



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

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## OCC Orders Eagle to Cease Payday Lending Program

WASHINGTON -- The Office of the Comptroller of the Currency announced today that Eagle National Bank has signed a [Consent Order](#) directing it to cease all payday lending activities. Eagle has been engaged in payday lending through arrangements with Dollar Financial Group. The OCC acted after finding that Eagle was in material noncompliance with an earlier Memorandum of Understanding entered into with the OCC and was engaged in numerous unsafe and unsound activities.

The action follows a recent examination of Eagle in which the OCC determined that:

- The bank had risked its financial viability by concentrating in one line of business--payday lending;
- The bank relinquished supervision of the program to a single third-party originator of payday loans; and
- The payday lending program was conducted on an unsafe and unsound basis, in violation of a multitude of standards of safe and sound banking, compliance requirements, and OCC guidance.

“Eagle had effectively turned over the management of the bank’s main business to a third party, and then virtually ignored how that business was being conducted,” said Comptroller of the Currency John D. Hawke, Jr. “The bank essentially rented out its national bank charter to a payday lender in order to facilitate that nonbank entity’s evasion of the requirements of state law that would otherwise be applicable to it.”

OCC examiners conducted an extensive review of the bank’s payday lending activities, including on-site reviews of Dollar Financial Group loan stores in several states. The examiners found that bank management was not adequately monitoring or controlling its third party loan origination activities, compliance responsibilities, quality assurance, or internal audit programs. In addition, the examiners found that Dollar had opened stores in some states and begun originating payday loans without the bank’s knowledge or approval.

Other practices criticized by the OCC included Eagle’s lack of knowledge that Dollar had

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actively promoted rollovers of payday loans booked by the bank by providing an incentive to Dollar's employees, which resulted in a higher volume of rollovers than new loan originations and misuse of the loan product for long-term credit.

In addition, Eagle had also failed to comply with eight of ten requirements of a Memorandum of Understanding issued in 2000 that was intended to address safety and soundness problems at the bank.

Under the [Consent Order](#), the bank must:

- Adopt, within 30 days, an exit strategy establishing an orderly plan to discontinue its payday lending operations by June 15, 2002. As part of that written plan, the bank must execute an agreement with Dollar Financial under which Dollar will pay the bank \$600,000, in installments, through June 15, 2002, and will reduce the payday loans booked at the bank by no less than \$5 million by January 5, 2002.
- Limit outstanding loans made under its "Cash 'til Payday" program to no more than 100 percent of capital.
- Establish controls during the wind-down period to ensure that new payday loans originated during that period are extended in a safe and sound manner.
- Develop a strategic planning process that establishes objectives for the bank's risk profile, earnings performance, growth, balance sheet mix, off balance sheet activities, liability structure, capital adequacy, and reductions in the bank's non-performing loans.
- Develop a comprehensive analysis of any new products or services and provide such to the OCC.

"This case demonstrates the dangers inherent in arrangements under which national banks rent out their charters to nonbank providers of financial services," said Mr. Hawke. "Not only did Eagle allow itself to become a mere appendage to Dollar, but it effectively collaborated in Dollar's scheme to evade state law requirements that would otherwise be applicable to it."

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.