

STATE OF VERMONT
SUPERIOR COURT
WASHINGTON UNIT

2014 MAR 24 P 2:56

In Re: Government Employees Credit Center, Inc.)

CIVIL DIVISION

Docket No. 173-3-14wncv
FILED

ASSURANCE OF DISCONTINUANCE

The State of Vermont, by and through Vermont Attorney General William H. Sorrell, and Government Employees Credit Center, Inc. ("GECC" or "Respondent"), hereby enter into this Assurance of Discontinuance ("AOD") pursuant to 9 V.S.A. § 2459.

Background

GECC

1. Government Employees Credit Center, Inc. d/b/a/ Bexar is a Pennsylvania corporation with its primary place of business at 300 Creek View Road, Suite 204, Newark, DE 19711. From 2010 through August 2013, Respondent engaged in the business of making short term small dollar consumer loans.

Regulatory Framework

2. Pursuant to 9 V.S.A. § 2481w, it is an unfair and deceptive act and practice in commerce for a lender to solicit or make consumer loans unless the lender is in compliance with all provisions of 8 V.S.A. Chapter 73.
3. Chapter 73 of Title 8 requires all lenders to obtain a state license from the Department of Financial Regulation. See 8 V.S.A. § 2201.
4. Any loan made in knowing and willful violation of the requirement that an entity engaged in the business of making loans of money or credit without first obtaining a

license shall be void and the lender shall have no right to collect or receive any principal, interest, or charges. 8 V.S.A. § 2215(d)(1).

5. A lender which makes a loan made without a license, but without a finding of knowing and willful violation of the requirement of a license, shall have no right to collect or receive any interest or charges whatsoever, but shall have a right to collect and receive principal. 8 V.S.A. § 2215(d)(1).
6. Chapter 4 of Title 9 limits the amount of interest and other consideration a lender may charge to between 12-24% per annum, depending on the type of loan. *See* 9 V.S.A. § 41a, 8 V.S.A. § 2233.
7. A lender that charges interest plus other consideration in excess of the allowable rates forfeits the right to collect any interest or charges whatsoever, and is entitled to collect only half the principal. *See* 9 V.S.A. § 50(b).
8. Violations of the Consumer Protection Act are subject to a civil penalty of up to \$10,000.00 per violation. 9 V.S.A. § 2458(b)(1). Each day that a violation continues is a separate violation.

Respondent's Consumer Loan Practices

9. GECC owns and operated the website www.delawarecashdirectexpress.com, by which it previously marketed loans to consumers in various states, including to consumers in Vermont.
10. In order to fund and ensure repayment of its loans, GECC obtained access to Vermont consumers' bank accounts with the consumers' consent. Loans were electronically funded by crediting a borrower's account. Respondent then

electronically debited that same account, often using a third-party payment processor in order to collect on the loan.

11. GECC has offered loans to Vermont consumers in amounts that range from \$200-\$1,000. The annual percentage rate of Respondent's loans exceeded the interest rates allowed by Vermont law, and typically exceeded 300% per annum.
12. Since 2010, GECC has funded 384 loans to Vermont consumers, for a total of \$197,000.00 in principal funded.
13. To date, Respondent has collected a total of \$366,571.74 from Vermont consumers (representing \$229,635.34 in interest and fees collected).
14. As of August 7, 2013, GECC no longer engages in consumer lending nationwide, and as of December 31, 2013, has ceased all operations, including its consumer loan business.

The State's Allegations

15. The Vermont Attorney General's Office alleges the following violations of the Consumer Protection Act and Vermont law:
 - a. The making of loans to Vermont consumers without a state license under Title 8, Chapter 73 violated 9 V.S.A. § 2481w(b); and
 - b. The charging of interest and other compensation in excess of Vermont's legal rates violated 9 V.S.A. § 41a.
16. The State of Vermont alleges that the above behavior constitutes unfair and deceptive acts and practices under 9 V.S.A. § 2453.

