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Sent Via Electronic Delivery: comments@fdic.gov & regs.comments@occ.treas.gov

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corp.
550 17th St., N.W.
Washington, D.C. 20429

Legislative and Regulatory
Activities Division
Office of the Comptroller of the Currency
400 7th St., S.W., Suite 3E-218
Mail Stop 9W-11
Washington, D.C. 20219

RE: FDIC and OCC Proposed Guidance on Deposit Advance Products
FDIC No. 6714-01-P and Docket ID OCC-2013-0005

Dear Mr. Feldman and The Legislative and Regulatory Activities Division:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to comment on the above-referenced guidance concerning deposit advance products. We have a number of concerns and would urge the Federal Deposit Insurance Corporation and the Comptroller of the Currency ("Agencies") to withdraw the proposed guidance.

We understand that the guidance is intended to clarify the application of principles of safe and sound banking practices and consumer protection in connection with deposit advance products. The practical effect of this guidance if adopted, however, would be to severely limit the availability of deposit advance products to consumers, many of whom will be forced to turn to more costly and less consumer friendly alternatives.

By way of background, deposit advance products are tools designed for people who either lack sufficient financial resources to cover emergencies and unexpected income reductions or who rely on them because they do not qualify for other flexible, less expensive credit products, such as credit cards. Deposit advances are generally for small dollar amounts and are repaid automatically and quickly. These loans satisfy a customer's demand for speed, convenience, and anonymity. In contrast, larger installment loans are often a less favorable alternative to deposit advances. They often lack the speed and flexibility that deposit advance products offer and are often contrary to the needs and desires of the customer.

Our concerns with the proposed guidance include, but are not limited to, the following issues:

- The proposed guidance would impose onerous and unnecessary burdens that will have the practical effect of prohibiting banks under the Agencies' jurisdictions from offering deposit advance products. Some of the most troublesome burdens include:

    - *Checking Account Transaction Analysis*. Imposing requirements such as analyzing checking account transaction patterns would be costly, not particularly useful in determining a customer's ability to repay, and intrusive to the customer. This analysis would not take into consideration the fluctuations in account balances that may take place from month-to-month. It would also fail to take into consideration other resources available to the customer.

    - *Installment Mandate*. The guidance provides that after a customer's transaction patterns are reviewed, the bank is expected to determine whether an installment repayment is more appropriate. To some banks and their customers an installment plan may be a useful option. The Agencies should keep in mind, however, that some customers of direct advance products do not want installment loans. Larger installment loans can present the additional temptation to spend more. The longer repayment period of an installment loan can also induce a person not to make a payment on a loan that has already been spent. Customers should have the ability to choose a product that best suits their needs.

    - *Cooling-Off Requirement*. Mandating a limit of six direct advance loans per year and a cooling-off period of one month after repayment of a previous loan before seeking another loan is overly rigid and arbitrary. This mandate limits flexibility and the ability to address the particular needs of a customer. It would limit the availability of direct advance products and drive consumers to other sources of credit.

- Banks offering deposit advance products report customer satisfaction with the products even though they are not frequently used. For many customers, it is a helpful tool and safety net for unexpected emergencies that arise. Customers should utilize credit wisely and prudently. Creating unnecessary and burdensome requirements, however, only limits the options customers have to address their credit needs.

- The guidance, if adopted, will likely have a chilling effect on innovation as banks try to design appropriate small dollar loan products. It is likely to become too risky and costly for a bank to make an investment in a small dollar loan product designed for those who face financial and credit challenges.

- The safety and soundness rationale for the proposed guidance is likely to lead to overlapping and potentially conflicting regulations as other agencies, such as the CFPB, issue their own guidance and rules concerning deposit advance products.

- If the Agencies are seeking to adopt guidance such as this, they should consider providing a more flexible approach that allows for innovation and creativity, not a rigid, one-size-fits-all approach that will have the result of eliminating these kinds of products from the marketplace. The current guidance does not allow for this kind of flexibility and will likely result in depriving customers of credit they need, want and can manage.

Conclusion

The proposed guidance would harm consumers more than it would help them by eliminating an important option of credit. Demand for deposit advance products is unlikely to disappear. The consequence of creating an environment in which deposit advance products are curtailed, or done away with altogether, is to force consumers away from banks and drive them to utilize costly, less consumer-friendly alternatives.

Thank you for the opportunity to comment on the guidance. If you have any questions, please feel free to contact me.

Very best regards,

Kevin T. Christiansen
Director of Government Affairs
Oregon Bankers Association &
Independent Community Banks of Oregon