

NR 96-105  
September 26, 1996

#### OCC Issues Guidelines On Preapproved Credit Card Solicitations

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency today reminded national banks of the risks in preapproved solicitations of credit cards and identified specific steps to address weaknesses in their credit card portfolios.

"While there is no evidence of systemic consumer credit quality problems in the banking system at this time," Comptroller of the Currency Eugene A. Ludwig said, "there are some problems with credit card lending that neither regulators nor the banking industry can ignore."

In an advisory letter on preapproved credit card solicitations sent to national banks and national bank examiners, the OCC said it had identified weaknesses in some preapproved solicitation programs, including:

- o Lack of a comprehensive and independent risk management function;
- o Failure to adequately test and analyze potential markets for credit card solicitations;
- o Poor choice of solicited customers resulting in a higher than expected overall risk profile of booked accounts;
- o Changes in underwriting criteria to increase card originations without proper testing and follow up or without analysis of prior experience; and
- o Failure to adequately monitor the actual performance of new products compared with initial projections.

The advisory letter said that appropriate responses to deteriorating credit card portfolios may include:

- o Limiting solicitations;
- o Tightening credit standards;
- o Performing more thorough analysis of potential creditworthy borrowers;
- o Upgrading the bank staff assigned to perform that analysis;
- o Ongoing monitoring of the payment performance of high-risk customers in existing accounts; and
- o Strengthening collection efforts.

In managing the risks associated with credit card lending, the

OCC advised banks to identify and monitor risks for credit card operations; perform adequate tests of potential markets for credit card solicitations; ensure that targeted customers for preapproved solicitations are creditworthy; properly test solicitations that involve changed underwriting criteria; and monitor the actual performance of cardholder accounts booked through solicitations in comparison with original projections of performance.

For a copy of [OCC Advisory Letter 96-7 -- Credit Card Preapproved Solicitations](#): write to Comptroller of the Currency, Communications Division, Washington, DC 20219; or fax your request to (202) 874-4448; or go to the OCC's web page at <http://www.occ.treas.gov>; or call (202) 974-5043 to order by phone; or visit the OCC's Public Reference Room at 250 E Street, S.W. in Washington, D.C. (9 a.m. - noon and 1-3 p.m., Monday-Friday).

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The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half 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.