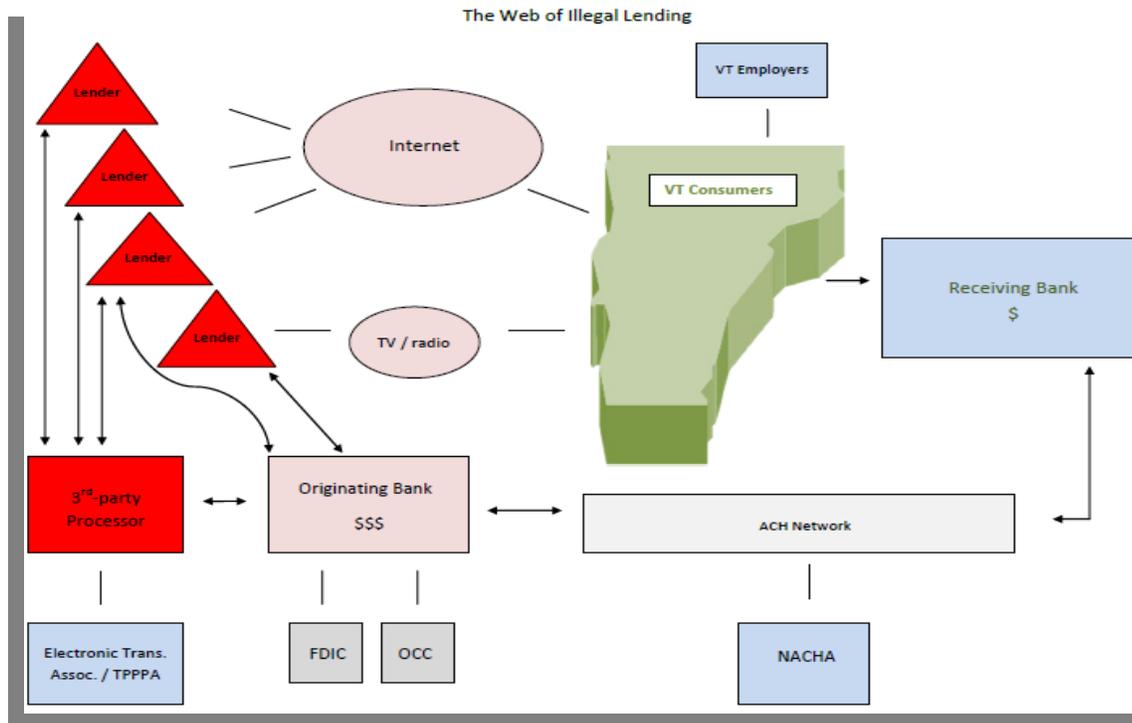


ILLEGAL LENDING: SUMMARY OF FACTS AND FIGURES

Below summarizes Vermont's response to small-dollar loans with high borrowing costs (also known as "payday loans"). Such loans are illegal in Vermont but occur illegally via the internet.

A. BASIC FACTS

- Nationally 12 million adults use payday loans. Best estimate is that **5,000-8,000** Vermonters have borrowed from illegal internet lenders in the past 5 years. Most use multiple loans, typically between 8 and 13 a year.
- Average loan amount is \$375. Average indebtedness is 5-6 months. Borrowers typically end up paying \$520 in interest and fees to repay the loan.
- Average APR is 300%; some at 600-900%. When capped at 36%, payday loans tend to disappear.
- Only 15 states and D.C. restrict payday loans; all but 5 of which are located in mid-Atlantic to Northeast. Payday loans are allowed in 35 states.
- New England at 2% has the lowest rates of small-dollar, high-interest loans; South/West 6%; Midwest 7%.
- Online borrowing rates mirror storefront (i.e., states without brick-and-mortar payday lending typically do not have higher rates of online loans).



Red = entities regulated by Vermont law and ordered to comply through formal action; **Pink** = entities that could have some responsibility and asked (via letters) to comply/assist; **Blue** = entities connected to lending activities and asked (via letters) to provide voluntary help.

B. VERMONT LAW

Excluding banks and credit unions, all lenders need a state license from Vermont Department of Financial Regulation, before soliciting or making loans.

Vermont limits annual interest rates (including fees) at 12-24%.

Payday loans (loans contingent on a postdated payment instrument) are explicitly banned.

May 18, 2012: Vermont Legislature enacted strongest law in the nation on predatory lending, by applying consumer protection laws to money lenders and those who assist such lenders.

C. THE ATTORNEY GENERAL'S "CRACKDOWN" ON ILLEGAL LENDING

The Attorney General's Office (AGO) has been working to enforce Vermont law against responsible parties, and to enlist assistance from those connected to illegal lending.

SETTLEMENTS – approx. \$1,024,000 to 1600+ consumers; \$90,000 to Vermont

1) CashCall, Inc. & Western Sky, et al. (largest known lenders, California and So. Dakota):

- 427 VT loans; \$993,025 funded. Average loan \$2,500 at 115% APR.
- Will refund all interest above 18% limit. Approx. \$500,000+ in cancelled loans and potential refunds will go to eligible Vermont consumers; plus \$50,000 to Vermont.

2) Government Employees Credit Center, Inc. (Delaware online lender)

- 384 VT loans; \$197,000 funded. Average loan \$400 at 300% APR.
- Will refund all interest/fees for approx. \$230,000; plus \$15,000 to Vermont.

3) Sure Advance, LLC (Delaware online lender)

- 296 VT loans; \$144,000 funded. Average loan \$400 at 300% APR.
- Will refund all interest/fees for approx. \$140,000; plus \$15,000 to Vermont.

4) T\$\$, LLC ("T-money," California payment processor)

- Processed electronic payments for 29+ lenders; approx. \$900,000 in debits from over 30 Vermont financial institutions involving 500+ Vermont bank accounts.
- Will refund \$150,000 to consumers; plus \$10,000 to Vermont.

LAWSUITS – violating lending or payment processing laws under Consumer Protection Act

1) PBT Loan Services, et al. (Florida lender): 26+ consumers and at least \$40,000 collected.

2) Cash in a Wink (Delaware lender): 11 consumers. Failed to respond to subpoena.

3) Intercept Corporation (No. Dakota payment processor). Failed to respond to subpoena.

LETTERS – demanding compliance or requesting assistance

1) Letters to 81 known illegal lenders: demanding compliance with VT law.

2) Letters to Vermont Assoc. of Broadcasting, Comcast, DISH, DirecTV: stop hosting television ads in VT for illegal lenders.

3) Letters to Google, Yahoo, and Microsoft: stop hosting online ads in VT for illegal lenders.

4) Letters to NACHA, Electronic Transactions Association, and Third-Party Payment Processors Association: warn the regulated industry and their member payment processors about VT law.

5) Letter to VT financial institutions: request voluntary assistance to their borrowers and AGO.

6) "Open Letter" to Vermont Employers: voluntarily offer salary advances as loan alternative.