



PRESS RELEASE

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FDIC Launches Study to Identify Alternatives to Payday Loans; Applications to Participate Accepted Through November 20th

The Federal Deposit Insurance Corporation (FDIC) is now accepting bankers' applications to participate in its Affordable and Responsible Consumer Credit pilot program, which will begin in January 2008. Between 20 and 40 participants will be selected from interested institutions based on information describing their small-dollar loan programs. Applications will be accepted through November 20, 2007.

The Affordable and Responsible Consumer Credit program is a two-year study designed to assist bankers by identifying information on replicable business models for affordable small-dollar loans.

"Offering low-cost alternatives to high-cost payday loans can be done profitably. I would like to see reasonably priced, small dollar loans become a staple offering among depository institutions," said FDIC Chairman Sheila C. Bair. "The results of this study will be widely shared with other institutions to help them structure and market affordable small dollar loans, which in turn will meet an obvious demand among bank customers for this type of credit product."

Key features of the pilot will include loan amounts of up to \$1,000; payment periods that extend beyond a single pay cycle; annual percentage rates below 36 percent; low or no origination fees; and no prepayment penalties. Additional features to be considered include streamlined underwriting; prompt loan application processing; an automatic savings component; and access to financial education.

Participating financial institutions that offer these products in a safe and sound manner can receive favorable consideration under the Community Reinvestment Act (CRA). In order to participate, a bank must be highly rated, well-managed and well-capitalized and it must confirm that its proposed product meets consumer credit needs at a reasonable cost.

Applications and additional information about the Affordable and Responsible Consumer Credit program can be found at www.fdic.gov/smalldollarloans.



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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-88-2007