



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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OCC Takes Action Against Texas Bank Engaged in Abusive Lending

WASHINGTON -- The Office of the Comptroller of the Currency announced a precedent-setting enforcement action today that requires the complete reimbursement of fees and interest charged by Clear Lake National Bank of San Antonio, Texas, in a series of abusive loans.

While the OCC has previously taken action against unfair and deceptive marketing practices, this action is the first case brought by a federal regulator under the Federal Trade Commission Act that cites the unfair nature of the terms of the loan. Under the order, more than \$100,000 will be paid in restitution to 30 or more borrowers.

“We are determined to keep predatory lending from gaining a foothold in the national banking system,” said Comptroller of the Currency John D. Hawke, Jr. “When we see abusive lending practices at a national bank, we will move quickly and decisively to put an end to them.”

The bank, which has since been acquired by Lone Star Capital Bank N.A., made a number of small “tax-lien loans” between May, 1999 and December, 2001 to subprime borrowers. The loans, which range in size from about \$2,000 to \$10,000, enabled borrowers to pay off delinquent property taxes. The loans in question were typically made for terms of five years.

Compared to the amounts of the loans themselves, the fees and closing costs the borrowers paid were extraordinarily high, ranging from 22% to 123% of the amounts borrowed, and were much larger than the fees charged to non-subprime borrowers. Many of the fees were charged for services that were never actually performed, while other fees were clearly excessive for the services performed.

The fees were financed into the loans and, as a result, borrowers paid interest on the financed fees for the entire life of the loan. The charges included fees for inspections, appraisal reports, loan origination, application, document preparation, and survey and loan broker fees.

The OCC found that the loans violated the Home Owners Equity Protection Act, the Truth In Lending Act, and the Real Estate Settlement Procedures Act, and involved unfair or deceptive acts and practices prohibited by the Federal Trade Commission Act.

In taking this action, the OCC noted that the bank's new owners and management shared the OCC's concerns and voluntarily entered into this [consent order](#) to ensure that the affected borrowers are fully compensated.

The order requires the bank to:

- Reimburse all fees, finance charges and interest paid by affected tax lien customers;
- Examine a portfolio of mortgage loans to determine if similar violations exist in those loans; and
- Take steps to prevent any future occurrence of abusive or predatory lending practices.

“We have seen scant evidence of abusive or predatory lending in the national banking system,” said Comptroller Hawke. “This action should serve as a warning that the OCC will act quickly and will take advantage of the very substantial power we have under federal law to deal with any national bank that abuses its customers.”

Clear Lake merged with Mission National Bank in San Antonio to become Lone Star Capital Bank, N.A. in April 2003.

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The OCC charters, regulates and examines approximately 2,100 national banks and 52 federal branches and agencies of foreign banks in the United States, accounting for 55 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.