



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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OCC Takes Action Against ACE Cash Express, Inc. and Goleta National Bank

WASHINGTON – The Office of the Comptroller of the Currency announced today that ACE Cash Express, Inc., and Goleta National Bank, Goleta, California, signed cease and desist orders requiring them to end unsafe and unsound payday lending activities and to pay \$325,000 in civil money penalties. ACE is a third-party service provider for Goleta in the origination, servicing, and collection of the payday loans booked by the bank. ACE offers payday loans on behalf of Goleta in 18 states and the District of Columbia.

ACE agreed to terminate payday lending activities undertaken through Goleta by Jan. 1, 2003, and to pay \$250,000 in penalties. The order also prohibits ACE from entering into any kind of written or oral agreement to provide any services, including payday lending, to any national bank or its subsidiaries without the prior approval of the OCC. In addition, the cease and desist order requires ACE to indemnify Goleta for 100 percent of the costs, expenses, legal fees, and damages from third party claims.

The actions against ACE were prompted by several factors, including ACE's failure to safeguard 641 customer loan files. The files, which represented payday loans carried on Goleta's books, were discarded in a trash dumpster in Portsmouth, Virginia in August 2002. The OCC was prepared to allege that the improper disposal of loan files resulted in violations of laws and regulations. The OCC also determined that ACE committed unsafe and unsound practices that included a pattern of excessive exceptions to Goleta policies and procedures and a pattern of mismanagement of Goleta loan files.

“We have expressed concern many times in the past about the risks national banks expose themselves to when they rent out their charters to third-party vendors and fail to exercise sound oversight,” said Comptroller of the Currency John D. Hawke, Jr.

“ACE's inability to safeguard the files of customers whose loans were booked at Goleta shows just how risky those relationships can be,” Mr. Hawke added. “If those files had fallen into the wrong hands, the privacy of customers would have been seriously compromised and the bank would have faced significant reputation and legal risks.”

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The OCC found that ACE contributed to violations of the Equal Credit Opportunity Act, which requires that loan documents be retained for 25 months, and the Truth in Lending Act, which requires that evidence of TILA disclosures be preserved for 24 months.

In the case of Goleta, the OCC found that the bank failed to manage its relationship with ACE in a safe and sound manner. In addition to violating the Equal Credit Opportunity Act and the Truth in Lending Act, Goleta violated safety and soundness standards and also violated the privacy protections of the Gramm-Leach-Bliley Act, which sets standards for safeguarding and maintaining the confidentiality of customer information.

These violations and unsafe and unsound practices led to a cease and desist order against Goleta. The order requires Goleta to pay \$75,000 in civil money penalties and to terminate its payday lending relationship with ACE by January 1, 2003. To determine if other loan files are lost, the order compels Goleta to review a sample of 5 percent of all loan files at each ACE store. If more than one loan file is missing from the sample, Goleta is required to verify all other loan files at that particular ACE store.

To protect the privacy rights of consumers, the order also requires Goleta to notify all applicants whose payday loan files were lost. This notification must advise the consumer of any steps they may take to address potential identity theft.

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The OCC charters, regulates and examines approximately 2,100 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 55 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.

Related Links

- [Goleta Stipulation](#)
- [Goleta Consent Order](#)
- [ACE Stipulation](#)
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