Progress
Americans for Financial Reform
Consumer Action
Consumer Federation of America
Center for Responsible Lending
NAACP
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)
People's Action
Prosperity Works
Public Justice Center
Public Law Center
UnidosUS
U.S. PIRG
United for A Fair Economy

State and Local Organizations

Action NC
AFSCME New Jersey
Anti-Poverty Network of New Jersey
Arkansans Against Abusive Payday Lending
Asheville Area Habitat for Humanity
Bet Tzedek Legal Services
Billings First Congregational Church - UCC
Bucks County Women's Advocacy Coalition
California Reinvestment Coalition (CRC)
Catalyst Miami
CCCS of Greater Greensboro
CCCS of WNC, Inc. DBA OnTrack Financial Education & Counseling
Cedar Grove Institute

Center for Economic Integrity
Center for Economic Integrity - New Mexico office
Center for Financial Social Work
CEO Pipe Organs/Golden Ponds Farm
Clarifi
Colorado Center on Law & Policy
Community Economic Development Association of Michigan
(CEDAM)
Community Legal Services of Philadelphia
Congregations United to Serve Humanity
Connecticut Association for Human Services
Connecticut Legal Services, Inc.
Consumers for Auto Reliability and Safety
Creighton College Democrats
Cuatro Puertas
Empire Justice Center
ESTHER
Fair Share
Fellowship Southwest
First Choice Pre-Apprenticeship Training
Florida Consumer Action Network
Georgia Watch
Habitat for Humanity of Greater Greensboro
Housing Consultants Group
Illinois People's Action
Indiana Assets & Opportunity Network
Indiana Institute for Working Families
Indivisible Madison
JOSHUA
Justice for All
Kentucky Coalition for Responsible Lending
Kentucky Equal Justice Center
La Casa de Don Pedro
Legal Services of Southern Piedmont
Lincoln Hills Development Corporation
Lutheran Advocacy Ministry-New Mexico
Lutheran Episcopal Advocacy Ministry NJ
Maine Center for Economic Policy
Maryland Consumer Rights Coalition
MICAH

Missouri Faith Voices
Montana Organizing Project
MOSES of Madison, WI
New Economics for Women
New Jersey Citizen Action
New Jersey Tenants Organization
New Mexico Fair Lending Coalition
New York Communities for Change
North Carolina A. Philip Randolph Institute, Inc.
North Carolina Council of Churches
North Carolina Justice Center
North Dakota Economic Security and Prosperity Alliance
Oklahoma Policy Institute
Pennsylvania Military Officers Association of America
Pennsylvania Public Interest Research Group (PennPIRG)
PeterCares House
Power New Mexico
Racine Interfaith Coalition
Reinvestment Partners
Rhode Island State Council of Churches
Statewide Poverty Action Network
Tabor Community Services
Tennessee Citizen Action
Texas Appleseed
The AMOS Project
The Bell Policy Center
The Midas Collaborative
The One Less Foundation
Tuscaloosa Citizens Against Predatory Practices
Tzedek DC
United Methodist Women of Tomahawk, WI
Virginia Organizing
Virginia Poverty Law Center
VOICE -- OKC
West Virginia Center on Budget and Policy
WISDOM
WISPIRG
Woodstock Institute
Working America NC