

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

August 23, 2012

Lauren K. Saunders
Managing Attorney
National Consumer Law Center

Michael Calhoun
President
Center for Responsible Lending

Jean Ann Fox
Director of Financial Services
Consumer Federation of America

Subject: Urban Trust Bank

Dear Ms. Saunders, Mr. Calhoun, and Ms. Fox:

This responds to your letter to me regarding prepaid payment card products offered by Urban Trust Bank (Bank).

Your letter raises several troubling concerns about the prepaid cards offered by the Bank. These concerns include that the prepaid cards are sold in cooperation with a major payday lender; are offered with credit features – specifically, a line of credit and overdraft protection – that have characteristics similar to predatory payday loans because of their high cost and because they require full repayment of any advances by direct deposit of wages or public benefits onto the prepaid card; that these product characteristics can trap borrowers into a cycle of repeated borrowing and long-term debt; and that the requirement for direct deposits could cause consumers with bank accounts to close their accounts and become unbanked.

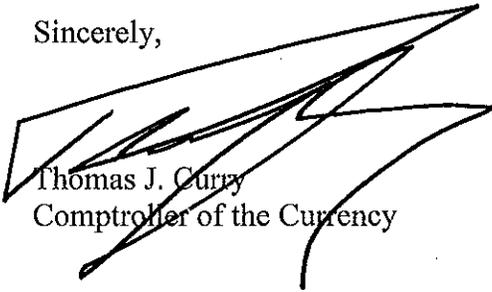
Your letter also notes that the Bank's relationship with unsupervised third parties -- CheckSmart and Insight Card Services, LLC -- raises a host of reputational, legal, compliance, and safety and soundness risks to the Bank. You are particularly concerned that such partnerships with depository institutions, if they continue to be permitted, will lead to an expansion of payday lending in states that currently ban or severely restrict such lending, and you ask the OCC to take steps to address your concerns.

We share your concerns about the risks of bank partnerships with unsupervised third party vendors and, as you note in your letter, the OCC previously has taken strong action to prevent bank partnerships with third party lenders to offer payday loans when we found significant compliance and safety and soundness deficiencies. In this instance, the Bank has a relationship with a payday lending and check cashing operation to sell prepaid cards and ancillary overdraft credit products.¹ Almost all of the Insight prepaid cards issued by the Bank are sold at CheckSmart locations and we agree that this arrangement, as well as features of the overdraft protection product, raise heightened risks to the Bank.

In connection with a recent examination of the bank, we also identified substantial concerns with the Bank's products and management of third party relationships. In response to these supervisory concerns, we have recently entered into a Formal Agreement with the Bank. We have required the Bank to address the deficiencies in its oversight of its third party vendor relationships, which includes with CheckSmart, and to submit to the OCC for supervisory non-objection, a business plan concerning existing and new products and services to be offered by the Bank. Please be assured that we will closely monitor the Bank's progress in addressing its deficient practices in this regard, and that we will carefully evaluate the other concerns that you have raised as part of this process and through our ongoing supervision of the Bank.

Thank you for bringing these issues to my attention.

Sincerely,



Thomas J. Curry
Comptroller of the Currency

¹The Bank does not issue Insight prepaid cards with a line of credit as described in your letter. We understand that this particular product had been offered at some CheckSmart locations by an Arizona-licensed lender unrelated to the Bank, but that the line of credit is no longer being offered.