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# FDIC ISSUES EXAMINATION GUIDANCE FOR PAYDAY LENDING

## FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today issued examination guidance for FDIC-supervised institutions that offer payday loans. Payday loans are small-dollar, unsecured, short-term advances offered at high annual percentage rates. The examination guidance is necessitated by the high-risk nature of payday lending and the substantial growth of this product.

"This guidance raises the bar for banks involved in payday lending, and appropriately so, given our experience with this activity," said Michael Zamorski, Director of the FDIC's Division of Supervision and Consumer Protection. "Payday lenders will be subject to special examination procedures to verify and monitor their performance. Failure to meet the standards will result in enforcement actions, which could include instructions to exit the business."

Banks that participate in payday lending frequently do so through a third-party vendor. Such arrangements can expose banks to heightened risk of litigation and harm to their reputation, especially where loans are originated on terms that could not be offered by the third party. The FDIC will hold a bank's board of directors and management responsible for ensuring that all facets of the payday lending operation - including those handled by a third party - are conducted in a safe and sound manner and in compliance with all applicable consumer protection laws, regulations, and policies.

The guidance also focuses on concentrations of credit, capital adequacy, the allowance for loan and lease losses, and policies towards rollovers or renewals of credit. The guidance instructs examiners to include in Community Reinvestment Act public evaluations an expansive discussion of the payday lending practices and strategies of banks and payday lender partners in all locations.

A copy of the FDIC guidance is attached.

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Attachment: Guidelines For Payday Lending