

PAYDAY LENDING RESTRICTIONS PUSH CONSUMERS TO ILLEGAL ONLINE, UNREGULATED, LOANS

1. [Washington Senate Committee On Financial Institutions, Housing & Insurance, Hearing on SB 5547, February 16, 2011](#)

Washington State Senator Don Benton, (Ranking Minority Member): "The fact remains that for the many years that I sat on this committee and considered bills concerning payday lending, the bottom line is we ask DFI every year for the number of complaints they received. There were none, none. Repeatedly year after year we could find no evidence of complaints [through] DFI. Now that has certainly changed in the last year, because now DFI reports that the Washington law that limits eight payday loans per year, now they're turning to unlicensed Internet payday lenders and here are the complaints. Hundreds of them. Not one before the law, now all of these after the law. Why? Because people who need money after eight loans are going to unlicensed, unregulated loan sharks. Now I would rather have my constituents doing business with a licensed regulated entity that DFI can control. But we have no way of regulating out of state or out of country [lenders].

In terms of protecting consumers, truly protecting consumers, I would think we want to get them back into the fold in doing business with someone that we regulate, rather than doing business with someone that we have absolutely no control over. That's where I'm coming from. It's troubling to me on behalf of protecting consumers, when in fact the facts indicate that just the opposite has occurred from the passage of that portion of the bill."

2. [Unregulated online lenders can mean stress, frustration](#), *Arizona Daily Star (AZ), March 14, 2010*

"They didn't actually tell me what the payoff was going to be," Hinojosa said. She said they encouraged her to just "roll it over," not paying the larger principal off, and just to pay the much smaller finance charge each week...

But when the bank blocked the online lender's withdrawals, Hinojosa said, the payday lender began making even larger withdrawals under another lender's name.

Frustrated, she closed the bank account. While that stopped the drain on her account, she said she was unable to open an account at another institution because someone had filed an "abuse of account" report in her name.

And then threatening calls from bill collectors for the lender started.

"They threatened to sue, they threatened to take things," Hinojosa said. "One woman who kept calling yelled at me that I had taken this money out and I owed the money," and reminded Hinojosa that she didn't have any problem with the lender when she borrowed the money."

3. [Minnesota Attorney General Sues 5 Internet Payday Lenders](#), *TwinCities.com (MN)*, September 8, 2011

"The investigation that spurred the lawsuits, brought by Minnesota Attorney General Lori Swanson, identified "unlawfully high interest rates of up to 782 percent," unauthorized withdrawals from customers' bank accounts and a phony collection scam...

One consequence of online lenders' business models is that borrowers' information sometimes ends up overseas with criminals.

Phone calls to Diane Briseno's home in Maplewood came from India, the attorney general's office later discovered. Her caller ID showed the call was from the State of Minnesota.

Briseno's son, 20, had started applying for a loan online but never completed the form. Regardless, he had left enough information that the phone calls started almost immediately. When Briseno called back to a toll-free number, she was told her son had taken out a \$700 loan and needed to pay \$6,000 immediately."

Swanson said that people in need of a loan would be "better off trying to find a bricks-and-mortar financial institution in Minnesota" that's licensed. Consumers may be able to get a small line of credit with a local bank or credit union.

"The worst then they can do is to do business with these unlicensed" firms, she said."

4. [In Trouble From An Online Payday Loan? You Might Not Have To Repay It](#), *iWatch News*, September 30, 2011

"But when Coons checked his account two weeks after getting the loan last February, he was shocked to discover that Ameriloan had withdrawn only \$105 and that he still owed \$450 on his \$350 loan. Coons, like many borrowers, had not carefully read the fine print. In fact, Ameriloan was allowed to "renew" the loan every two weeks, withdrawing \$105 several more times without a penny of it reducing Coons debt. In all, the \$350 loan could cost Coons more than \$1,000...

Rick Brinkley, the head for Better Business Bureau of Eastern Oklahoma, agreed. He's heard from more than 2,000 consumers who were caught off guard by the terms of online payday loans. When they can't keep up with the payments, Brinkley said, "They've just entered a new world of hell that they weren't prepared for."

One problem is that many online payday lenders claim that state laws don't apply to them. Some lenders say they are beyond the law because they're based offshore. Others claim to be owned by Indian tribes, giving them the cloak of tribal sovereign immunity. Still others hide their ownership behind an impenetrable curtain of shell companies.

5. [Payday Lenders Find New Home Online; Interest Rates Hit 1,000 Percent](#), *The Missoulian (MT)*, December 18, 2011

"But just because the storefronts closed doesn't mean payday lending is dead. It has simply moved to the Internet and the telephone.

Lenders online promote toll-free numbers that direct consumers to out-of-state, sometimes out-of-country, payday lending services offering fast money - with interest rates up to 1,000 percent - to anyone who enters their financial information on the site...

Billings attorney John Heenan has gone so far as to file a class action lawsuit this fall in Yellowstone County against Internet lender LoanPoint USA, on behalf of client Tiffany Kelker. Heenan said Kelker was charged about 780 percent on a loan she took out with LoanPoint...

[Commissioner of the Division of Banking Melanie] Griggs called the use of Internet payday lenders dangerous, and said complaints are up substantially this year.

"Internet payday lending is huge, and we get numerous complaints every week," she said."

6. [Couple learns hard way: payday loans illegal in NC](#), *WTVD (NC)*, February 10, 2012

"What Donna never realized was that each \$90 payment every two weeks never went to her original \$300 loan. Instead she was charged interest of \$90 every two weeks until she repaid the 300 in full. When Donna complained to

advancemetoday, they debited the entire 390 from her account to close out her loan. In all, Donna paid over \$660 for a \$300 loan...

A representative with the Attorney General Cooper's office says it is difficult to enforce the law against these companies that operate over the internet, especially if they're located out of the country, which includes advancemetoday.”

7. [Tribe-Owned Lending Companies Collect Thousands of Complaints](#), *The Oklahoman (OK)*, January 29, 2012

“State Sen. Rick Brinkley, who's had personal experience dealing with complaints generated by businesses owned by the two tribes, has said he believes the business practices of these companies are “unethical.”

“Nearly 30 percent of the complaints filed by U.S. consumers against payday lenders are filed against seven payday lenders in Miami, Oklahoma, which has a population of about 12,000,” Brinkley said in a statement on the Senate's website. “That would be a red flag for anyone. Traditional payday lenders in no way generate complaints of that magnitude.””