

The Office of the Comptroller of the Currency (“OCC”) has released Comptrollers Handbook A-DRCC, “Deposit Related Consumer Credit” (“DRCC”), as of February 2015

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This Handbook discusses various types of small-dollar unsecured consumer credit products that are linked in some manner to that consumer’s deposit accounts. It was prepared as guidance for use by OCC examiners during scheduled examinations. Here is a link to the Handbook: <https://www.occ.gov/publications/index-publications.html>.

Implicit in the introductory language of the Handbook is that OCC examiners will begin using this guidance immediately.

The Handbook discusses DRCC accommodations in three somewhat broad classifications:

- 1) *Check Credit*, which is further broken down into *overdraft lines of credit* (existing lines of credit that automatically transfer a predetermined amount of money into a consumer’s deposit account to prevent an overdraft); *cash reserve* (that will transfer funds to a deposit account from a pre-existing credit line only on request from the depositor); and, *special checks or drafts* that can be used much like ordinary checks but are drawn directly against an existing secured line of credit—a HELOC, for example, rather than a deposit account.
- 2) *Overdraft protection services*, which automatically pay a consumer’s checks if there are insufficient funds in the account, in the absence of a pre-established credit line from which to pay the overdraft. A fee is sometimes charged. Note that overdraft services offered for non-check transactions (a withdrawal at an ATM or a purchase using a debit card, for example) must be affirmatively agreed to by a consumer before fees can be assessed.
- 3) *Deposit advance services*, which are fee-based small loans for a short period of time. Usually, no interest is charged, although the fee, if treated as a Finance Charge, can result in surprisingly high Annual Percentage Rate. Each loan or advance is made prior to and in anticipation of a depositor’s next direct deposit, and may have some of the attributes of an open end line of credit.

The Handbook continues the OCC’s risk-based approach to bank regulation. Among the risks to be evaluated by national banks and federal savings associations are strategic, credit, operation, compliance, reputation, and liquidity risks; six of the nine risks usually considered by the OCC. With regard to DRCC offered or to be offered, these risks must be identified, measured, monitored, and controlled, in a manner similar to other risks. Board and management involvement during the process is critical.