Assurances and Relief

In lieu of instituting an action or litigation, the Attorney General and Respondent are willing to accept this AOD pursuant to 9 V.S.A. § 2459, and the parties agree as follows:

Injunctive Relief

17. Prior to doing any business in Vermont involving a loan as defined in Vermont law, GECC shall comply with the following sections of the Vermont Statutes Annotated: Title 8, Chapter 73 (Licensed Lenders statutes); Title 9, Chapter 4 (Interest statutes); and Title 9, Chapter 63 (Consumer Protection statutes).
18. GECC shall cease offering, funding, or collecting upon any loan to Vermont consumers, unless and until Respondent has obtained the proper state license under Title 8, Chapter 73, and has complied with all other lending requirements.
19. GECC shall cancel all current, delinquent, defaulted, charged-off, or outstanding lending transactions which it entered into with Vermont consumers, and shall not undertake any efforts to collect on these transactions. GECC shall not contract with any third-party debt collectors regarding these transactions, nor sell, or transfer, any obligations arguably due based upon these transactions. GECC shall not make any negative reports to any credit bureau, check clearinghouse, or other related service with respect to these transactions. If any negative reports to any such credit bureau or related service with respect to a Vermont consumer have been made, the responsible party for GECC shall, within thirty (30) days of the entry of this AOD, request that those negative references be removed.
20. If any consumer complains to the Attorney General or to GECC about a loan transaction entered into with Respondent, GECC shall review the complaint within

ten days of receipt, and take actions consistent with this AOD, including cancelling any outstanding loan, removing any negative credit reporting, and refunding all interest and fees. If GECC disputes any complaint, Respondent shall send a written explanation to the consumer, and shall include a statement that the consumer may contact the Consumer Assistance Program at (802) 656-3183 or consumer@uvm.edu, if the consumer disagrees.

Payments to Consumers

21. Within 30 days of signing this AOD, GECC shall repay all interest and fees that it collected from Vermont consumers, for a total of \$229,635.34 paid to 211 consumers. GECC shall send a letter from the Attorney General (Exhibit A), and the consumer's payment, in an envelope provided by the Attorney General's Office. Each consumer check shall have a deposit deadline of 90 days from the date of issuance.
22. Within 35 days of signing this AOD, GECC shall send to the Attorney General's Office a list (in electronic Excel spreadsheet) of all consumers to whom payments were made, including the consumer name (which list shall set out the first and last names of the consumers in distinct fields or columns), contact information, and the amount paid.
23. In the event that GECC is not able to locate consumers to whom any payments are owed after all reasonable efforts to do so have been taken and no later than 120 days after signing this AOD, Respondent shall mail to the Attorney General's Office:
 - a. A single check, payable to "Vermont State Treasurer" in the total dollar amount of all outstanding amounts and all checks that were returned as

undeliverable or that went uncashed, to be treated as unclaimed funds, under Vermont's unclaimed property statute, Title 17, Chapter 14;

- b. A list, in electronic Excel format, of the consumers whose checks were returned or were not cashed (which list shall set out the first and last names of the consumers in distinct fields or columns), and for each such consumer, the last known address and dollar amount due; and
- c. The company's corporate address and federal tax identification number.

Payment to the State of Vermont

24. Within 30 days of signing this AOD, GECC shall pay to the State of Vermont \$15,000 in civil penalties and costs. Payment shall be made to the "State of Vermont" and shall be sent to the Vermont Attorney General's Office at the following address: Justin E. Kolber, Assistant Attorney General, Office of the Attorney General, 109 State Street, Montpelier, Vermont 05609.

Other Terms

- 25. The parties have consented to the entry of this AOD for the purpose of settlement only and agree that it does not constitute an admission of the violation of any law, rule, or regulation.
- 26. Nothing in this AOD shall be construed to limit GECC's ability or right to assert any legal, factual, or equitable defenses, including jurisdictional defenses, in any pending or future proceeding of any kind, except with respect to enforcement of this AOD by the Attorney General.

Office of the
ATTORNEY
GENERAL
109 State Street
Montpelier, VT
05609

27. Acceptance of this AOD by the Attorney General is expressly conditioned upon the truthfulness and accuracy of the representations made by GECC and its counsel during the investigation and settlement.
28. Neither GECC nor anyone acting on its behalf shall state or infer that the Vermont Attorney General's Office approves any business practices of Respondent.
29. This AOD and all terms therein shall be binding on GECC, all of its affiliate companies doing business in Vermont, its officers, directors, owners, managers, successors and assigns. All current and future officers and directors of GECC further agree to be personally bound by ¶¶ 17-18 of this AOD in both their official and individual capacity, and shall not undertake any role, personally or with any other company or entity (past, present, or future), in making loans in Vermont unless they comply with ¶¶ 17-18 of this AOD.
30. The undersigned authorized agent of GECC shall promptly take reasonable steps to ensure that copies of this document are provided to all officers, directors, owners and managers of the company, and all of its affiliate companies doing business in Vermont.
31. This AOD resolves all existing claims the State of Vermont may have against GECC stemming from the conduct described in this document.
32. Nothing in this AOD waives the right of any consumer to pursue claims stemming from the conduct described in this document; excepting, however, any consumer who accepts payment under ¶ 21 shall waive any such claim against GECC.
33. The Superior Court of the State of Vermont, Washington Unit, shall have Jurisdiction over this AOD and the parties hereto for the purpose of enabling any of

the parties hereto to apply to this Court at any time for orders and directions as may be necessary or appropriate to carry out or construe this AOD, to modify or terminate any of its provisions, to enforce compliance, and to punish violations of its provisions.

