

## Is the push for regulatory reform over-reaching?



### **Brad Hanson, MetaBank President**

Of all the people that I know in the payments industry, no one is more knowledgeable about the banking regulatory landscape than my friend Brad Hanson, President of MetaBank. Brad and his MetaPayments management team pioneered the branded prepaid debit card at Bank First and then moved to MetaBank which went on to become the largest sponsoring financial institution for prepaid card programs and ATM operators in the United States. Under Brad's leadership MetaBank developed iAdvance at a time when the traditional credit card market for subprime borrowers was drying up. In a recent interview with Brad, he shared his thoughts on the evolving subprime lending market and the possible effects that the proposed regulatory reform legislation could have on the industry.

I asked Brad about iAdvance and how he sees the proposed regulatory reform impacting subprime micro lending. "iAdvance is simply a line of credit that is separate from the card or demand deposit account, it is what Wells Fargo and other banks have been doing for twenty years." Said Brad, "The problem is that the consumer doesn't get to speak and has no voice in Washington. What is being proposed is actually taking away convenience and choices from the consumer without delivering any measurable benefit." On the subject of ATM fees he said, "What bank can you think of that charges fees to their customers on their own ATMs? That was not mandated by the government but rather evolved through free market competition for customers among the banks. The problem with government intervention in setting fees is that there exists no fair criterion on which to determine what is proportionate and reasonable. Are everyone costs the same? The cost of the transaction cannot be accurately calculated because they vary between different institutions. The transactional costs are only part of the true cost. What is the cost of compliance?"

Brad went on to say, "Allot of regulations that are intended to protect the consumer are in fact working at cross purposes because they are too rigid, such as the Reg. E requirement for mailing monthly paper statements to accountholders. How can we comply with GLB and other consumer privacy requirements when the monthly statements are sent via the U.S. postal service which is an inherently inbound unsecured environment?" The differentiation between demand deposit accounts and prepaid debit cards in the eyes of regulators is further evidence of fundamental lack of understanding on how the system works or as Brad put it, "If it looks like a duck and quacks like a duck, it is probably a duck. At Meta we have always treated every prepaid accountholder like any other depositor and all the accounts are FDIC insured. In the end we will comply with whatever the financial reform legislation and regulatory mandates require."

It makes you wonder where all this is going and what unintended consequences will be invoked because of well meaning politicians who are convinced that consumers need to be protected by restricting the choices that they can make and lumping the entire payments industry into a single broad definition of "Bank." What will be the economic impact? How many lives will be disrupted? How many businesses will be impacted? Apparently no one in Washington these days seems to care enough to do their homework before diving head first into what could be the beginning of an age of a government controlled economy in the United States. I thought we had figured out in the last century that centralized government planned economies are not efficient and do not serve the best interests of the people.

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