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Bank Regulator Urged to Stop Community Choice Financial Inc., Going Public May 8, From Using Prepaid Card Payday Loans to Evade State Law

Washington, DC—The payday lender CheckSmart is using bank-issued prepaid cards to evade state payday laws and today a coalition of consumer groups urged the national bank regulator, the Office of the Comptroller of the Currency (OCC), to stop the practice, citing potential legal hurdles and conflicts with the national bank charter. Community Choice Financial, Inc., (CCFI) which owns CheckSmart (www.checksmartstores.com) and also uses the Buckeye name, has an initial public offering (IPO) of stock scheduled for May 8. For a full list of CCFI subsidiaries, visit www.ccfi.com and click on “our brands.”

In [a letter sent to the OCC today](#), more than two dozen national and state civil rights, consumer, and community groups urged the national banking regulator to stop Florida-based Urban Trust Bank from issuing prepaid cards sold by the payday lender CheckSmart in Arizona, Ohio, and other states where CheckSmart cannot legally make the loans directly. “Prepaid cards and payday loans just don’t mix,” said Lauren Saunders, managing attorney at the National Consumer Law Center. “Prepaid cards should be safe alternatives to bank accounts, not vehicles for evading state law with predatory loans that trap people, often those with the least means, in a spiral of debt.”

When Arizona’s 36% rate cap took effect in 2010, CheckSmart started offering payday loans on prepaid cards at an annual rate of more than 390%. The cards are issued by Urban Trust Bank, and the card program is managed by Insight LLC, which CheckSmart partly owns.

“Arizona voters refused to let payday lenders continue to operate in the state,” said Kelly Griffith, co-executive director at the Center for Economic Integrity in Arizona, “but CheckSmart will hide under the covers with help from Urban Trust Bank.”

CheckSmart has also started offering prepaid card payday loans in Ohio, where voters approved a 28% rate cap in 2008. “Ohio voters soundly endorsed our 28% rate cap, yet CheckSmart has been persistent in finding ways to violate it, and these prepaid cards are a blatant evasion of the rate cap,” said David Rothstein, project director at Policy Matters Ohio.

Loans on prepaid cards may seem to be a contradiction in terms, but CheckSmart's Insight Cards have two different loan features. Consumers who have their public benefits or wages directly deposited onto the cards can enroll in overdraft "protection" at a cost of \$15 per \$100 overdraft, or they can take an advance of their income at a rate of \$14 per \$100 plus 35.9% interest. The loans are repaid immediately upon the next direct deposit, resulting in an annual rate of 390% to 401% for a two-week loan.

"Banks simply should not be in the business of facilitating payday lending, which just leads cash-strapped consumers into a cycle of debt," added Jean Ann Fox, director of financial services at the Consumer Federation of America.

"We urge the OCC to crack down on Urban Trust Bank for facilitating this deceit, which is an abuse of the national bank charter," concluded NCLC's Saunders.

The [coalition letter to the OCC](#); a [legal analysis](#) and [related exhibits](#) to the OCC from the National Consumer Law Center, the Center for Responsible Lending, and the Consumer Federation of America; and an [Issue Brief](#) on prepaid card payday loans are available at www.nclc.org.

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Since 1969, the nonprofit **National Consumer Law Center® (NCLC®)** has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

The Center for Economic Integrity engages in research, education and advocacy to strengthen local economies by mobilizing and protecting marginalized people, holding corporations and industries accountable to communities and cultivating support for good business practices.

The Consumer Federation of America (CFA) is an association of nearly 300 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

Policy Matters Ohio is a non-profit, nonpartisan policy research organization founded in January 2000 to broaden the debate about economic policy in Ohio. Our mission is to create a more prosperous, equitable, sustainable and inclusive Ohio, through research, media work and policy advocacy.