

Payday Lending

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Steps to Start 'Payday' Lending

Note: You must check with federal and state regulatory agencies.

What is Required From All Borrowers on Every Request

- Current location of checking accounts – checking account must be open at least 6 months or longer (exception if they had to get a new account number due to fraud, etc...) cannot be more than **negative \$50** in account.
- Bank statement
- Utility bill (such as electric, water, gas, cable, etc...)
- Copy of personal check.
- Current pay stub. (Child support is not accepted as income if it is the only income the borrower has.)
- Drivers license or government ID.

The Process

- Take a copy of pay stub, utility bill, bank statement, and drivers license. These are now your records and you are not to give them back under any circumstances.
- Call tele track to see if they have any hits. If they do still continue to act like you are processing the paperwork and put information in the computer but make the computer **AUTOMATICALLY DENY THEM!**
- Call on checking account to see if it has a positive balance. If you cannot verify the balance, have the borrower call the bank on speakerphone, so you can hear the balance.
- If more than \$50s negative you cannot loan them money. But you are able to give some advice to get borrowers to the negative \$50 range. (i.e. put money into checking, borrow from other people, etc...)
- If you cannot verify the balance even if their bank is closed you cannot help them.

Cont'd...

- Look at the bank statement check to see if they have overdraft protection. (If it's there you can deposit a check and more than likely you get your money and now it is the bank's problem.)
- Check to see if there is negative balance or other payday loan company checks deposited. If there are any checks deposited, ask the borrower if they have other loans out with other lenders, and call these lenders to make sure they are not lying!! If they have other loans out you are not to give them another one, it is illegal in certain states to possess more than one payday loan. (Says in contract that they sign too.)
- Look to see if they have a joint owner and when their paydays are and if they have direct deposit. (If you cannot get the money on the borrower's payday; you can get it on the joint owners payday.)
- Look at utility bill to see if it is past due. If it is, it can be a red flag. They might not pay you back.

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- Look at pay stub, see if their social security card number is on the stub; if it is not, you need a social security card from them. Also, look to see if they have direct deposit or any endorsements on check (child support, judgment against borrower). This is a really good red flag.
- If it is a 2 week pay stub, then take the net amount of the check, divide it by 2 and that will give you a loan amount, plus the interest you are willing to loan them. Do not give them any more. If the borrower has weekly paycheck, then do not loan any more than that week's check. Borrowers can pay back 1 weeks pay but not 2.
- If they are brand new, give them half of one weeks pay including interest.

Example:

First Time Borrower: Net income of \$685 divide by 4 = \$171.25

Repeat Borrower: Net income of \$685 divide by 2 = \$342.50

When the Borrower is Filling out the Application, Do the Following:

- Look to see how long the borrower has lived at their residence (if they have been in the same house for a couple of years this is very positive).
- How long have they worked at their jobs? If they are self-employed, you need to see a copy of their W-2s.
- Ask them casually what the purpose of the loan is, they will tell you.
- Look at their references: They need to have at least one relative and 2 non-relatives.
- Call all the phone numbers to see if they are all valid: Home, work, references (when calling the references act like you called the wrong number).

Processing the Loan Application

- Put all the information in the computer about the borrower, if no hits come back you can approve them for a loan. If there are hits the computer will automatically deny them. At this time, if the borrower had a hit on tele track deny them.
- If you denied the loan or the system denied the loan, give the borrower a copy with your signature on it. Tell the borrower you do not know why they were denied, but they can call the number on the paper and they will give them a reason (this clears you from any borrowers getting angry with you.)

The Loan

- If they are approved by the system have the borrower fill out the check with the interest for that day, DO NOT HAVE IT POST DATED!!
- Print out the loan contract, tell the borrower that they can read it before they sign it and if they have any questions, answer them to the best of your knowledge. Interest rate is base on the whole year if you came in every payday to get a loan. You must ask them again if they have any other payday loans with any other companies. You must state that it is illegal to have more than 1 payday loan not exceeding \$500 with any other lender. (They sign the contract that states this.)
Note: This may vary by state.
- You secure the check and exchange the check to cash minus the interest rate. (For example, the borrower would like \$300. If approved the borrower would give you a check for \$345, which includes fees and interest. The borrower would then receive \$300 in cash not \$345.)
- Ask the borrower if they would like a courtesy call to their home to remind them of the due date on the loan? If yes, ask them where you should call them. If no, do not call and wait to see if the member comes in on their due date.

