

## ONLINE PAYDAY LOANS – STAY AWAY!

A twenty-six year old woman came to the Sheriff's Office a couple of weeks ago, in tears. She just received a call from someone claiming he worked for the Illinois Financial Crimes Division. This caller demanded she pay \$715 within the hour to re-pay a \$500 payday loan, or this caller expected to get a warrant for her immediate arrest. The woman was further terrified because this caller knew her name, birthdate, and social security number.

Well, there is no Illinois Financial Crimes Division. This was an example of what I call debt collector scams. These callers cold-call people and threaten immediate arrest if you don't make an immediate payment. It's pretty likely there is no debt at all. I wrote before about the rules debt collectors must follow in pursuit of debts. Anyone who threatens arrest is for sure violating these rules and must be considered a crook.

Almost every debt collector scam ever reported to me involved a debt collector wanting to collect on an online payday loan. From what I learned about online payday loans, my advice is to never consider them, don't ever apply for one, in fact, don't even go to any online payday loan websites. A couple of recent news releases from federal and state regulators illustrate how many things can go badly in these deals.

On September 17, 2014, the Federal Trade Commission (FTC) announced a temporary restraining order and appointed a receiver to immediately take over twelve companies owned and operated by two different men. The FTC complaint alleged these companies issued \$28 million in payday loans in 2012 and 2013, and collected \$46.5 million on these loans. They did this by buying personal financial information from "lead generators" or "data brokers", which included bank account numbers. How did these "lead generators" get this information? It came from websites which offered online payday loans. These websites are most often not operated by actual lenders. They require anyone considering a loan to submit their personal information, but there are no safeguards once it is submitted.

In this case, these companies deposited \$200 or \$300 into the bank accounts of folks who provided their information, but who never agreed to any loans. Then these companies made regular, very large, withdrawals from these same accounts, for "finance charges". These withdrawals never reduced the debt. If the consumer complained, the companies provided

faked applications or other phony documents. If the consumer closed the bank account, the companies sold the "loan" to scam debt collectors, who make the kind of threats the young woman complained about here last week.

Another true story – On October 6, 2014, the Iowa Superintendent of Banking revoked the license for CashCall, Inc., a California based online lender. This online lender ran into trouble by charging interest rates up to 169% annually, with one loan costing 340% annually, when all fees and charges were added in. Iowa law sets the top interest rate allowed at 36%. CashCall agreed to refund \$1.5 million in restitution for Iowa customers.

CashCall tried to justify their interest rates by claiming they operated from the Cheyenne River Indian Reservation in South Dakota, making them exempt from Iowa state law. The state authorities saw through this kind of a "sham arrangement", which they called renting a tribe.

These stories, pulled right from the courtroom, should give all of us pause before we commit to, or even think about, online payday loans. And they are reinforced by the story of a young Clinton woman, I will Vicki. Last week, Vicki went online to look for a loan. She applied to National Cash Credit, and soon received a phone call, telling her she needed to load \$280 on Green Dot Moneypaks, and call back. She did, and provided the Moneypak number. National Cash Credit said they needed more money. This went on until Vicki invested \$1950 in this loan application, and lost it all, never receiving a loan.

If you have a complaint on such a loan, you can contact the federal Consumer Financial Protection Bureau at 855-411-2372, or the Iowa Attorney General. Or call me.

## **OTHER SCAMS**

Mid-November is not the typical time I hear of door-to-door solicitors, but I received a report last week which deserves your attention. A Clinton couple living on 10<sup>th</sup> Avenue South received a call from someone claiming to represent Alliant Energy. The caller wanted to come and conduct an energy audit. The couple agreed and set up an appointment. A man came and asked lots of questions about their energy bills. Then he launched into a sales pitch for insulation. The couple did not think that sounded right, coming from an Alliant Energy auditor, so sent him on his way.

I called a representative of Alliant Energy and reported this. The representative told me, Alliant Energy, although they are happy to conduct energy audits, don't solicit them over the phone. The utility customer needs to ask for one. And the inspector will not try to sell you anything. Alliant Energy will make recommendations, but it is up to the customer to act on them. If you know of someone posing as an Alliant Energy inspector or energy auditor, call Alliant at 800-225-4268. Or call me.

You can reach me at Seniors vs. Crime at the Clinton County Sheriff's Office, 563-242-9211, extension 4433, or by email at [randymeier@gapa911.us](mailto:randymeier@gapa911.us). Contact me with your reports of fraud and scams. Most of what I learn, I hear about from you.

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