



Roy Cooper North Carolina Attorney General

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Payday lending on the way out in NC

AG Cooper says major payday lenders agree to stop loans

Raleigh: Three more payday lenders have signed agreements to stop making illegal loans in North Carolina, Attorney General Roy Cooper announced today. The agreements mean that payday lending by all major companies in North Carolina has come to a halt.

“We’ve fought payday lending at every turn and now we’re putting this industry out of business here in North Carolina,” said Cooper. “These payday lenders thought they’d found a way around North Carolina law. Now we’re showing them the way out of our state.”

Under consent agreements announced today, Check Into Cash, Check ’n Go and First American Cash Advance will stop making payday and other unauthorized loans in North Carolina, will stop collecting interest and other fees on existing loans, and will pay a total of \$700,000 to fund efforts to help consumers impacted by payday loans.

These companies join the largest payday lender in North Carolina, Advance America, which stopped making loans in September.

“I am pleased that these companies have agreed to resolve this dispute and comply with North Carolina law,” said Commissioner of Banks Joseph A. Smith, Jr.

The funds will go to non-profits to help their efforts to provide credit counseling and financial literacy to North Carolinians who might have turned to payday loans. Consumer Credit Counseling Services of Western NC, Fayetteville, Charlotte, Gaston County, Greater Greensboro, Triangle Family Services, Forsyth County, and Carolina Foothills will receive a total of \$480,000. The NAACP of North Carolina, Community Reinvestment Association of North Carolina (CRA-NC), the NC Fair Housing Center, and the Institute for Minority Development will each receive \$55,000. (See attached chart for more details.)

After the agreement’s effective dates lenders have between 30 and 120 days to collect only the principal balance on any outstanding loans. That means that North Carolina consumers who took out payday loans from these companies will not have to continue to pay what often works out to be more than 400 percent interest on the money they borrowed.

Check Into Cash and Check ’n Go plan to leave the state, while First American plans to try to get licensed as a consumer finance lender and would have to abide by state laws that limit interest rates on small loans.

Cooper has a long history of battling unfair and illegal payday loans in North Carolina (see attached list). The Attorney General’s Office and the State Commissioner of Banks have worked together on the issue of

payday lending since state legislators allowed North Carolina's payday lending law to expire after four years on August 31, 2001.

These latest developments follow a decision in December 2005 by Commissioner Smith against Advance America, the nation's largest payday lender. Cooper's office prosecuted the case against Advance America, contending that the payday lender used a rent-a-charter relationship with an out-of-state bank to hide its illegal loans. Advance America has appealed that decision but is no longer making payday loans in North Carolina.

Cooper believes that Check Into Cash, Check 'n Go and First American have used similar relationships with out-of-state banks to skirt North Carolina laws that cap interest rates on small loans. Cooper alleges that Check Into Cash used its relationship with American Bank & Trust of Wessington, South Dakota and other out-of-state banks, First American used Community State Bank of Milbank, South Dakota and Check 'n Go used First Bank of Delaware to try to evade the law.

Consumers who took out a typical payday loan of \$300 from one of these companies were required to repay the loan within two weeks plus around \$60 in interest, more than 400 percent interest when computed as an annual percentage rate. People who didn't have the money after two weeks often wound up taking out another payday loan to cover repayment of the original loan. The companies also made installment loans at rates over 300 percent.

State law allows a maximum rate of 16 percent on loans under \$16,000 except that licensed consumer finance lenders can charge up to 36 percent on loans under \$600.

"A payday loan may sound like the solution to someone facing unexpected bills, but once you get sucked in it's difficult to escape and your debts snowball quickly," Cooper said. "People need access to short-term emergency loans, but with fair rates and more time to repay the loan."