Before the Loan is Due

- Two days before the loans are due, courtesy calls are given to the borrowers who have requested it.
- Call the financial institution to see if there is a positive balance. (If not, do not worry, there payday is soon.)

When the Loan is Due

- Call the financial institutions for the checks that are due and see if there are funds available for the amount due.
- Most of the borrowers will come in to take care of their loans. If they cannot make it in, they usually will call and make other arrangements to come in.

When the Borrower Doesn't Have the Entire Amount to Pay the Loan Back

- You can give them an extension:
 - This is where the borrower can pay the finance charge and you rewrite the loan to their next payday. The borrower is allowed up to 3 extensions.
- Once the third extension is up, the borrower must come with the full amount and pay it off. Once it is paid off, you are able to re-loan the money instantly. (The borrower is still out the finance charge.) This is a fairly common practice. (i.e. A third party could loan them the money, go down to the lender and get their money right back.)

When the Borrower Doesn't Call or Come In

- You call them at home and work (cell if provided), try to get them to make arrangements to come in. (Usually, borrowers do not call because they do not have the entire amount.) Then you can advise the borrower about the extensions.
- The next step is, call the financial institution where the borrower's check is and see if there is enough money to cover the check. If there is you go down to the financial institution and you get your money – Don't get cash!! Always get a cashier's check even if we have to pay for it, you must have a paper trail.
- If they still do not have the money, you need to keep calling the borrower to get them in the office. Ultimately, you have 3 days from the due date to get the borrower to come in to take care of their loan, if they do not have the money and still have not called you, the check must be deposited.
- Then you wait to see if the check comes back or if it gets cashed, you can assume the check has been paid if you have not received it 14 days after deposit date. (If the borrower wants to take another loan after that they must provide a statement showing the check has been paid. -- new statement, internet statements are okay.)

When the Check is NSF

- You have 30 days from the return date to get the borrower to come in and pay it off. You can do it a couple of ways:
 - You are required to call the borrower 3 times a day every day to get a hold of them, you also call the references to get other information like other phone numbers.
 - Send borrowers letters.

Sample Agreement

Deferred Presentment Service Agreement

Borrower:

Creditor:

Social Security Number:

Truth in Lending Disclosures

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
547.5%	\$30.00	\$200.00	\$230.00

Payment Schedule: My payment schedule will be one (1) payment of \$230.00 which is due on: 3/25/2004.

Security: My performance under this Agreement is secured by the Creditor's security interest in my check(s) held for payment on this loan.

Prepayment: I have the right to pay off this loan early. If I pay off your loan early I will not have to pay a penalty but will not be entitled to a refund of any part of the FINANCE CHARGE.

See your contract documents for additional information about non-payment, default and any required repayments in full before the scheduled date.

Itemization of Amount Financed:

Amount Given to me directly: \$230.00.

Amount of Service Fee (Prepaid Finance Charge): \$30.00

Amount of Check: \$230.00

Effective Date: 3/15/2004

Check Number(s): 1025

Promise To Pay: I promise to pay to Creditor, the amount shown in the Total Payment box above. I agree to the Finance Charge shown above.

Payment Schedule: My payment schedule will be one payment of \$230.00. This payment is due and payable on, and the Creditor shall defer presentment of my check until, 3/25/2004

Payment: I may pay all of the amount owed earlier than it is due, but I will not be entitled to a refund of any portion of the fees I have paid. Prepayment must consist of the total amount of the loan including fees. Prepayment may be made at any time through the due date. The Finance Charge is fully earned at the time this Agreement is signed and I will not be entitled to a refund or reduction of any fee or Finance Charge shown above.

Security: I grant Creditor a security interest in the check(s) that I have delivered to Creditor in payment of this Loan. In the event that the check(s) tendered in this transaction are lost, stolen or destroyed or are returned dishonored, I hereby authorize the Creditor to debit my account for the full amount due by automated clearinghouse transfer or re-present my checks for payment.

