



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Seeks in Excess of \$200 Million Against Credit Card Company and Two Banks for Deceptive Credit Card Marketing

The Federal Deposit Insurance Corporation (FDIC) issued enforcement actions today against CompuCredit Corporation, Atlanta, Georgia, and two FDIC-supervised banks for allegedly marketing subprime credit cards in violation of the Federal Trade Commission Act (FTC Act). The FDIC settled with a third bank also involved with CompuCredit.

The enforcement actions seek orders that would correct the FTC Act violations, and provide restitution to consumers in the form of credits for certain fees and charges arising from the deceptive marketing practices. It is estimated that such credits will exceed \$200 million. The restitution is being sought against CompuCredit, First Bank of Delaware, Wilmington, Delaware, and First Bank & Trust, Brookings, South Dakota. The FDIC is also seeking civil money penalties (CMPs) of \$6.2 million against CompuCredit, and a total of \$431,000 against First Bank of Delaware and First Bank & Trust.

"Consumers suffer significant problems due to inadequate credit card disclosures and predatory lending practices, particularly with some subprime products," said FDIC Board member Thomas J. Curry. "These FDIC actions underscore that banks must ensure that they actively supervise their third party partners and adequately assess and address the risks posed to consumers by certain credit card products."

The enforcement actions against CompuCredit, First Bank of Delaware and First Bank & Trust are in connection with CompuCredit's credit card solicitations for three general categories of Visa and MasterCard branded credit card products. The first is a fee-based credit card that was marketed to consumers with low credit scores. The FDIC alleges that the solicitations failed to adequately disclose significant upfront fees and misrepresented the consumer's initial available credit. The solicitations appeared to offer credit cards with a \$300 credit limit; however, consumers were immediately charged as much as \$185 in inadequately disclosed fees, leaving them with as little as \$115 in available credit.

The second is a credit card that offered "up to \$3,250" in available credit to consumers with slightly higher credit scores. The FDIC alleges that CompuCredit failed to adequately disclose that only half of the consumer's credit limit would be available for the first 90 days. Additionally, CompuCredit failed to disclose that it would monitor consumers' purchases, and potentially reduce their credit limits based on undisclosed "behavioral" scoring models.



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-47-2008

The third is a debt transfer Visa credit card marketed to consumers with charged off debt. The FDIC alleges that the solicitations represented that the consumer's prior charged off debt would be immediately transferred to the card and reported to consumer reporting agencies as paid in full. Consumers who accepted the offer, however, were actually enrolled in a debt repayment plan and did not receive a Visa card unless they paid 25% to 50% of their charged off debt over a 12-month period. For the few consumers who did so, the credit card they received had nominal available credit.

Columbus Bank and Trust, Columbus, Georgia, settled the FDIC's allegations relating to CompuCredit by agreeing to a Cease and Desist Order and a CMP in the amount of \$2.4 million. The Cease and Desist Order includes provisions requiring that solicitations contain clear and prominent disclosures upfront of all fees and restrictions that affect a consumer's initial available credit, as well as a broad prohibition against material misrepresentations related to credit cards; and provisions requiring the maintenance of adequate systems and controls, especially for the oversight of third party-partners.

Columbus Bank and Trust Company also agreed to an Order for Restitution which requires the Bank to create and maintain an account in the amount of \$7.5 million, as a limited guarantee of restitution sought against CompuCredit for specified credit card accounts that were activated between 2001 and 2005. Columbus Bank and Trust's obligation to pay restitution is a limited guarantee and is contingent upon successful litigation by the FDIC against CompuCredit, should the latter be unable to fund cash refunds to certain consumers. Columbus Bank and Trust also agreed to cooperate with the FDIC and FTC in the parallel actions against CompuCredit.

Director Curry noted that Columbus Bank and Trust Company agreement to a Cease and Desist Order confirms that "an institution's board of directors and senior management are ultimately responsible for managing activities conducted through third-party relationships, and identifying and controlling risks arising from such relationships, to the same extent as if the activity were handled within the institution." He noted that the FDIC's Guidance for Managing Third Party Risk, issued June 6, 2008, also reinforces this principle.

Separately, the Federal Trade Commission (FTC) filed a parallel federal court action against CompuCredit. These actions against CompuCredit are the result of investigations by the two agencies.

The FTC lawsuit also names Jefferson Capital Systems, a subsidiary of CompuCredit, as a defendant for violations of the FTC Act and the Fair Debt Collection Practices Act (FDCPA).

Copies of the FTC's complaint and the FDIC's Notices of Charges are available at each agency's web site. The FTC's web site may be found at www.ftc.gov, and at the FDIC's web site at www.fdic.gov.

Attachments:

[CBT CD and Order to Pay - PDF 611k \(PDF Help\)](#)

[CBT Restitution Order - PDF 205k \(PDF Help\)](#)

[CompuCredit Notice of Charges - PDF 782k \(PDF Help\)](#)

[FBD Notice of Charges - PDF 1518k \(PDF Help\)](#)

[FBT Notice of Charges - PDF 722k \(PDF Help\)](#)