

Letter to the Editor – American Banker

April 24, 2015

Regarding the recent opinion piece, “Banks Overreact to Risk, and Pawnbrokers Pay the Price,” I would like to make a few important points.

As the author and your related story noted, the FDIC encourages supervised institutions to take a risk-based approach in assessing customer relationships, rather than declining to provide banking services to entire categories of customers without regard to the risks presented by an individual customer or the financial institution's ability to manage the risk.

That means that FDIC-supervised financial institutions that properly manage customer relationships and effectively mitigate risks are neither prohibited nor discouraged from providing services to any category of customer accounts or individual customers operating in compliance with applicable laws.

We have met with the National Pawnbrokers Association and have listened to their concerns. The group last year helpfully provided us with a list of 49 pawnbrokers whose deposit account relationships had been canceled by banks. Of those 49 pawnbrokers, only one was banking with an FDIC-supervised institution. When we reviewed the case, we found that the bank based that decision on the risks presented by the individual situation.

The FDIC does not supervise all financial institutions in the United States. Neither of the banks mentioned in the opinion piece are supervised by the FDIC. Further, the National Pawnbrokers Association has told us that a number of its members who have lost their banking relationships are now banking with FDIC-supervised institutions.

For the institutions we do supervise, we have worked hard to reiterate and strengthen our policies regarding banking relationships with customers. We have reinforced with the banks we supervise and our examiners the importance of taking a case-by-case approach.

We welcome continued discussions with bankers supervised by the FDIC, customers who bank with FDIC-supervised banks, and others on the importance of making risk-based decisions regarding customer relationships.

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