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**CFSA Media Clips**  
**March 30, 2005**

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March 30, 2005  
Indiana

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### **Military Wary of Payday Loans; Firms Say Problems Are Exaggerated**

The Kansas City Star  
March 30, 2005  
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*Representing nearly every military branch, the officers testified that the financial stress of the high-interest loans could interfere with the ability of troops to concentrate on fighting in Iraq. The hearing was called by U.S. Rep. Sam Graves, a Missouri Republican.*

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### **Payday Loans Made in Bad Faith; Judge: Firms Suing Clients Were Charging Criminal Rates of Interest**

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### **[Predatory Payday Lenders Target Military, study by California State University, Northridge Professor Says](#)**

AScribe Newswire

March 29, 2005

National

*NORTHRIDGE, Calif., March 29 [AScribe Newswire] -- Predatory payday lenders who swarm around U.S. military bases are the subject of a study by a determined pair of academic sleuths from Cal State Northridge and the University of Florida.*

*Working with law professor Christopher Peterson of the University of Florida's College of Law, assistant professor of geography Steven Graves is nailing down nationwide locational patterns that suggest military families are increasingly the quarry of unscrupulous lenders.*

*Graves has determined that the density of payday lenders -- which make high-cost loans to cash-strapped people -- within three miles of U.S. military bases is higher than it is around other communities, a finding that already is having policy implications at both the state and federal levels.*

### **[N.C. House Committee Divided on New Consumer Finance Rules](#)**

The Associated Press State & Local Wire

March 29, 2005

North Carolina

*A vote on a bill that would create new rules for small loans got sidetracked Tuesday as lenders and opponents of high-fee borrowing argued familiar themes over access to consumer credit.*

*The consumer finance lending industry wants a new fee structure for loans of up to \$1,200 it says would make them profitable again. Payday lenders have taken an increasing share of these smaller loans in recent years.*

*The House Financial Institutions Committee delayed a vote on the bill. Some committee members questioned whether the measure, with higher effective interest rates compared to current rules, was fair to consumers.*

### Teachers, Volunteers Stress Money Savvy for Teenagers

Herald-Journal  
March 29, 2005  
South Carolina

*When Frank Starosto began teaching personal finance to junior-high students, he was surprised at how many of them thought borrowing money was the best way to handle unexpected expenses.*

*"They seemed to believe it was a good option because it was easy," said Starosto, a Junior Achievement volunteer who recently finished teaching a personal economics program at Carver Junior High School. Once Starosto explained the ins and outs of credit -- home mortgages, car loans, payday advances and the like -- he said it was the students' turn to be surprised.*

### Analysis: Unscrupulous Lending is Costly

UPI  
March 29, 2005  
National

*Identifying a predatory lender was easier not that long ago: Loan sharks often were the guys in black shirts with white ties, spoke like characters on "The Sopranos" and had connections in the criminal underworld.*

*Unscrupulous lenders now are legitimate. As traditional lending institutions left the nation's poorest communities, wave after wave of rent-to-own stores, payday lenders, sub-prime mortgage brokers and check-cashing companies opened shop.*

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### United Front

The New Mexican (Santa Fe)  
March 29, 2005  
New Mexico

*While the war in Iraq and gay marriage divide Democrats on the national level, Santa Fe County party members are unified on these issues.*

*More than 200 local Democrats attending the 2005 meeting of their county party's Central Committee voted nearly unanimously Monday to back resolutions calling for a pullout of American troops in Iraq by June 2006 and for the right of homosexuals to marry.*

*The Democrats also voted overwhelmingly to back a resolution calling for tougher restrictions on payday loans. The issue of payday loans was one that divided Democratic lawmakers in the recent session of the Legislature.*

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The deal signed Tuesday by a Monroe Circuit Court judge said the company must deposit the money into an escrow fund within a week. That money will then be used to pay back 5,000 customer contracts entered into for the past two years at Cash-Connects.com outlets in Bloomington, Indianapolis, Lafayette, Lebanon and Kokomo, the agreement said.

Customers will be reimbursed funds in proportion to their total amount paid minus rebates or other refunds, according to the agreement.

"This agreement is aimed at getting relief back to people who were exploited in their time of need," said Staci Schneider, a spokeswoman for the state attorney general's office.

"Our client is pleased the case has been resolved," said David Klinestiver, an Indianapolis attorney representing Cash-Connects.com.

Last fall, the attorney general's office filed a lawsuit alleging Cash-Connects.com made payday loans under the guise of rebates with interest rates of up to 730 percent.

A judge last spring ordered the company to suspend the membership program.

The court found that the charge of \$2 per day per \$100 of "rebate/loan" amounts to an annual percentage rate of 730 percent. That rate would violate the state's rate caps, which led Indiana Attorney General Steve Carter to step in, arguing the rebates were actually illegal loan fees.

