



PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
Phil Battey (202) 898-6993

FDIC SEEKS COMMENT ON DRAFT PAYDAY LENDING GUIDANCE FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) has developed guidelines for payday lending. A draft of this guidance, which the FDIC intends to issue on March 31, 2003, is attached.

Payday loans are small dollar, short-term, unsecured loans that borrowers promise to repay out of their next paycheck or regular income payment. Although the number of known insured depository institutions involved in payday lending is small, third-party payday lenders are actively seeking relationships with insured financial institutions.

The draft guidance would apply to all institutions under the FDIC's supervision that offer payday lending programs. It describes the FDIC's expectations for prudent risk-management practices for payday lending activities, particularly with regard to capital, allowance for loan and lease losses, and classifications. The draft also addresses guidelines for recovery practices, income recognition, and managing risks associated with third-party relationships, as well as consumer protection issues.

As the FDIC completes its review of the draft document, it is interested in the views of affected institutions and other interested parties as to whether the draft provides clear guidance concerning the FDIC's expectations about payday lending practices. Institutions and other parties that choose to respond should provide their views electronically no later than 5:00 p.m. on March 14, 2003. Responses should be submitted by fax to (202) 898-3827 or electronic mail to PaydayComments@fdic.gov. All comments should refer to "Draft Guidelines for Payday Lending."



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Attachment: Draft Guidelines for Payday Lending