



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Contact: Robert M. Garsson
(202) 874-5770

OCC Issues Order Against First National Bank of Marin

WASHINGTON – -The Office of the Comptroller of the Currency (OCC) announced today that it has issued an [Order](#) against the First National Bank of Marin requiring the Las Vegas-based bank to pay restitution to credit card customers harmed by unfair practices. Under the Order, the bank is also prohibited from charging customer security deposits to credit cards issued by the bank, and is prohibited from charging interest on security deposits that were previously charged to credit cards.

The Order requires the bank to set aside at least \$10 million to fund restitution payments to customers who, as part of a credit card program operated by the bank, were charged interest on a \$200 “security deposit” that the bank encouraged customers to charge to the card. The final amount of restitution paid out will depend upon the number of customers found to have been affected by this practice, and will be subject to review by the OCC.

The bank offered secured credit cards to individuals with impaired credit histories, and encouraged them to charge the \$200 security deposit to the card. After adding various fees that were also charged to the card, customers who received the bank’s minimum credit line of \$260 had only \$2.50 in credit available for their use. In its solicitations, the bank promoted the ability to charge the security deposit to the card as a benefit to customers.

However, the OCC found that by charging the security deposit to the customer’s card, the bank artificially inflated credit balances and required customers to pay improper interest charges on the security deposit. Interest charged on the amount loaned for the security deposit was itself a questionable practice because it was simply a bookkeeping entry that reduced the amount of available credit. In signing the Order, the bank agreed to eliminate this “charge-the-deposit” feature and to pay restitution as provided in the order.

The solicitations also suggested that the bank’s credit card program allowed customers to rehabilitate poor credit, even though nearly half of the individuals who enrolled in this program defaulted, resulting in an adverse impact upon their credit rating. The OCC found that the bank should have known that its program would result in a high number of defaults.

As a result of the OCC’s findings regarding the bank’s “charge the deposit” feature, the OCC alleged that the bank’s lending practices were unfair and deceptive in violation of

the Federal Trade Commission Act. In consenting to the Order, the bank did not either admit or deny that its practices violated the FTC Act. The Order also requires the bank to take certain steps to maintain adequate capital and to restrict its use of federally insured deposits.

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 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.