The attorney general's office had received more than 80 complaints about the company, Schneider said.

The company denied the claims, saying the cash rebates offered to subscribers of its Internet services were not payday loans and therefore were not violating Indiana law.

In May, the company announced it was forced to close its doors as a result of "the state's media campaign" against it.

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He said that because the companies were acting in such bad faith, they were entitled to the repayment only of the actual amount their clients had borrowed.

At issue were 34 small claims cases. House sent his rulings to provincial officials to "allow a review and take whatever action those ministries deem necessary."

In Canada, a company can charge up to 60 per cent interest per year. Anything more is considered criminal.

A loan of \$587 in January 2003 with Affordable Payday Loans jumped to \$902 on Feb. 28, 2003, then to \$1,496 by the end of 2004. In a case involving Stop 'N' Cash 1450, a man borrowed \$280. A month later the amount had risen to \$551 in interest and penalties.

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House described one company, Affordable Payday Loans, as having "engaged in an organized, consistent and concerted pattern of conduct designed to exploit the vulnerable."

Another firm, Stop 'N' Cash 1450, charged interest rates that were "unconscionably usurious," the judge wrote.

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## **Judge Won't Enforce Interest of 2,000%; Two Ottawa Loan Companies Charged 'Unconscionably Usurious' Rates**

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In one of the recent cases, a loan of \$587 in January 2003 with Affordable Payday Loans jumped to \$902 on Feb. 28, 2003, when the debtor defaulted, then to \$1,496 by the end of 2004, which amounts to an interest rate of more than 1,000 per cent.

In a case involving Stop 'N' Cash 1450, a man borrowed \$280. A month later the amount had risen to \$551 in interest and penalties, which works out to an interest rate of more than 2,000 per cent.

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## **Military Wary of Payday Loans; Firms Say Problems Are Exaggerated**

The Kansas City Star

March 30, 2005

Missouri

By Paul Wenske

Payday loan companies are exploiting cash-strapped military service members and their families, according to military spokesmen who appeared before a hearing Tuesday in Kansas City.

Representing nearly every military branch, the officers testified that the financial stress of the high-interest loans could interfere with the ability of troops to concentrate on fighting in Iraq. The hearing was called by U.S. Rep. Sam Graves, a Missouri Republican.

Army Col. Michael Neer of Overland Park told Graves that military personnel had taken out an estimated 175,000 high-interest loans to make ends meet.

"This is an alarming number of soldiers and seriously imperils the operational focus of our troops both at home and away," Neer said.

Payday lenders and dozens of their employees who packed the hearing denied that they singled out military personnel or exploited their need for quick loans.

Darrin Andersen, president and chief operating officer of QC Holdings Inc. & Subsidiaries, a Kansas City-based payday loan business, said legitimate payday lenders fulfill a need, such as saving someone the embarrassment of a bounced check.

"Consumer demand for our service was created when traditional financial institutions stopped making small-denomination unsecured loans," Andersen said. He said his company and others follow a code of Military Best Practices.

But the release Tuesday of a study of 109 military bases nationwide -- including two in Missouri -- supports claims that payday lenders concentrate their operations around military bases.

The study ranked Missouri fifth among the 20 states surveyed in terms of the number of payday lenders per capita, with more than 20 per 100,000 residents. Missouri has 1,138 payday lenders, compared with 2,193 banks.

After the hearing, Graves said he would push for federal legislation to cap interest rates at 36 percent on payday loans made to military personnel. The rates now can rise to 500 percent or more on an annualized basis.

"There are some folks out there that are taking advantage of our military personnel," Graves said, adding that he did not want troops fighting overseas "to be worried about these problems back home."

Payday lenders said that the problems associated with the short-term loans were exaggerated. They said that if a cap were placed on the fees and interest rates, it would force many lenders to close.

A cap would "put them out of business. Soldiers then would have to look for more expensive options for emergency loans," said R.S. Siegfried, a retired Army officer who is co-chairman of a payday lenders trade group. "I don't think we should throw the baby out with the bathwater."

Even so, Master Chief Petty Officer John Thompson, the Atlantic fleet master chief of the Navy, testified that the Navy-Marine Corps Relief Society had seen an increase in sailors and Marines "who have problems exacerbated by predatory loan practices."

Thompson said that since 2002, the relief agency has "tracked an increase of referrals directly related to payday loan and check-cashing institutions."

Testimony indicated that laws in many states allow payday loans to be revolved over and over. In Missouri, some of those loans add up to an annual interest rate of more than 1,950 percent, officials said.

Kathleen Keest, a lawyer with the Center for Responsible Lending, a nonprofit research group, said that payday loans "are designed to trap borrowers so that they become repeat customers against their better judgment, really against their will."

Though unrelated to Graves' hearing, the national study released Tuesday seemed to rebut lender's claims that they do not focus on military personnel.

