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**Banking Regulator Slams Urban Trust Bank, Issuer of Prepaid Card Payday Loans**  
*OCC Finds Legal Violations and Unsafe Banking Practices*

(WASHINGTON) The government overseer of large banks, the Office of the Comptroller of the Currency (OCC), has found “violations of law and regulations and unsafe and unsound banking practices” by Florida-based Urban Trust Bank (UTB), the issuer of the Insight prepaid cards used by the payday lender CheckSmart to evade state payday and usury laws. The National Consumer Law Center (NCLC) detailed extensive legal problems with the bank’s prepaid card payday loans [in a letter](#) sent by NCLC, the Center for Responsible Lending, and the Consumer Federation of America to the OCC in May. The [OCC responded that the consumer groups’ letter](#) “raises several troubling concerns,” including “that the prepaid cards are sold in cooperation with a major payday lender” and have “characteristics similar to predatory payday loans.”

“Banks should not help payday lenders to evade state law,” said Lauren Saunders, managing attorney of National Consumer Law Center’s office in Washington, DC. “We applaud the OCC for scrutinizing the sordid relationship between Urban Trust Bank and the CheckSmart prepaid card payday loans, and urge the OCC to eliminate payday loans completely from the Insight prepaid cards,” she added.

UTB and CheckSmart have discontinued one version of the prepaid card payday loans but continue to offer payday loans cloaked as overdraft fees of \$0.15 per \$1 negative balance (or \$15 per \$100 borrowed). The OCC has entered into a [Formal Agreement](#) with UTB requiring the bank to correct legal violations, to submit an analysis of its prepaid card program that “fully assesses the risks and benefits of this line of business,” and to submit for OCC review a business plan that addresses deficiencies in its oversight of CheckSmart. “Prepaid card payday loans cannot be fixed, and Urban Trust Bank should get out of this business,” said Saunders.

After Arizona and Ohio imposed 36% and 28% interest rate caps, respectively, CheckSmart, which is owned by Community Choice Financial, Inc. (CCFI), began disguising its payday loans as a line of credit or overdraft protection on prepaid cards managed by Insight Card Services (part owned by CCFI) and issued by Urban Trust Bank. The loans cost \$14 to \$15 per \$100 borrowed, or an annual rate of about 400%, but the costs were cloaked in various fees designed to evade state laws. After the consumer groups criticized the loans, CheckSmart dropped the line of credit and CCFI called off its planned initial public offering of stock.

**Supporting documents**

Consumer groups’ letter to the OCC: [http://www.nclc.org/images/pdf/high\\_cost\\_small\\_loans/letter-checksmart-occ.pdf](http://www.nclc.org/images/pdf/high_cost_small_loans/letter-checksmart-occ.pdf)

OCC’s reply letter to the consumer groups: [http://www.nclc.org/images/pdf/high\\_cost\\_small\\_loans/letter-occ-check-smart-urban-trust-bank.pdf](http://www.nclc.org/images/pdf/high_cost_small_loans/letter-occ-check-smart-urban-trust-bank.pdf)

OCC-UTB Formal Agreement: <http://www.occ.gov/static/enforcement-actions/ea2012-190.pdf>

NCLC's earlier release (May 2012) about the UTB/CheckSmart prepaid cards:  
<http://www.nclc.org/images/pdf/pr-reports/pr-ccfi-ipo.pdf>

More information about prepaid cards and payday loans, including detailed comments to the Consumer Financial Protection Bureau on the importance of banning overdraft fees and payday loans from prepaid cards, is available at <http://www.nclc.org/issues/payday-loans.html>.

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.