Lender's Right: If I fail to make any payment when due, Creditor may, after giving any notice required by law, declare the entire unpaid principal of this Agreement and all accrued unpaid fees due and payable and I will then pay that amount. In the event that I fail to make any payment when due, I authorize Creditor to charge me any additional costs and expenses of collection reasonably incurred by Creditor, including attorney's fees, court costs, costs of investigation and collection and other expenses of collection.

Dishonored Item Fee: I will pay Creditor, in addition to any additional fees, expenses and costs of collection as may be incurred by Creditor, an additional fee of \$25.00 in the event that any check tendered by me to Creditor is dishonored by my bank for any reason.

Collection Agent Fees: In addition to any other fees, if I fail to pay the amount shown above in the Total of Payment box, and the Creditor turns the collection over to an agent, I agree to pay collection agency fees in an amount not to exceed twenty-five percent (25%) of the principal amount of the debt.

Assignment of Interest: Creditor may assign its rights and interest in this loan to other parties without notice to the borrower.

Internet Payday Lending

Consumer Federation of America

November 2004

Summary:

- Payday lending has expanded from check cashing outlets, pawn shops and payday loan outlets to the Internet.
- Websites marketing and/or delivering small loans are growing rapidly, with numerous referral sites feeding applications to actual lenders.
- Banks are involved in Internet payday loans through the Automated Clearing System (ACH). County Bank of Rehoboth Beach, DE, participates directly in internet payday lending.
- Internet payday lenders bypass state usury laws and consumer protections by locating in lax regulatory states and making loans without complying with licensing requirements or state protections in the borrower's home state.
- Payday loan applications made online expose consumers to privacy and social security numbers, and other personal financial information are transmitted to lenders, often over unsecured web links.

Internet Payday Lenders

- Internet payday lending is the latest ploy used by small loan companies to evade consumer protections and usury laws in the state where borrowers apply for and receive loans and few states regulators have attempted to enforce state credit laws against online lenders.
- Payday lending on the Internet involves a confusing mix referral sites, loan sites, websites that appear to offer financial education or counseling, or sites that hold themselves out as payday lender rating services. Consumers are urged to get up to \$2,500 deposited overnight in their bank accounts by filling out online applications and/or faxing applications and support documents without knowing to whom or where that personal financial information goes. Online payday loans are delivered and collected through electronic fund transfers.
- Consumers who borrow online have additional difficulties with locating and communicating with web lenders who are hard to find or identify to resolve disputes.

State Small Loan and Payday Loan Limits

Payday loans are small loans subject to state small loans, usury or payday loan laws. Fifteen states prohibit payday lending under state usury and small loan laws. Thirty-three states and the District of Columbia have enacted laws or regulations to authorize check-based lending. Alaska enacted a payday loan-authorization law that will take effect in 2005. Two additional states, New Mexico and Wisconsin, permit licensed lenders to make payday loans without substantive restrictions on loan terms. States that legalize payday loans typically require lenders to be licensed or registered and to comply with a range of provisions.

Internet payday lenders evade state usury and payday loan laws that protect consumers by getting licenses in states without meaningful restrictions, by operating without state licensing at all, or by locating out of the country and claiming that loans are made subject to the laws of the lender's purported home country.

Making Payday Loans Via the Internet- How it Works:

The typical Internet payday loan involves an online or faxed application in which the borrower provides extensive personal and financial information, direct deposit of the loan proceeds into the borrower's bank account through the Automated Clearing House system on the same or next day, and an agreement to permit the payday lender to withdraw the loan and finance charge electronically from the consumer's bank account on his/her next payday.

Qualifications:

- At least 18 years old.
- Steady/verifiable source of recurring income (gross income of a minimum of \$1000 per month or \$800 per month in Social Security or other benefit income).
- Checking account with consumer's name printed on checks.
- Able to be contacted at work.
- No delinquent on prior loan or other short term lenders.
- Pull a "Tele track", to screen applicants for returned checks history.
- Completed application.
- Fax machine.

Applications

Sites use multi-stage applications to draw applicants into the process.

- First set of questions, pre-filled in with “yes” answers, covers the basic qualifications and asks for your name and e-mail address. Once consumer clicks “apply,” a graphic of a check filled out for \$500 payable to the borrower pops up, followed by a much longer set of questions.