"Payday loan companies vociferously deny that they are targeting military personnel, but the numbers show that they do," said Christopher L. Peterson, an assistant professor at the University of Florida's Levin College of Law.

Peterson and Steven M. Graves, an assistant professor of geography at California State University, mapped out payday lenders across 20 states chosen, among other reasons, because they had military bases near small towns.

They found that ZIP codes near military bases consistently had higher numbers of payday lenders than nonmilitary ZIP codes of similar population and demographic makeup. They also found that in almost every state, military towns ranked among the highest in number of payday lenders per capita.

For instance, with 16 payday lenders and just more than 41,000 people Pulaski County, home to Fort Leonard Wood, ranks 11th of 115 counties in Missouri in terms of the number and density of payday lending, according to the report.

Neighboring Laclede County ranks 10th, despite its isolation in south-central Missouri.

At the ZIP-code level, the effect of Fort Leonard Wood's attraction to payday lenders is even more evident, the report said.

Although St. Robert, Mo., has only 5,200 people, it has eight payday lenders, compared with two banks. The report noted that the town has seven more payday lenders than expected, according to national averages.

"Given the number and density of payday lending for this population, St. Robert is the second-worst place in the state for this activity," the report said.

Peterson said military personnel are good clients for payday lenders because they have a steady, if low, income, can easily be tracked if they default and are governed by military laws that make it an offense if they do not repay a loan.

Troops who fail to repay loans can face demotion, loss of security clearances and even discharge. As a result, military officers said troops often are reluctant to confide their financial problems to a commanding officer.

"The military's seriousness about personal debt is a plus for the payday lenders," Peterson said. But not for a soldier, he said. "It can ruin a career."

#### Seeking solutions

A payday loan is a high-interest loan often guaranteed by your paycheck. It can be quick and easy, but it can carry big costs. When you need credit, shop carefully:

Compare offers. Credit unions often can provide a loan at a significantly lower interest rate.

When comparing, look for the annual percentage rate, or APR. The government requires that it be disclosed.

A credit-card cash advance may be an alternative, though it may have a higher interest rate than other sources of funds.

If you are facing an emergency, consider asking your creditors for more time to pay your bills.

Being strapped for cash may be a sign that you are living beyond your means and that you are in need of credit counseling.

If you are in the military you can seek out financial advisers who are willing to help.

Avoid unnecessary purchases, even on small items that add up.

Make a budget and begin building a savings to avoid borrowing for emergencies.

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The judge also sent his rulings to the Ontario ministries of the Attorney General and Consumer and Business Services to "allow a review and take whatever action those ministries deem necessary."

In Canada, a company can charge 60% interest per year. Anything more is considered criminal and could be subject to prosecution with the consent of a provincial attorney-general.

After a pair of small claims court rulings last year in which such companies were found to have charged criminal interest rates, Ottawa's judiciary, using a section of the Courts of Justice Act, started a review of all such cases.

The rarely used section directs small claims court judges to "hear and determine in a summary way all questions of law and fact and may make such orders as is considered just and agreeable to good conscience."

As a result of the review, the cases were brought forward by the judges, and in mid-March Judge House issued rulings in *Affordable Payday Loans* versus eight people it loaned money to at two Ottawa locations in late 2004, and *Stop 'N' Cash 1450* (now operating as *Cash Connexion Financial* at 598 Rideau St.) versus 26 borrowers the company loaned money to in 2003 and 2004.

In every case, the judge ruled that when all interest, penalties, service charges and other fees were combined, all considered interest under the law, the companies were charging well over the allowable rate.

In the representative case cited in the *Stop 'N' Cash 1450* review, the judge found the company was charging Steven Box 2,117% interest per year. In the representative case in the *Affordable* review, the judge found it was charging 1,362% per year.

"Amounts, terms and penalties may differ but, to a file, they all violate provisions ... of the Criminal Code in that the rates are unconscionably usurious," Judge House wrote in the *Stop 'N' Cash 1450* decision.

In the *Affordable* case, the judge found the company's transgressions were "intentional."

"*Affordable Payday Loans* engaged in an organized, consistent and concerted pattern of conduct designed to exploit the vulnerable," he wrote. "The intention of section 347 of the Code [which set the criminal interest rate] was to prevent loan sharking. Even in isolation such a finding in this case might be appropriate."

Normally, in cases where interest rates above 60% have been charged inadvertently, judges lower the amount owing to the legal limit. But in these cases, Judge House decided the companies' actions were far from misunderstandings or mistakes and ordered the defendants repay only the amount they borrowed.

Like many payday loan companies, the two Ottawa companies involved are franchises of other companies.

*Stop 'N' Cash* head office operations manager George Davey said *Stop 'N' Cash 1450* was expelled from the chain last year because the owner of the franchise was not in compliance with the main company's policies.

