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MCDANIEL MEETS WITH CFPB DIRECTOR

Attorney General discusses bank "deposit advance" products

LITTLE ROCK – Attorney General Dustin McDaniel met with the head of the U.S. Consumer Financial Protection Bureau today to share his concerns about the potential harm to consumers from bank “deposit advance” products that have similar characteristics to payday loans.

McDaniel called on federal regulators to implement additional consumer protections related to the products currently being offered by six banks. McDaniel and attorneys from his Public Protection Department met personally with CFPB Director Richard Cordray this morning at Cordray’s Washington office.

“High-interest, short-term loans often launch consumers into a never-ending spiral of debt,” McDaniel said. “Regardless of what they are called and regardless of where they are offered, almost all of these products carry high fees and are offered and re-offered to borrowers, without regard to the borrower’s ability to pay. I have successfully worked to eliminate storefront payday lending in Arkansas, and I will continue to fight against lending practices that harm consumers.”

Deposit advance products offered by banks carry high fees, typically \$7.50 to \$10 per \$100 loaned, and are repaid in a lump sum, usually in less than a month. The effective annual percentage rate of deposit advances range from 225 percent to 300 percent or higher. According to a CFPB report, borrowers using these products often must re-borrow in order to meet necessary expenses.

Federal regulators recently voiced concerns about deposit advance products, focusing on borrowers’ ability to repay loans while also maintaining the ability to meet recurring expenses.

McDaniel said rate caps are the most effective way to control the problems that arise from many types of small-dollar lending.

“I was glad to have the opportunity to discuss with Director Cordray the successes we’ve had in Arkansas, as well as our concerns about these products,” McDaniel said. “It is important to me

and to Arkansas consumers that the state and federal government work together to ensure that loan products are safe, affordable and in compliance with both state and federal laws.”

Financial institutions that currently offer deposit advance products are Wells Fargo, US Bank, Regions Bank, Fifth Third Bank, Guaranty Bank and Bank of Oklahoma.

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