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CONSUMER EDUCATION FUNDED BY AG COOPER'S PAYDAY AGREEMENTS									
Organization	Locations	Amount	Purpose						
CCCS	CCCS of Western NC	\$65,000	To fund ongoing credit counseling services and financial literacy education for people, many of whom have used payday lenders in the past, so that the consumers can build savings and reserves for unexpected expenses.						
	Asheville								
	Boone								
	Burnsville								
	Hendersonville								
	Spruce Pine								
	Waynesville								
	Brevard								
	Franklin								
	Marion								
	Sylva								
	CCCS of Fayetteville	\$65,000							
	Fayetteville								
	Coastal Carolina								
	Havelock/Cherry Point								
	Jacksonville								
	Kinston								
	Sanford								
	Wilmington								
	Smithfield								
	Southern Pines								
	Goldsboro								
	Lumberton								
	CCCS of Charlotte	\$65,000							
	Charlotte								
	Mooresville								
	Concord								
	Monroe								
	CCCS of Gaston	\$65,000							
	Gastonia								
	Shelby								
	CCCS of Greater Greensboro	\$65,000							
	Greensboro								
	Asheboro								
	High Point								
	Burlington								
	Wentworth								
	Jamestown								
	Lexington								
	Hickory								
	Morgantown								
	CCCS of Triangle Family Services	\$65,000							
	Raleigh								
	Durham								
	CCCS of Forsythe	\$65,000							
	Winston-Salem								
	Mocksville								
	Yadkinville								
	CCCS of Carolina Foothills	\$25,000							
	Spindale								
NAACP	statewide	\$55,000	To further existing Financial Literacy Project that promotes sound financial decisions by NAACP members.						
CRA-NC	statewide	\$55,000	To support consumer financial education efforts, including <u>Nuestro Barrio</u> , its Spanish telenovela, and the <u>Richard Brown Show</u> .						
Fair Housing	statewide	\$55,000	To strengthen its financial literacy efforts for North Carolinians in financial distress or with no credit history.						
IMED	statewide	\$55,000	To expand "Consumer-wise," its financial education partnership with Historically Black Colleges and Universities.						

**Payday lending history and summary of action
taken by Attorney General Roy Cooper**

1. After a four-year experiment with payday lending, state legislators allowed state laws that permitted payday lending to expire Aug. 31, 2001.
2. Some payday lenders closed their doors following sunset of the law, while others used a variety of ruses to keep operating such as rent-a-charter (ACE), leasing and internet service schemes (Crawford's Leasing, Speed Net), or they just kept their doors open (Timrik).
3. Timrik, Inc.: check cashing payday lender that failed to shut down after sunset of the law enjoined 1/02 from making or collecting on payday loans.
4. ACE Cash Express: made payday loans in partnership with Goleta National Bank. AG Cooper filed suit against ACE in 1/02. Settled 12/02. ACE agreed to stop doing business in North Carolina.
5. While our suit against ACE was underway, both the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) ordered national banks and thrifts to get out of the payday lending business and to stop renting their charters to payday lenders.
6. Highlands Venture, LLC (dba Speed Net): Former payday lender operated an Internet service rebate scheme where consumer received an instant cash "rebate" which was repayable through a long term Internet access contract. AG Cooper filed suit 2/02. Court judgment 5/04 declaring that rebate transactions were subterfuges to avoid lending laws, declaring loans to be unenforceable, and enjoining defendants from offering further Internet cash rebates.
7. AG Cooper writes to FDIC on April 17, 2002 to raise concerns about payday lenders affiliating with out-of-state banks to make payday loans in violation of North Carolina law. Cooper asks the FDIC to examine the relationship between state chartered banks and payday lending.
8. Crawford's Leasing: check casher who opened personal property and car "sale" and leaseback business to evade lending laws. AG Cooper filed suit against Crawford's 10/02. Consent judgment 11/03 with permanent injunction against conducting this type of business and declaration that loans are unenforceable.
9. Check into Kwik Kash: a typical Kwik Kash borrower received five loans in one day, each for \$100. These loans came due over a period of six months, to be repaid one per month. Consumers paid interest rates of 200 to 400 percent and as high as 585 percent on some loans. AG Cooper filed suit

against Check into Kwik Kash 1/03. Judgment entered 12/03 finding check cashing payday loans to be void and permanently enjoining defendants from offering any loans.

10. NCCS Loans, Inc. (dba Advance Internet): former payday lender changed operation to offer cash rebates of up to \$500 if consumers signed one-year contracts to pay \$60 every 2 weeks (for a \$300 rebate) to use Advance Internet's in-store computer to access the Internet. Court ruled in Attorney General's favor on 7/04 effectively stopping Advance Internet's operation. Written order issued by Judge W. Osmond Smith III in August 2004. Court of Appeals upholds lower court ruling on November 1, 2005.
11. Advance America: 8/26/04 issues investigative demand of Advance America to turn over documents relating to its payday lending operations in North Carolina. Advance America claims that its loans are actually made by an out of state bank. 2/1/05 Advance America called before Commissioner of Banks to answer charges. Cooper's office intervened and prosecuted the case against Advance America. Commissioner rules against Advance America on 12/22/05.
12. Check Into Cash, Check 'n Go and First American Cash Advance: 3/1/06 announces consent agreement with three lenders that use out of state banks to make loans in North Carolina. These three companies agree to leave North Carolina, stop making payday loans in the state, not collect interest and other fees on existing loans, and pay a total of \$700,000 to non-profits that provide credit counseling and financial literacy help.