"Stop 'N' Cash was not aware that these small claims court actions were proceeding or that a decision was released," Mr. Davey said. "Given the adversity between Stop 'N' Cash and the owner of Stop 'N' Cash 1450, we highly doubt that the interests of Stop 'N' Cash were protected in the small claims court actions."

The owner of the franchise could not be reached for comment yesterday.

No one from either Affordable Payday Loans location cited in the cases could be reached for comment . Both locations continue to operate as Affordable Payday Loans.

Each of the companies dealt with by the judge have 30 days to appeal his rulings.

In Ottawa, there are roughly 170 such cases outstanding and under review. These will be dealt with in the coming weeks.

The Ottawa cases are just the latest developments in nationwide legal and legislative steps to bring order to a largely unregulated industry that has ballooned in the last 10 years.

Currently, several provincial consumer affairs ministries and Industry Canada are trying to develop regulatory guidelines for the business, which analysts have estimated at \$1-billion a year.

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## **Payday Loan Firms 'Exploit Vulnerable,' Ottawa Judge Rules: Court Finds Companies Deliberately Charged 'Criminal' Interest Rates**

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Judge House described one company, Affordable Payday Loans, as having "engaged in an organized, consistent and concerted pattern of conduct designed to exploit the vulnerable." Another firm, Stop 'N' Cash 1450, charged interest rates that were "unconscionably usurious," the judge wrote.

For example, a loan of \$587 that a man named Jevon Firth had in January 2003 with Affordable Payday Loans jumped to \$902 on Feb. 28, 2003, when he defaulted, then to \$1,496 by the end of 2004. In a case involving Stop 'N' Cash 1450, a man by the name of Steven Box borrowed \$280. A month later the amount had risen to \$551 with interest and penalties.

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The Ottawa cases are just the latest developments in nation-wide legal and legislative steps to bring order to a largely unregulated industry that has ballooned in the last 10 years.

Currently, several provincial consumer affairs ministries and Industry Canada are trying to develop guidelines for the business, which analysts have estimated at \$1 billion a year.

The issue is on the agenda of a meeting in June of provincial and federal consumer ministers. A report and recommendations from a committee that has spent two years looking at the industry will be examined.

In Ontario, it is hoped that changes to the Consumer Protection Act requiring full disclosure of effective interest rates, which will supposedly come into effect in July, will help control the companies.

"This government is committed to the protection of consumers," said Jason Okamura, a spokesman for the province's Ministry of Consumer and Business Services. He said the ministry is examining various options and will discuss them at the June meeting.

Critics, however, say the time for talking is long past. "We need specific legislation for this business, now," said Sue Lott, a lawyer with the Ottawa-based Public Interest Advocacy Centre, which has studied the practices and growth of payday loan businesses.

"There has been a huge amount of back-and-forth on this issue without much action. The fees are crushing and people can't get out from under them. It's illegal, and this kind of activity needs to be disallowed."

She said it's great to see the strong message the courts are sending about the situation, but added it would have been better if governments had stepped in years ago when it was clear the industry was having problems.

Indeed, the courts and lawyers are stepping in. Class action law suits against the companies to recover any interest paid by borrowers above the criminal rate have been started in most provinces. In B.C., a small claims court judge has effectively put on hold all such cases until the legality of the lending programs can be reviewed.

One class action against Money Mart and 18 other lenders in B.C. suffered a set back recently when a judge refused to certify it because, according to the judge, the defendants' lending policies were too diverse.

The lawyer in the case, Paul Bennett, plans to go back before the judge to try to sever the suit into 19 separate ones against individual lenders. He regards the rulings in the Ottawa cases as a good sign for his suits, and for people who borrow from these companies in general.

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## **Payday Loan Firms 'Exploit the Vulnerable,' Judge Rules**

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March 30, 2005

Canada

BY: Jake Rupert

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The judge described one company, Affordable Payday Loans, as having engaged in "a pattern of conduct designed to exploit the vulnerable." Another firm, Stop 'N' Cash 1450, charged interest rates that were "unconscionably usurious," the judge wrote.

House has sent his rulings to the Ontario Ministries of the Attorney-General and Consumer and Business Services to "allow a review and take whatever action those ministries deem necessary."

In Canada, a company can charge up to 60-per-cent interest per year. Anything more is considered criminal and could be subject to prosecution with the consent of a provincial attorney general.

In one of the recent cases, a loan of \$587 in January 2003 with Affordable Payday Loans jumped to \$902 on Feb. 28, 2003, when the debtor defaulted, then to \$1,496 by the end of 2004, which amounts to an interest rate of more than 1,000 per cent.

In a case involving Stop 'N' Cash 1450, a man borrowed \$280. A month later the amount had risen to \$551 in interest and penalties, which works out to an interest rate of more than 2,000 per cent.

