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**OFFICE OF THE ATTORNEY GENERAL**  
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April 22, 2014

**Michael D. White**, CEO, Chairman and President  
DirecTV  
2230 E. Imperial Hwy  
El Segundo, CA 90245

Via Certified Mail and Fax to. (310) 535-5225

**Re: Illegal Lending Advertisements in Vermont**

Dear Mr White,

We are writing you in connection with the Attorney General's ongoing efforts to address illegal and predatory lending, and where possible, to request your assistance in these efforts

There has been a recent rise in illegal and predatory lending activities, particularly over the Internet. Online lenders nationwide (currently numbered at over 200) earned over \$18 billion dollars in income from high interest, small-dollar loans made in 2012. In Vermont, our office has investigated one lender who funded 427 loans (\$993,025 in principal), and earned \$888,950 in interest and fees alone, at an average annualized interest rate of 136%, another lender funded 384 loans (\$197,000 in principal) and earned \$230,000 in interest and fees alone, at an average annualized interest rate over 300%. As to individual examples, one Vermont consumer complained of taking out a \$400 online loan (at over 300% annualized interest) and paying back over \$1,000 within five months (mostly through automatic withdrawals that required bank intervention); another complained of an online lender depositing \$160 in a small loan to his bank account, and then automatically withdrawing \$100 every month in "fees" (resulting in annualized interest of 747%)

Some of these lenders use television commercials to solicit and obtain consumers. The consumer described in the last example above obtained his loan

after viewing a television commercial. By hosting advertisements from online lenders, television cable networks provide a significant yet harmful link in allowing illegal loans to injure Vermont consumers. As explained further below, to the extent it is possible, we are asking for DirecTV's help to stop hosting ads in Vermont for internet lenders that are violating Vermont law

Vermont law regulates several aspects of money lending. First, all commercial money lenders must obtain a state license, or must be a bank or a credit union, before making or even soliciting a loan. *See* 8 V.S.A. §§ 2201, 2233(b). Interest rates are also capped at 12-24% annually. *See* 9 V.S.A. § 41a(b)(1) & (b)(5). Vermont explicitly prohibits all forms of "payday loans" (which are loan advances contingent on a future paycheck or postdated check). *See* 8 V.S.A. § 2519(a)(13). Although the term "payday loans" is often used to describe the kind of illegal lending that we are writing about, "illegal," "unauthorized" or "unlicensed" lending are more accurate and inclusive terms. They refer to *all* loans that do not comply with Vermont law (such as unlicensed or high-interest loans).

Vermont also regulates those who provide assistance to unauthorized lenders. For example, it is a violation of the Consumer Protection Act for a payment processor to do any financial processing on behalf of unlicensed non-bank lenders. *See* 9 V.S.A. § 2481w(c). It is also a violation of the Consumer Protection Act for "any person" to provide "substantial assistance" to an unlicensed non-bank lender, once that person is aware (or should be aware) that the lender is not licensed under Title 8 of the Vermont Statutes Annotated, or is not a bank or a credit union. *See* 9 V.S.A. § 2481w(d) for the full text of this provision.

Assuming DirecTV (or a cable channel) is able to identify ads that are broadcasted in Vermont, our position is that a cable network that hosts advertisements in Vermont from an unauthorized lender would be providing "substantial assistance" to such a lender, per section 2481w(d). Our request is for DirecTV to stop hosting ads from unauthorized lenders in Vermont, to the extent possible.<sup>1</sup> We would welcome the opportunity to talk further about DirecTV's Ad Sales program and whether it is possible to identify ads that are broadcasted in Vermont. To the extent that DirecTV can identify ads broadcasted in Vermont, we would request the following:

1 Attached is a list of all known unauthorized lenders who have made illegal loans in Vermont. We ask DirecTV to cease running any advertisements on behalf of any of the lenders listed in "Exhibit A." Having received this notice, our position is that any future advertisement provided by DirecTV (and any cable channel or network for which DirecTV provides advertising) for these lenders would violate 9 V.S.A. § 2481w(d).

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<sup>1</sup> Based on DirecTV's Ad Sales website, it is unclear whether DirecTV is able to identify advertisements based on geographic location.

2. Going forward, if any loan company seeks future advertisement services in Vermont from DirecTV, we suggest that DirecTV first confirm that the lender is licensed to make loans in Vermont (or is bank or credit union) and, if not, to deny advertising services. All properly licensed non-bank lenders are publicly listed and can be verified using either of the below websites:


- <http://www.nmlsconsumeraccess.org/> – enter name of the company and check for Vermont under “State Licenses/Registrations” results, or
- <http://www.dfr.vermont.gov/banking/verify-license> – enter “Licensed Lender” in the first drop-down box (“Select a license”).

3. Periodically, the Attorney General’s Office or Department of Financial Regulation will also send notices or “alerts” of other illegal lenders or activity to an email distribution list. We suggest that DirecTV join this distribution list by emailing: [UnlicensedLending-request@list.state.vt.us](mailto:UnlicensedLending-request@list.state.vt.us). Anyone may also send any questions or information about illegal lending in Vermont to this address. [AGOUncensoredLending@atg.state.vt.us](mailto:AGOUncensoredLending@atg.state.vt.us).

By taking the steps set forth in this letter, DirecTV will be helping to prevent a significant and growing harm to many Vermont consumers. Moreover, prohibiting such ads would be a broader public service to residents in neighboring regions, – to not subject them to ads from companies that charge excessively high interest rates on consumer loans and may well not be licensed in the state where the ad is shown. Our hope is to have a positive and cooperative relationship with all cable networks on this important issue, and we have sent a similar letter to Comcast and DISH.

Please feel free to contact me with any questions or suggestions for how we might better protect Vermonters. Thank you for your assistance

Sincerely,



Justin E. Kolber  
Assistant Attorney General

Enc. Exhibit A – “Vermont Illegal Lender List April 2014”