Consumers encounter a variety of methods to apply for payday loans by Internet lenders.

- Consumers fill out detailed application forms online, including bank accounts information and routing numbers for their checks.
- A completed application is entered a set of forms, which the applicant is instructed to print, sign and fax back with additional documentation.
Note: In both methods, applicants enter their bank account numbers, Social Security numbers, birth date, and other personal financial information online to transmit to the lender.
- A third method bypasses online applications altogether. Consumers are directed to download applications, print out and complete them, and then fax the forms and documentation.

Contracts and Authorization Forms

- The contract is often called a “Loan Note and Disclosure” and spells out the Truth in Lending cost disclosures, the payment schedule, prepayment policy, and itemization of the loan and the finance charge. Contracts repeat the agreement to arbitrate all disputes, not to join a class action lawsuit, a promise not to file for bankruptcy, and agreement that the contract is bound by the law of the state where the payday lender claims to be located.
- A third form that must be signed by the borrower is the Authorization Agreement for Preauthorized Payment. This agreement gives the lender the right to access the consumer’s bank account to deposit the loan proceeds and to withdraw loan payment on the due date. Some agreements permit the lender to initiate multiple withdrawals to collect a single loan.

Documentation

- At most sites, applicants are required to fax a variety of personal financial documents, typically a voided personal check, a recent pay stub, a current bank statement, along with the signed contract and an agreement to allow the payday lender access to the borrower's bank account.

Loan Approvals

- Cashadvancefast.com claims its 30 minutes approval process is “quicker than getting a pizza delivered.” Consumers either receive an e-mail or a phone call to let them know the loan has been approved.
- A typical claim of no credit checks: “Don’t worry about your credit rating. At Payday-loans.org, there are absolutely no credit checks. Payday-loans.org with providers of payday loans that will loan you payday loans regardless of your credit history.” Another site states “Don’t worry about your credit rating. At Payday Loans Overnight, there are absolutely no credit checks.”
- One site says: “Can I still get an unsecured loan if I have bad credit or a bankruptcy? Yes. There are over 80 little-known companies willing to give ‘high risk’ loans to people with bad credit or even a bankruptcy.” “Even bankruptcy, bounced checks, charge-offs and other credit hassles do not prevent you from getting the cash advance you need!” One lender claims to “approve 96% of payday loan customers for up to \$1,000 dollar in just 30 seconds!” ZippyCheck will even make loans to borrowers with current insufficient check fees, based on take home pay. If the borrower has \$2,500 take home pay, not more than \$400 overdrawn is acceptable.

Electronic Delivery and Payment

- Payday lenders use the Automated Clearinghouse system to deliver and collect loans.
- Internet lenders typically promise that loan proceeds will be direct into the borrower's bank account by the next business day.
- Repayment Options: Lenders typically offer three choices for repayment/loan renewal.
 - The default option is to pay the finance charge only and renew the loan for another payday. If a consumer does nothing, the loan is automatically flipped.
 - A consumer who wants to repay the loan in full must notify the lender three days before the loan due date or sign a separate section of the contract. After a set number of renewals, the lender may provide the option of paying down the loan principal in \$50 increments plus another finance charge each payday.
 - A minority of sites require payment in full on the next payday.

Collections

- If funds are not available to repay the loan, a fee for insufficient funds is charged by the lender and another fee is imposed by the consumer's bank.
- The FastCashConsulting firm claims that ACH is an “awesome collection tool,” enabling it to collect \$20,000 or more from customers that had been written off in just two months.

Marketing Internet Payday Loans

- Payday loans are aggressively marketed via the Internet and e-mail. A small industry of Internet payday loan marketing companies has emerged. ABC Marketing claims to have created the online marketing programs for a majority of the top payday loan businesses, taking clients from \$100,000 a month in “new loans” to over \$3 million in just six months.

Disclosures of Finance Charges and Annual Percentage Rates

- Only fifty-seven percent of sites posted the finance charge for loans and this information almost never was made on the home page for the site. Finance charge disclosures were buried in FAQ pages or on a separate disclosure page. Forty-three surveyed sites disclosed no finance charge amounts.
- The Federal Truth in Lending Act requires lenders to quote the annual percentage rate (APR) for loans. Some sites require consumers to click onto a separate page.