The Ottawa cases are just the latest developments in nation-wide legal and legislative steps to bring order to a largely unregulated industry that has ballooned in the last 10 years.

Several provincial consumer affairs ministries and Industry Canada are trying to develop regulatory guidelines for the business, which analysts have estimated at \$1 billion a year.

The issue is on the agenda of a meeting in June of provincial and federal consumer ministers.

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## **Predatory Payday Lenders Target Military, study by California State University, Northridge Professor Says**

AScribe Newswire

March 29, 2005

National

NORTHRIDGE, Calif., March 29 [AScribe Newswire] -- Predatory payday lenders who swarm around U.S. military bases are the subject of a study by a determined pair of academic sleuths from Cal State Northridge and the University of Florida.

Working with law professor Christopher Peterson of the University of Florida's College of Law, assistant professor of geography Steven Graves is nailing down nationwide locational patterns that suggest military families are increasingly the quarry of unscrupulous lenders.

Graves has determined that the density of payday lenders -- which make high-cost loans to cash-strapped people -- within three miles of U.S. military bases is higher than it is around other communities, a finding that already is having policy implications at both the state and federal levels [www.cashnet500.com](http://www.cashnet500.com).

"Christopher and I have already submitted testimony to the legislature in Virginia, giving our expert opinion on their payday lending laws, and the state of Georgia has completely outlawed payday lending," said Graves, who came to Northridge in 2003 as part of the campus' Teachers for a New Era education reform initiative.

The state of Washington has invited him to offer testimony for a Senate bill under preparation, and Graves said the U.S. Department of Defense also is interested in the pair's findings, to be published in spring or summer 2005.

"We've stumbled onto something at just the right time," said Graves, whose work in geographic information systems -- computer mapping -- attracted the attention of Peterson in the fall of 2003.

The law professor had seen an earlier mapping study in which Graves had shown that payday lenders in Louisiana had a strong tendency to locate in poor and minority neighborhoods, and that banks were conspicuously absent from those communities.

While teaching a Louisiana Tech University course called "American Landscapes," Graves' students had suggested that storefront windows plastered with "Payday Lending" signs were "tell tale" signs of tough neighborhoods.

"That night," Graves recalled, "I was driving through one of those 'tough' neighborhoods. I noticed that on the south side of Line Avenue -- the African-American side -- there were eight payday lenders and no banks. On the north side -- the white side -- there were no payday lenders and eight banks. That's a pretty stark contrast."

Curious to learn if this was peculiar to Ruston, La., Graves began mapping in different areas, getting control data from Louisiana regulatory agencies and the Federal Deposits Insurance Corporation. The resulting study spurred the excited call from Peterson.

An expert on comparative lending laws who had researched predatory lending in the military dating back to ancient China, Peterson nevertheless knew nothing about computer mapping and thus had no mechanism for proving that patterns existed. "It made sense for us to work together," said Graves.

In his Louisiana study, Graves said, it had turned out that payday lenders were especially thick next to Louisiana military bases. "I was actually looking for casinos, thinking the lenders would be there, but they were packed in next to Barksdale Air Force Base."

The discovery had whetted Graves' appetite for further probing. For the new study, he began concentrating on California and 19 other states with large military installations.

He determined that the area around Camp Pendleton, for example [www.cashnet500.com](http://www.cashnet500.com), has a density of lenders that far exceeds the statewide and national averages: some 24 were packed in within three miles of the base. Within the next

three-mile band, only eight lenders were mapped. A look at one lender's business plan revealed the thinking that "three miles is about as far as people will travel to get a loan."

Among the top 10 largest military bases in the United States, Pendleton might well be expected to attract a high number of lenders. "But when you predict how many payday lenders there should be, given the total population, Pendleton still exceeds expectation." Graves and Peterson's work is helping to locate the problem and measure its scope. By providing valuable data, it ultimately will help the military figure ways to ease the web of debt that lenders spin around overextended troops trapped into "getting loans to pay off loans" at lending operations all over town.

"It's good to know that we can make a difference," said Graves, who would like to enlist bright young minds in the new field of geographic information systems, or computer mapping. "It's a beautiful technology that allows you to see patterns that are otherwise invisible."

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## **N.C. House Committee Divided on New Consumer Finance Rules**

The Associated Press State & Local Wire

March 29, 2005

North Carolina

By Gary D. Robertson

A vote on a bill that would create new rules for small loans got sidetracked Tuesday as lenders and opponents of high-fee borrowing argued familiar themes over access to consumer credit.

The consumer finance lending industry wants a new fee structure for loans of up to \$1,200 it says would make them profitable again. Payday lenders have taken an increasing share of these smaller loans in recent years.

The House Financial Institutions Committee delayed a vote on the bill. Some committee members questioned whether the measure, with higher effective interest rates compared to current rules, was fair to consumers.

