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300% BANK PAYDAY LOANS ON THEIR WAY OUT

Advocates applaud OCC/FDIC guidance; Urge Regions, Fifth Third Banks to Follow It

(WASHINGTON) Wells Fargo, U.S. Bank, the Bank of Oklahoma, and several other banks should no longer be able to make unaffordable 300% bank payday loans under guidance adopted today by two federal regulators. But two other large banks, Regions Bank and Fifth Third Bank, might continue to offer predatory loans. Why? Because their regulator, the Federal Reserve Board (Fed), did not join the guidance and has so far not backed up the warning letter that it sent earlier this year.

"Banks' so-called 'deposit advance' loans are payday loans plain and simple, with the same predatory features of payday loans: extremely high rates, short terms, and balloon payments that plunge borrowers into a cycle of debt," said Lauren Saunders, managing attorney at the National Consumer Law Center (NCLC) in Washington, DC. "While bank payday loan rates might be slightly cheaper than traditional payday loans, they ensnare a broader swath of borrowers in a debt trap," she added.

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corp. (FDIC) is now requiring banks to examine the income and spending of their bank account customers to ensure that borrowers have sufficient residual income to repay deposit advance loans. "We applaud the OCC and the FDIC for ensuring that their banks follow a fundamental principle of responsible lending, which is ensuring the ability to pay," Saunders said. The guidance applies to three large banks that currently make payday loans: Wells Fargo Bank, U.S. Bank and Bank of Oklahoma and its affiliates (Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Kansas City, Bank of Texas, and Colorado State Bank).

"The Fed should take swift action to stop Regions Bank and Fifth Third Bank from making payday loans, and those banks should get out of the loan sharking business," Saunders urged. Last spring, the Fed issued a supervisory statement emphasizing the "significant consumer risks" bank payday lending poses, but the Fed did not join the more specific guidance issued today by the OCC and FDIC. "Regions and Fifth Third Banks are making triple-digit payday loans even in states like Arkansas, Georgia and Ohio that ban payday loans," Saunders added, "undermining state consumer protection laws."

"All banks should take this opportunity to find affordable ways to offer small dollar loans," Saunders urged.

More information on bank payday loans is available on NCLC's website: http://www.nclc.org/issues/payday-loans.html.

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