

September 12, 2013

Mr. Grayson Hall  
Chairman, President, CEO  
Regions Financial Corporation  
1900 Fifth Avenue North  
Birmingham, AL 35203

Dear Mr. Hall,

We write to express our concerns regarding Regions bank (the Bank)'s Ready Advance product and to ask that the bank implement necessary changes to address sustained use of the product, particularly in light of the Federal Reserve Board's recent supervisory statement addressing deposit advance loans dated April 25, 2013.<sup>1</sup>

Ready Advance is a payday loan structured just like loans from payday loan stores, carrying a high cost combined with a short-term balloon repayment directly from the borrower's checking account. The Consumer Financial Protection Bureau (CFPB)'s analysis of thousands of bank payday loans found that bank payday loans also function as loans from payday stores, leading to the same cycle of repeat loans and debt. The CFPB found that borrowers average 14 bank payday loans annually that keep them indebted for a significant portion of the year. Fourteen percent of borrowers took out an average of 38 loans averaging \$200 each in one year.<sup>2</sup> At Regions, this would equate to \$760 in interest—or, based on the average 12-day loan term the CFPB found, 300 percent in annual percentage rate terms.

Research has long shown that the cycle of debt created by payday loans causes serious financial harm to borrowers, including increased likelihood of bankruptcy, paying credit card debts and other bills late, delayed medical care, and loss of basic banking privileges because of repeated overdrafts. Over a quarter of bank payday borrowers are Social Security recipients, whose benefits banks sometimes seize to repay payday loans before they can be put toward healthcare, prescription medicines, or other critical expenses.

Bank-issued payday loans like Ready Advance undermine 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. They also undermine provisions of the Military Lending Act aimed at protecting service members from payday loans. Seventy-seven members of Congress from both the Senate and House of Representatives recently urged the

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<sup>1</sup> Federal Reserve Board, *Statement on Deposit Advance Products*, April 25, 2013, available at <http://www.federalreserve.gov/bankinforeg/caletters/CALetter13-07.pdf>.

<sup>2</sup> Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings*, April 24, 2013, available at [http://files.consumerfinance.gov/f/201304\\_cfpb\\_payday-dap-whitepaper.pdf](http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf).

Department of Defense to expand the Military Lending Act to leave no question that bank payday loans are covered.

On April 25 of this year, the Federal Reserve, Regions federal prudential regulator, issued a supervisory statement emphasizing the “significant consumer risks” the deposit advance product poses and highlighting the CFPB’s findings of sustained and harmful repeat usage. The Board advised that examiners thoroughly review bank payday products for compliance with laws prohibiting unfair and deceptive practices. The statement also underscored that the product is subject to state law.

The CFPB’s findings make clear that, as it currently functions—leading to a cycle of repeat loans for even the average borrower, even while it is structured and marketed as a short-term product—the bank payday product is indeed unfair and deceptive and is thus not compliant with the Bank’s prudential regulator’s supervisory expectations. To bring the product into compliance, we ask that you begin underwriting the borrower’s ability to repay the loan without reborrowing and limit the product to a maximum of one every two statement cycles per borrower or discontinue the product.

We look forward to your response and are available to meet with you to discuss this matter.

Sincerely,

**National Signatories:**

Alliance for a Just Society  
Americans for Financial Reform  
Center for Responsible Lending  
Consumer Action  
Consumer Federation of America  
Green America  
Greenlining Institute  
The Leadership Conference on Civil and Human Rights  
NAACP  
National Association of Consumer Advocates  
National Consumer Law Center, on behalf of its low income clients  
National People's Action  
PICO National Network  
Right to the City  
Sargent Shriver National Center on Poverty Law  
U.S. Public Interest Research Group

**State and Local Signatories:**

Action NC  
Alliance for a Just Society  
Arkansans Against Abusive Payday Lending (AAAPL)

California Reinvestment Coalition  
Coalition of Religious Communities  
Communities Creating Opportunity, Kansas City  
Consumer Credit Counseling Service of Greater Greensboro, NC  
Consumers for Auto Reliability and Safety  
Credit Counseling Agencies of NC Association, NC  
Delaware Community Reinvestment Action Council, Inc.  
Durham Congregations Associations and Neighborhoods, NC  
Financial Pathways of the Piedmont, NC  
Financial Protection Law Center, NC  
Florida Consumer Action Network  
Good Work, NC  
Green America  
GRO - Grass Roots Organizing, statewide  
Illinois People's Action  
Iowa Citizens for Community Improvement  
Jefferson City Congregation Uniting, Jefferson City  
Jesuit Social Research Institute, Loyola University New Orleans.  
Kentucky Domestic Violence Association  
Kentucky Equal Justice Cente  
Legal Services of Southern Piedmont, NC  
Metropolitan Congregations United, St. Louis  
Metropolitan Organization for Racial and Economic Equality (MORE2), Kansas City  
Missouri Citizen Education Fund, statewide  
Missouri Faith Voices, statewide  
Missouri ProVote, statewide  
Missourians Organizing for Reform and Empowerment (MORE), St. Louis  
North Carolina Justice Center  
North Carolina Latino Coalition  
North Carolina State AFL-CIO  
Northside P.O.W.E.R  
Northwest Coalition for Responsible Investment  
OnTrack Financial Education & Counseling, NC  
PICO United Florida  
Pisgah Legal Services, NC  
Reinvestment Partners (Durham, NC)  
Southwest Center for Economic Integrity  
Tennessee Citizen Action  
The Greenlining Institute  
Virginia Citizens Consumer Council  
Virginia Poverty Law Center  
Vocal NY

cc: Zixta Martinez, Associate Director, External Affairs, Consumer Financial Protection  
Bureau

Chris Vaeth, Assistant Director, Office of Community Affairs, Consumer Financial  
Protection Bureau

Sandra Braunstein, Director, Consumer and Community Affairs Division, The Board of  
Governors, Federal Reserve System