"I'm really discomforted by what I heard today," said Rep. Ray Rapp, D-Madison.

The bill, sought by industry trade groups, would create new regulations for unsecured installment loans of up to \$1,200 for terms of three months to 18 months.

Licensed finance companies would be allowed to charge of up to 10 percent [www.cashnet500.com](http://www.cashnet500.com) of the loan at the start, plus a monthly handling charge of 2 percent to 4.5 percent. Lenders also could collect late fees.

The state's 567 consumer finance outlets already can issue loans of up to \$10,000, but interest rates are capped at 36 percent, in addition to some fees.

Under the proposal, the effective annual percentage rates of new loans could range from 54 to 123 percent, depending on the loan size and term, said Charlie Walters, chairman of World Acceptance Corp., a South Carolina company that wants to issues these loans in North Carolina.

The arguments echoed similar conflicts since 2001 over whether and how North Carolina would regulate payday lenders, who charge very high fees in return for holding a customer's check until the next payday.

Walters argued higher-risk loans require higher fees than ordinary loans to make them worthwhile to issue. Loan recipients generally make less than \$30,000 a year, have no credit cards or checking accounts and need extra money for car repairs or back-to-school clothes, he said.

"I believe you could characterize our customers as those folks that believe in God, who like water sports, barbecue, fried chicken and pay their bills," said Walters, who offers similar loans in South Carolina.

The state Attorney General's Office is concerned with higher interest rates allowed by the legislation, and also that loans could be refinanced in as little as 61 days.

Lenders "get an origination fee every time they flip the borrower," said Josh Stein, head of the attorney general's consumer protection division.

Walters said World Acceptance customers on average took nearly three loans per year.

The two sides also disagreed over the health of the consumer finance industry.

A 2003 report by the North Carolina Commissioner of Banks said the consumer finance industry lost \$21 million on loans of less than \$10,000.

"It's economically impossible to make the loans right now," said Rep. Thomas Wright, D-New Hanover, the bill sponsor. But Al Ripley of the North Carolina Justice Center said the industry issued 62,000 loans totaling \$47 million - a sign that changes aren't needed.

Rep. Earl Jones, D-Guilford, said he knew people in his district who need access to small loans. But he was pessimistic that the industry and advocates could reach a compromise.

"I don't know if there's going to be any movement one way or another in the next few weeks," Jones said.

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## Teachers, Volunteers Stress Money Savvy for Teenagers

Herald-Journal  
March 29, 2005  
South Carolina

By Susan Orr

When Frank Starosto began teaching personal finance to [www.cashnet500.com](http://www.cashnet500.com) junior-high students, he was surprised at how many of them thought borrowing money was the best way to handle unexpected expenses.

"They seemed to believe it was a good option because it was easy," said Starosto, a Junior Achievement volunteer who recently finished teaching a personal economics program at Carver Junior High School. Once Starosto explained the ins and outs of credit -- home mortgages, car loans, payday advances and the like -- he said it was the students' turn to be surprised.

"Some of them were wide-eyed. They didn't realize how much you paid to take advantage of (credit)," he said.

Experts say Starosto's experience shows why students need financial knowledge.

Teacher D.J. West said Starosto's lessons are important for young teenagers like her students, who are just starting to understand the financial facts of life.

"I think they're beginning to discover the reality of how much things cost," West said.

"Being able to manage money is a vital part of being successful in their careers."

One of West's students, eighth-grader Bethany Henderson, agreed that financial know-how is important.

"It's best for us to learn it now," she said.

People who don't understand money management could encounter some big problems, Bethany said.

"You could be in debt and owe a lot of money. Your checks can bounce all over the place," she said.

"Owing people money is just not good."

Classmate India Foster said she'd never known much about checking accounts because her family pays its bills in cash.

Based on what she's learned, the seventh-grader said she would now feel comfortable using a checking account.

Like Bethany, India said she was glad to learn about finances sooner, rather than later.

"We won't need to ask anybody and look all dumb," India said. But too many students are missing the basics, according to the director of a financial-literacy advocacy group.

Laura Levine, executive director of the JumpStart Coalition for Personal Financial Literacy, pointed to rising bankruptcy and debt rates and low savings rates as evidence of Americans' financial ignorance. "I think what we are seeing is people who are not aware enough of the things they have to do to take care of their own finances," Levine said. Levine pointed to a 2004 JumpStart personal financial survey taken by more than 4,000 high-school seniors.

The average score on the survey: 52.3 percent. The topic is vital, Levine said, because ignorance can have such dire consequences. Bankruptcy and bad credit can take years to overcome, and those with insufficient savings may face a grim retirement. "You only get one shot at this," she said.

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## **Analysis: Unscrupulous Lending is Costly**

UPI

March 29, 2005

National

BY: Al Swanson

Identifying a predatory lender was easier not that long ago: Loan sharks often were the guys in black shirts with white ties, spoke like characters on "The Sopranos" and had connections in the criminal underworld.

