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FDIC and OCC Crack Down on Abusive Lending Practices; Fed Should Follow

At long last, two key financial watchdogs have taken decisive action against the predatory loan practices of national banks and federal savings associations. The Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency finalized supervisory guidances on bank payday loans requiring the institutions they regulate - Wells Fargo, U.S. Bank, and the Bank of Oklahoma, and others - to determine whether potential borrowers can repay these triple-digit interest rate loans. Under the new rules, the banks will no longer be able to market deposit advance or other payday-style loan products that are engineered to trap customers into cycles of unmanageable debt.

“The OCC and FDIC got it right in standing up for borrowers who have been taken advantage of,” said Lisa Donner, AFR’s Executive Director. “Now it’s up to the Federal Reserve to follow the OCC’s and FDIC’s lead with the institutions it regulates.”

This guidance comes just a day after the Consumer Protection Financial Bureau exposed a spate of illegal activities by Cash America, one of the country’s largest payday lenders. CFPB’s investigation into Cash America solidified what we already knew—that payday loans are structured in a way that compels many borrowers to take out a succession of loans at the equivalent of triple-digit interest.

The OCC and FDIC deserve credit for taking this step. The Federal Reserve should follow their lead and issue a similar guidance for the institutions it oversees, including two banks - Fifth Third and Regions - that continue to harm consumers by pushing payday products.

(Yesterday, Regions Bank received a set of [petitions](#) demanding that it drop its "Ready Advance" payday product. National People’s Action, Americans for Financial Reform, and various community groups active in the parts of the country where Regions operates collected more than 12,000 signatures, which were [delivered](#) to the company’s headquarters in Birmingham, Alabama.)

Related statements from AFR member organizations:

- [Consumer Federation of America](#)
- [Center for Responsible Lending](#)

- [National People's Action](#)