NCLC Applauds End of 650% MetaBank Prepaid Card Payday Loan

Other Regulators Should Follow OTS Action Against Similar Bank Payday Loans

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CONTACT: Lauren Saunders, (202) 452-6252 x 105 or LSaunders@nclcdc.org

MetaBank will no longer be offering its 650% payday loans on prepaid cards as a result of action by the bank's regulator, the Office of Thrift Supervision. MetaBank disclosed in a filing October 12 with the Securities and Exchange Commission that OTS "has determined that the Bank engaged in unfair or deceptive acts or practices" in connection with the iAdvance program.

"The OTS should be applauded for shutting down this abusive product. We hope that other regulators will follow suit to stop triple digit lending that is designed to be unaffordable and is based on the bank's ability to seize the consumer's benefits or wages and not the consumer's ability to pay," said Lauren Saunders, Managing Attorney of the National Consumer Law Center's DC office.

The MetaBank iAdvance line of credit was available to consumers who have their public benefits, unemployment insurance or wages directly deposited to a prepaid card. The advances cost $2.50 per $20 borrowed and are repaid automatically with the next direct deposit, whether one or 30 days later. The minimum APR is 120%, but if the loan is taken out a week or less before payday, the loans would cost at least 650% APR.

Wells Fargo Bank, U.S. Bank, Fifth Third Bank, and others have similar direct deposit account advances with similar pricing. Fiserv has also been pushing a similar product to banks as a replacement for overdraft fee income.

"Now is the time to stop this new form of predatory bank lending, before it takes off," said Saunders. "The bank regulators should not wait for the new Consumer Financial Protection Bureau and should take action against similarly unfair or deceptive practices by other banks before those practices spread or become entrenched," she added.

More detail on bank payday loans can be found at in the NCLC issue brief Bank Payday Loans... They're Baaaack: 650% APR Loans on Prepaid Cards and Bank Payday Advance Loans Flout State Interest Caps and Protection and in the NCLC report Stopping the Payday Loan Trap: Alternatives that Work, Ones that Don't. Both are available at NCLC.org.