Unscrupulous lenders now are legitimate. As traditional lending institutions left the nation's poorest communities, wave after wave of rent-to-own stores, payday lenders, sub-prime mortgage brokers and check-cashing companies opened shop.

Consumer organizations and civil-rights [www.cashnet500.com](http://www.cashnet500.com) groups warn predatory lending costs U.S. consumers more than \$9 billion a year and threatens the well-being of entire communities in cities and states nationwide.

Some neighborhood payday loan stores charge cash-strapped borrowers up to triple-digit interest plus a fee on loans against post-dated paychecks. Rolling over a two-week payday loan allows lenders to collect interest over and over on the same amount.

Check-cashing outlets typically operate where branch banks are scarce. They charge up to 3 percent of the face value of a payroll or government check, more on a personal check.

A report by the Center for Responsible Lending, a Washington-based independent non-profit, non-partisan policy group, found nearly one-third of payday lenders in North Carolina were located in predominately African-American neighborhoods. Black neighborhoods had three times as many payday lenders per capita as more affluent white communities.

"This study shows in the starkest terms that African-American neighborhoods bear the brunt of predatory lenders -- loans that are not even legal in North Carolina," said Mark Pearce, president of the Center for Responsible Lending.

The center estimates payday lending is a \$3.4 billion-a-year industry.

With about 1 million people in the United States expected to file for personal bankruptcy in 2005, Pearce said the abusive loans and excessive fees of payday lenders are a civil-rights issue in minority neighborhoods.

North Carolina has nearly 400 payday loan stores, even though a 2001 law against predatory lending banned them in the state. Pearce says large national payday loan chains like Check 'n Go, Advance America and Check into Cash affiliate with out-of-state banks and argue they are exempt from state law.

"Military families are the ideal targets," said Kathleen Keest, a CRL lawyer who testified Tuesday in Durham, N.C., before a subcommittee of the U.S. House Committee on Small Business.

A U.S. Army private first class makes about \$17,000 in salary, and many military families are young and have no savings set aside to get them through emergencies.

"It is easy to see how soldiers would find need for quick cash in these circumstances," Keest said in a release. "What is less obvious, but even more compelling, is the difficulty of escaping the debt cycle once the soldier is in it."

Keest said payday lenders have threatened to call a soldier's company commander if a soldier fell behind on repaying debt.

Defenders of payday lenders and check-cashing outlets say they provide a needed service and help low-income people meet unexpected expenses.

Sub-prime lenders typically deal with borrowers with poor credit histories, but they conceal higher interest rates for mortgage financing and refinancing even from creditworthy individuals lured into doing business with them. Tactics such as "loan flipping" encourage elderly or unsophisticated homeowners to keep refinancing until their equity is gone.

"Predatory lenders are out there targeting folks who own their homes and find themselves in a financial shortfall or crisis," Mary Vodde-Hamilton, program director with the Fair Housing Partnership of Greater Pittsburgh, told the Beaver County Times. A study released by the Pennsylvania Department of Banking found mortgage foreclosures in the Pittsburgh area approaching Depression-era levels.

Foreclosures in Beaver County tripled from 2000 through 2003 and jumped 60 percent in Allegheny County. A declining economy, job loss, divorce, unexpected medical bills and predatory lending all can cause financial reverses.

"They're making loans that people can't afford, knowing full well that they're going to default in a short while," Vodde-Hamilton said.

Pennsylvania Banking Secretary Bill Schenck, who released an 18-month, 14-county review of home foreclosures conducted by The Reinvestment Fund in Philadelphia, called for reforms to toughen regulations on predatory lenders.

Pennsylvania had the fourth-highest rate for sub-prime loans in the nation in 2003, according to statistics Schenck cited from the Mortgage Bankers Association.

Consumer, fair-housing, community-development and civil-rights groups joined the Center for Responsible Lending Friday to protest legislation in Congress they say would undermine consumer protection against predatory lenders.

NAACP Chairman Julian Bond urged lawmakers to reject The Responsible Lending Act bill, introduced by Reps. Bob Ney, R-Ohio, and Paul Kanjorski, D-Pa., that Bond said would make it easier for unscrupulous lenders to prey on the most vulnerable poor, immigrants and minorities.

The critics said the measure failed to count fees such as early-loan-payoff penalties in determining whether a loan is predatory, fails to stop loan-flipping -- repeated loans simply to generate fees -- permits financing of high upfront fees, allows mandatory arbitration on home loans and rolls back existing federal laws against abusive lending.

The groups support a bill introduced by Reps. Brad Miller and Mel Watt, both North Carolina Democrats, and Barney Frank, D-Mass., to beef up regulations against predatory lending.

