

Notice from Vermont Attorney General Bill Sorrell re: Illegal Loans in the State of Vermont

There has been a recent rise in illegal and predatory lending activities, particularly over the internet. Online lenders offer high-interest, small-dollar loans that typically require a consumer to authorize electronic debiting of loan payments directly from the consumer's bank account. As the Center for Responsible Lending recently described, such loans are "designed to trap individuals in long-term debt" and have a "devastating impact on families' financial well-being."

In Vermont, an estimated 5,000-7,000 adults have borrowed online. The average loan amount is \$375-500 with an average annual interest rate of 300% -- sometimes 600-700% -- even though Vermont law limits interest to 18%. Consumers typically end up in debt for 5-6 months, and repay excessive amounts of interest and fees. Despite Vermont laws limiting interest rates and requiring state licensing and supervision of lenders, predatory lenders continue to offer their unlawful products to Vermonters via the internet.

Therefore, Vermont Attorney General Bill Sorrell has taken action to address the illegal lending problem from several angles. First, the Attorney General has settled 4 cases, returning over \$1 million dollars to Vermonters. If you receive a letter with the Attorney General's Office on the return address, open it: it should contain a refund for you or instructions for how to apply for a refund.

In addition, the Attorney General has sued other responsible parties, such as lenders and their payment processors; and asked those who inadvertently or unconsciously assist the illegal lenders, such as television networks and internet providers that advertise for lenders, and financial institutions who can work more closely with consumers, to help stop the illegal lending in Vermont.

Here is what you can do to protect yourself from illegal lending:

- Visit the Attorney General's [website](#) for more information:
- [Avoid](#) high-interest, online loans.
- [Find](#) a licensed lender.
- [Cancel](#) any online loan if the lender is not licensed or charges illegal interest rates (keep a copy of your cancellation and give a copy to your bank).
- [File a complaint](#) with the Attorney General's Consumer Assistance Program so that we know which illegal lenders are still operating in Vermont.
- [Email](#) the Attorney General's Office with questions or information.
- For short-term cash borrowing needs, ask your employer to participate in the United Way's "[Working Bridges](#)" income advance loan program.