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Prepaid Card Payday Loan/Savings Product Folds *Tandem Money Investors Pull Out Due to Regulatory Concerns*

WASHINGTON—Tandem Money, a prepaid card company that was set to offer payday loans with a savings feature, has shut down after investors pulled out due to regulatory concerns, according to the CEO of Insight Card Services (issuer of the prepaid card), as reported by [Bank Talk](#). “The savings features on the card had some attractive aspects,” said Lauren Saunders, managing attorney at the National Consumer Law Center (NCLC), “but the sugar coating of an ambiguous savings feature did not outweigh the dangers of tying payday loans to a prepaid card.”

The Tandem Money product was promoted as a way of helping consumers wean themselves off credit and into savings, a goal that many share. But NCLC had expressed skepticism about the Tandem Money product in [comments filed with the Consumer Financial Protection Bureau](#) this past July. **Among the questionable aspects of the card were:**

- A \$5/month inactivity fee on the savings account after 4 months if the consumer did not keep borrowing or saving.
- \$8 to \$10 per \$100 payday loans for an annual percentage rate of 292% to 365% if repaid in 10 days.
- Balloon payment terms for new customers consisting of the loan, the payday fee, and the \$20 savings requirement, leaving a big hole in the next month’s income that could lead to a cycle of debt.
- Mandatory electronic repayment off the top of the next direct deposit of wages or public benefits unless the consumer paid a \$50 fee.
- The potential for evasion of state laws via a partnership between a bank and an affiliate of a payday lender.

“At the end of the day, it is not clear how innovative the Tandem Money product was,” Saunders explained. “Many credit unions have offered truly affordable loans with savings features for a long time. It is not necessary to offer exorbitantly expensive short terms loans as way of moving people into savings,” she added.

The demise of Tandem Money may be an outgrowth of the recent action by the Office of Comptroller of the Currency (OCC) against Urban Trust Bank, one of the companies behind Tandem Money. The OCC found violations of law and required the bank to review all of its prepaid card programs after NCLC and a coalition of other groups urged the agency to stop the bank from partnering with a payday lender to evade state protections.

Related materials

- 1) NCLC’s prepaid comments to the CFPB, including a description of the Tandem Money card on pages 6 to 7: <http://www.nclc.org/images/pdf/rulemaking/cm-prepaid-card-july2012.pdf>.
- 2) Information about the OCC’s action against the Urban Trust Bank/CheckSmart prepaid payday loans: <http://www.nclc.org/images/pdf/pr-reports/pr-occ-check-smart.pdf>.
- 3) NCLC’s report: *Stopping the Payday Loan Trap: Alternatives that Work, Ones that Don’t*. http://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/report-stopping-payday-trap.pdf.
- 4) Bank Talk, “Tandem Money Folds,” <http://banktalk.org/2012/11/07/tandem-money-folds/>

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