"Predatory lending is a cancer on the financial health of the communities of color," said Wade Henderson, executive director of the Leadership Conference on Civil Rights.

Henderson said mandatory arbitration on all home loans, not just the rare high-cost home loan, should be banned because it leaves a cheated homeowner without legal recourse.

"Predatory lending is a major threat to African-American and Latino communities everywhere, where people are trying to build some equity and a decent life through owning a home," said Shanna Smith, president and chief executive officer of the National Fair Housing Alliance.

Kevin Stein, associate director of The California Reinvestment Committee, a coalition of more than 200 organizations, called on Congress to encourage wealth creation for all households, not facilitate asset-stripping by predatory lenders.

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Washington Times

March 29, 2005

National

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## **United Front**

The New Mexican (Santa Fe)  
March 29, 2005  
New Mexico

By Steve Terrell

While the war in Iraq and gay marriage divide Democrats on the national level, Santa Fe County party members are unified on these issues.

More than 200 local Democrats attending the 2005 meeting of their county party's Central Committee voted nearly unanimously Monday to back resolutions calling for a [www.cashnet500.com](http://www.cashnet500.com) pullout of American troops in Iraq by June 2006 and for the right of homosexuals to marry.

The Democrats also voted overwhelmingly to back a resolution calling for tougher restrictions on payday loans. The issue of payday loans was one that divided Democratic lawmakers in the recent session of the Legislature.

"I think this shows that Democrats in Santa Fe are on the same page on these important issues," said state Rep. Peter Wirth, D-Santa Fe.

Noting that gay marriage and payday loans were both discussed in the Legislature this year, Wirth said: "Going to the grass roots like this should send a clear signal to all Santa Fe legislators."

Local Democratic activist Charlotte Roybal was cheered after she read the Iraq resolution, which said, "Our occupation and the associated violence in Iraq has increased recruitment by terrorist organizations intent on attacking the U.S."

The resolution passed by a voice vote with only one voting no.

The Iraq resolution puts on record the county party's opposition to "the continued military occupation of Iraq" and says the federal government should immediately start planning to withdraw.

"The plan should specify a target date for the completion of the withdrawal," the resolution says. "The target date should be no later than June 2006."

This goes much further than last year's national Democratic party platform and any statement by last year's unsuccessful Democratic candidate, John Kerry. As U.S. senators, Kerry and his running mate, John Edwards, voted for the resolution giving President Bush the authority to go to war with Iraq.

Roybal told a reporter that a recent vote by Los Alamos County Democrats on an identical resolution stirred more debate than it did in Santa Fe, but it passed there, too.

"We're taking it to Sandoval County next and to Bernalillo County," Roybal said.

The gay marriage resolution "directs each and every legislator who is a member of the Democratic Party to vote against any and all legislation that seeks to reduce or destroy the civil rights of people in New Mexico who are gay, lesbian, bisexual and/or transgender."

Santa Fe County Sheriff Greg Solano argued in favor of the resolution. "This is the civil-rights movement of this generation," he said. "We need to take a stand."

Only one person argued -- and voted -- against the resolution. "We should leave this matter up to the state representatives," he said.

A "defense of marriage" act passed the state Senate this year, though it later lost steam and died in the House. Both Santa Fe senators -- John Grubestic and Nancy Rodriguez, both Democrats -- voted against the bill, which legally

defined marriage as being between a man and a woman.

However, the bill passed the Senate 25-12 with the support of eight Democrats. And Democratic Gov. Bill Richardson, who voted for a similar federal law as a congressman, repeatedly said he would sign a "defense of marriage" bill.

The county Democrats unanimously passed a resolution for restricting the payday loan industry.

This was introduced by Catherine Lewis, who actively lobbied in favor of bills in the Legislature that would have put a cap on payday loan interest rates.

Lewis and other consumer advocates worked against House Bill 65, backed by the payday loan industry, that would have imposed some restrictions but didn't include interest caps or other consumer safeguards.

Top-level state Democrats including Richardson, Attorney General Patricia Madrid and Lt. Gov. Diane Denish called for stronger payday loan restrictions and publicly opposed HB 65.

But a large majority of Democrats in the House joined with Republicans to pass the bill, sponsored by Rep. Patty Lundstrom, D-Gallup.

Two Democrats who voted for the industry-backed bill -- House Speaker Ben Luján of Nambé and Rep. Jim Trujillo of Santa Fe -- were at Monday's meeting. Neither voted against the resolution.

While he wasn't satisfied with Lundstrom's bill, Trujillo told a reporter, he voted for it because it was a good start.

Asked what he thought about the overwhelming vote for the payday loan resolution by his party members, Trujillo said, "Some people don't understand that interest caps aren't the complete solution."

Also Monday, the county party voted to keep Minnie Gallegos as county chairwoman. She has served in that post since late 2001.

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