34. All notice related to this AOD shall be given to GECC at:

P.O. Box 2180, Wilmington, DE 19805-0780

With a copy to:

Duane Morris, LLP, attn.: Gary Lipkin, Esq., 222 Delaware Avenue, Suite 1600,
Wilmington, DE 19801.

35. GECC shall notify the Attorney General of any change of business name or address within 20 business days.

Violations and Stipulated Penalties

36. If the Superior Court of the State of Vermont, Washington Unit enters an order finding GECC to be in violation of this AOD, then the parties agree that penalties to be assessed by the Court for each act in violation of this Assurance of Discontinuance shall be \$10,000. For purposes of this paragraph, the term "each act" shall mean: (a) each instance of soliciting, making, or collecting a loan in Vermont without a state license; and (b) each instance of charging an interest rate above the legal rates allowed by 9 V.S.A. § 41a.

37. In the event that the Attorney General alleges that Respondent has violated any of the terms of this AOD, then the parties agree that the Attorney General shall be entitled to bring any other matters to the Court's attention involving potential

violations of law by Respondent, and that the Attorney General shall not have waived any of its rights to assert and prove any violations of law by Respondent.

*** SIGNATURES APPEAR ON NEXT PAGE ***

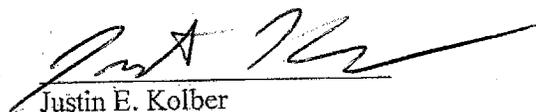
Office of the
ATTORNEY
GENERAL
109 State Street
Montpelier, VT
05609

DATED at Montpelier, Vermont this 24th day of March, 2014.

STATE OF VERMONT

WILLIAM H. SORRELL
ATTORNEY GENERAL

By:

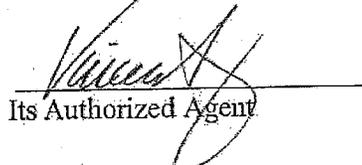


Justin E. Kolber
Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609
(802) 828-5620
jkolber@atg.state.vt.us

DATED at Wilmington, DE this 20th day of March, 2014.

Government Employees Credit Center, Inc.

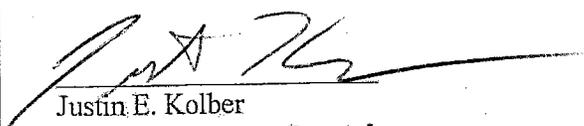
By:



Its Authorized Agent

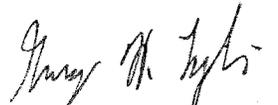
Vincent Ney, PRESIDENT
Name and Title of Authorized Agent

APPROVED AS TO FORM:



Justin E. Kolber
Assistant Attorney General
Office of Attorney General
109 State Street
Montpelier, VT 05609

For the State of Vermont



Gary Lipkin, Esq.
Duane Morris LLP
222 Delaware Avenue,
Suite 1600
Wilmington, DE 19801-1659

For Government Employees Credit
Center, Inc.

Office of the
ATTORNEY
GENERAL
109 State Street
Montpelier, VT
05609

EXHIBIT A

April 2014

Re: Government Employees Credit Center, Inc. settlement

Dear Vermont consumer:

You have been identified as a consumer who took out a loan from Government Employees Credit Center, Inc. d/b/a Cash Direct Express ("GECC") between 2010 and 2013. As a result of a settlement with the Attorney General's Office, GECC is providing the enclosed payment to refund all interest and fees that you paid in connection with your loan.

If you accept this payment, you will waive whatever rights, if any, that you may possess to pursue an individual claim against GECC in connection with your loan. You may decline to accept the check by returning or mailing it to GECC, first class postage, within 90 days of the date of this letter, to the following address:

GECC
P.O. Box 2180
Wilmington, DE 19805-0780

For more information on Vermont consumer protection law or the terms of this settlement, please visit the Attorney General's Office website at www.atg.state.vt.us or call the Consumer Assistance Program at 800-649-2424 or (802) 656-3183.

Sincerely,

William H. Sorrell
Attorney General

Enc.