



Open Letter to Banks: Don't Make Debt Trap Payday Loans

November 3, 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.

The more than 200 organizations signed below urge banks 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.

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>

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

National Faith Organizations:

Bend the Arc Jewish Action
Cooperative Baptist Fellowship
Ecumenical Poverty Initiative
National Baptist Convention USA, Inc.
PICO National Network
Religious Action Center of Reform Judaism
Samuel DeWitt Proctor Conference, Inc.

National Consumer and Civil Rights Organizations:

Allied Progress
Americans for Financial Reform
Center for Responsible Lending
Coalition of Labor Union Women
Consumer Action
Consumer Federation of America
Mexican American Opportunity Foundation
NAACP
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)
New Economy Project
People's Action
ProsperityWorks
Public Good
Public Justice Center
Public Law Center
Southern Poverty Law Center
U.S. PIRG
UnidosUS
United for A Fair Economy

State and Local Organizations:

A New Leaf-Mesa CAN
Action Center on Race and the Economy
ACTION Housing Network
Action NC
Addleton Ltd Co
AFSCME New Jersey
Alliance of Californians for Community Empowerment (ACCE)
Anti-Poverty Network of New Jersey
Arizona PIRG
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)
CALPIRG
Carolina Small Business Development Fund
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
Centre for Homeownership and EDC, Inc.
CEO Pipe Organs/Golden Ponds Farm
CFORM Covenant CDC
Children First/Communities in Schools of Buncombe County
Church Women United in NC

Citizen Action of New York	First Choice Pre-Apprenticeship Training
Citizen Action Organizing Cooperative of Western Wisconsin	Florida Alliance for Consumer Protection
Citizen Action of Wisconsin	Florida Alliance for Retired Americans
Clarifi	Florida Consumer Action Network
Colorado Center on Law & Policy	Florida PIRG
Colorado PIRG (COPIRG)	Georgia PIRG
Communities United for Action	Georgia Watch
Community Economic Development Association of Michigan (CEDAM)	Glendale CAP
Community Legal Services of Philadelphia	Gowen Consulting
Congregations United to Serve Humanity	Grace Church
Connecticut Association for Human Services	Granite State Organizing Project
Connecticut Legal Services, Inc.	Greater Birmingham Ministries
ConnPIRG	Greater Yellowstone Central Labor Council
Consumers for Auto Reliability and Safety	Habitat for Humanity of Davie County
Credit Counseling Agencies of North Carolina	Habitat for Humanity of Gaston County
Creighton College Democrats	Habitat for Humanity of Greater Greensboro
Cuatro Puertas	Habitat for Humanity of North Carolina
District Council 37 AFSCME Municipal Employees Legal Services	Habitat for Humanity of Randolph County, Inc.
Durham CAN	Habitat for Humanity of the Lexington NC Area, Inc.
Durham Regional Financial Center	Haven Neighborhood Services
East LA Community Corporation	Hispanic Baptist Convention of Texas
Empire Justice Center	Hispanic Unity of Florida Inc.
Empowering and Strengthening Ohio's People	Home Defenders League
ESTHER	Hoosier Action
Exodus Lending	Housing Consultants Group
Fair Housing Center of Central Indiana	Illinois Asset Building Group
Fair Share	Illinois People's Action
Faith in Texas	Illinois PIRG
Fellowship Southwest	Indiana Assets & Opportunity Network
Financial Pathways of the Piedmont	Indiana Catholic Conference
Financial Protection Law Center	Indiana Coalition Against Domestic Violence
	Indiana Friends Committee on Legislation
	Indiana Institute for Working Families

Indiana PIRG
Indivisible Madison
Inland Fair Housing and Mediation Board
Iowa Citizens for Community Improvement
Iowa PIRG
JOSHUA
Justice for All
Kentucky Coalition Against Domestic Violence
Kentucky Coalition for Responsible Lending
Kentucky Equal Justice Center
La Casa de Don Pedro
Law Foundation of Silicon Valley
Legal Services of Southern Piedmont
Lincoln Hills Development Corporation
Long Island Housing Services Inc
Lutheran Advocacy - Minnesota
Lutheran Advocacy Ministry-New Mexico
Lutheran Episcopal Advocacy Ministry NJ
Maine Center for Economic Policy
Maryland Consumer Rights Coalition
Maryland PIRG
Massachusetts Consumers Council
MASSPIRG
Metropolitan Milwaukee Fair Housing Council
MICAH
Michigan United
Missouri Faith Voices
Missouri PIRG (MoPIRG)
Mobilization for Justice, Inc.
Montana Organizing Project
Montana PIRG (MontPIRG)
Montebello Housing Development Corporation
MOSES of Madison, WI

MyPath
New Economics for Women
New Hampshire PIRG (NHPIRG)
New Jersey Citizen Action
New Jersey PIRG (NJPIRG)
New Jersey Tenants Organization
New Mexico Fair Lending Coalition
New Mexico PIRG (NMPIRG)
New York Communities for Change
North Carolina State AFL-CIO
North Carolina A. Philip Randolph Institute, Inc.
North Carolina Assets Alliance
North Carolina Community Development Initiative
North Carolina Conference United Methodist Church
North Carolina Congress of Latino Organizations
North Carolina Council of Churches
North Carolina Housing Coalition
North Carolina IAF
North Carolina Justice Center
North Carolina PIRG (NCPIRG)
North Dakota Economic Security and Prosperity Alliance
Northern New Jersey Chapter, National Organization for Women
Northside Housing Center
Ohio PIRG
Oklahoma Policy Institute
Oregon PIRG (OSPIRG)
Payday Lending Task Force of the Indiana-Kentucky Synod of the ELCA
Pennsylvania Military Officers Association of America

Pennsylvania Public Interest Research Group
(PennPIRG)
Pennsylvania Council of Churches
PeterCares House
PIRG in Michigan (PIRGIM)
Pisgah Legal Services
Policy Matters Ohio
Power New Mexico
Prince George's Cash Campaign
Progressive Leadership Alliance of Nevada
Protecting Arizona's Family Coalition
Racine Interfaith Coalition
ReFund America Project
Reinvestment Partners
Reserve Officers Association of Indiana
Rhode Island PIRG (RIPIRG)
Rhode Island State Council of Churches
RMC Community Development Ministries
RNHS (Richmond Neighborhood Housing Services)
Sacramento Housing Alliance
South Carolina Appleseed Legal Justice Center
Southwest Center for Economic Integrity
Stand Up for Ohio
Statewide Poverty Action Network
Tabor Community Services
Tennessee Citizen Action

Texas Appleseed
TexPIRG
The AMOS Project
The Arc of North Carolina
The Bell Policy Center
The Collaborative of NC
The Military/Veterans Coalition of Indiana
The One Less Foundation
Triangle Labor Council AFL-CIO
Tuscaloosa Citizens Against Predatory Practices
Tzedek DC
United Methodist Women of Tomahawk, WI
University of Wisconsin Law School Consumer Law
Center
Virginia Organizing
Virginia Poverty Law Center
VOICE -- OKC
WASHPIRG
West Virginia Center on Budget and Policy
West Virginia Citizen Action Group
Wisconsin Faith Voices for Justice
Wisconsin PIRG (WISPIRG)
WISDOM
Woodstock Institute
Working America NC
World Hunger Education Advocacy and Training
(WHEAT)