Bretton Woods, Inc.

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May 22, 2013

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Office of the Comptroller of the Currency
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Mail Stop 9W-11
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Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429

Re: Docket ID OCC-2013-0005: Proposed Guidance on Deposit Advance Products
Docket ID FDIC-2013-0043: Proposed Guidance on Deposit Advance Products

On behalf of Bretton Woods, Inc., I would like to take the opportunity to comment on the request for comment on Proposed Guidance on Deposit Advance Products set out in the above reference dockets.

The guidance should not be imposed without further analysis of the likely effects on providers and consumers.

My firm has published reports in both the United States[1] and the United Kingdom[2] on credit demand and availability of low value, short-term loans.

A key finding in the report focused in the United States indicates:

> **Consumer loans under $5,000 are unprofitable under the traditional banking model and as a result, the credit needs of low-to-moderate-to-middle-income individuals and small businesses are no longer fulfilled by most community banks and credit unions.** Impediments include the industry's legacy cost structure, reliance on brick and mortar service delivery outlets and slow adoption of new technologies that can streamline application processing, underwriting, approval and funding.

[1] See http://bretton-woods.com/media/2a7e1935be98b894ffff8004ffffd523.pdf
[2] See http://bretton-woods.com/media/4cfa82fc17b0a60effff85d8ffffd524.pdf

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The following chart provides a broad outline of credit needs and the products that meet those needs:

Need	Product	Collateral	Amount	Duration	Benefit	Availability
Unanticipated	**Overdraft**	**Unsecured**	**< $500**	**Less than 30 days**	**Less expensive that bouncing a check**	**From banks in all 50 states**
Anticipated	**Payday, Deposit Advance**	**Unsecured**	**< $500**	**Less than 30 days**	**Immediate access and less expensive than an overdraft**	**AFS providers in 31 states and some banks (deposit advance)**
Anticipated	**Installment Loan**	**Unsecured, Closed end**	**$500 - $5000**	**Closed end – 6 – 36 months**	**Less expensive than short-term options**	**Very few banks and limited from AFS providers due to different state regulatory environments**
Anticipated	**Credit Card and Revolving Line of Credit**	**Unsecured, Open end**	**$500 - $5000**	**Open-ended**	**Less expensive than short-term options but may be more expensive than installment**	**From banks based on the credit score, lines and balances are increasing. This is not an option to many consumers with poor credit.**
Anticipated	**Pawn**	**Secured**	**Varied**	**Less than 30 days**	**Quick access**	**Widely available from AFS providers depending on state regulations**
Anticipated	**Title**	**Secured**	**Varied**	**Varied - Up to 44 months or more**	**Option for consumer with no access to unsecured installment credit**	**From AFS providers in approximately 20 states**

If deposit advance products are eliminated, then payday loans will soon be unavailable if the same regulatory logic is followed. Additionally curtailing overdrafts will not benefit the consumer. Checks written against insufficient funds will be returned rather than paid into overdraft and the fees will still be assessed. Without these products and with no abatement in the demand for these products, it is not unreasonable to assume that consumers will be forced to illegal offshore lenders. The unintended consequence is significant.

It is also likely that given the requirements of the guidelines there will be little incentive for banks to try to develop small dollar products in the future. It has been documented that the FDIC Small Dollar Loan program cannot stand on its own in terms of being a profitable product. The effect of the guidelines will be to reduce the sources of small-dollar lending and limit competition in the marketplace.

As currently written, the guidance does nothing to resolve the underlying problem of consumers who have difficult financial conditions, poor credit histories and no immediate resources. It simply takes away an existing source of borrowing and leaves them to rely on other strategies such as credit cards, overdraft protection, and payday loans. If these latter sources are denied them then the choice will be to go to unregulated lenders or worse. Limiting the players and the products involved in small-dollar lending will not advance consumer's interests. Consumers need more, not less choice.

Conclusion

The guidance should be withdrawn and the Agencies should work with the banking industry, CFPB and other interested parties to find a way to address consumer protection concerns without trying to address them masked as safety and soundness guidance. I appreciate and support the goals of the Agencies in protecting consumers however the issues involved in small-dollar lending are complex and have many implications. Imposing this guidance will have negative consequences on the consumers who need the product. The proposed guidance is not the answer. Further consideration is needed.