Factors that Create a Debt Trap

- It is extremely easy to get into debt to one or more Internet payday lenders, but very difficult to get out of debt. Critics of payday lending hold that the industry business is built on loan rollovers, where borrowers pay the finance charge to extend the loan without paying down principal. One Internet lender acknowledges that the high profits in payday lending (claimed as a 54.64% profit margin) are due, in large part, to rollovers. 80% of its customers come back before payday, pay the fee and rollover the original loan, now owing the fee again on the same loan.
- Lenders permit consumers to borrow a high proportion to take home pay without determining ability to repay. For example, Paydayloans.com permits new customers to borrow up to 50% of net income per pay period.
- “Avoid the hassle and embarrassment of having to go to a local check cashing or cash advance center.”

Extreme High Cost of Loans

The finance charge per \$100 for a full two-week cycle results in triple-digit interest rates.

- United Consumer Financial Services, Inc., located in Utah, charged an Ohio consumer 829.54% APR for a \$200 loan which could be rolled over for 12 weeks.
- Apple Fast Cash Personal Loans, charged \$54.86 for a \$400 loan for eight days and quoted a 625.71% APR.
- Axxcess Cash quoted a 1,095% APR for a \$300 loan and \$90 finance charge due in eleven days. The \$30 NSF fee was extra.
- CashForce USA contracted to loan \$400 at a cost of \$75 and a 651.78% APR. The contract stated, “Your Automated Clearing House (ACH) authorization for Pre-Authorized Electronic Funds Transfer (EFT) Payments is security for this loan.”

Overextended with Multiple Concurrent Loans

Mr. X has used Internet payday loans for a year and a half. A first loan of \$325 has ballooned into six loans that would cost \$4,000 to pay in full. He pays \$600-\$700 a month in rollover fees, which puts him behind on utilities, rent, and other expenses. Due to prior bankruptcy, maxed out credit cards, and exhaustion of advances from his retirement plan, Mr. X is experiencing great stress and few options. He fears harassment if he withdraws authorization for the lender to withdraw finance charges or closes his account.

Another consumer contacted the Center for Responsible Lending to report a series of Internet payday loans which he could not repay. He had borrowed \$1,675 from six online payday loan companies and owed \$2,154.75. The APRs for these loans ranged from 497% to 1,564%. (Three lenders claimed to be Delaware lenders, while another claimed to be from Idaho.)

Automatic Renewals

A consumer reported that CashNet charged her bank account \$60 fee every week. She eventually paid \$600 to borrow \$200 for what was intended to be two weeks after overlooking an asterisk in the contract instructing her to sign a fourth page if she did not want to refinance the loan. Because she did not sign, the company automatically refinanced.

Example of Repayment Schedule

Amount Financed by Customer	Amount Repaid by Customer	Finance Charge	Annual Percentage Rate				
			10 day	15 day	20 day	25 day	30 day
\$100	\$117.65	\$17.65	644.23%	429.48%	322.11%	257.69%	214.74%
\$200	\$235.30	\$35.30	644.23%	429.48%	322.11%	257.69%	214.74%
\$300	\$352.95	\$52.95	644.23%	429.48%	322.11%	257.69%	214.74%
\$400	\$470.60	\$70.60	644.23%	429.48%	322.11%	257.69%	214.74%
\$500	\$588.25	\$88.25	644.23%	429.48%	322.11%	257.69%	214.74%
\$600	\$705.90	\$105.90	644.23%	429.48%	322.11%	257.69%	214.74%
\$700	\$823.55	\$123.55	644.23%	429.48%	322.11%	257.69%	214.74%
\$800	\$941.20	\$141.20	644.23%	429.48%	322.11%	257.69%	214.74%
\$900	\$1058.85	\$158.85	644.23%	429.48%	322.11%	257.69%	214.74%
\$1000	\$1176.50	\$176.50	644.23%	429.48%	322.11%	257.69%	214.74%

Return Item Charge (Non-sufficient fund charge): Any item that is presented to your bank and is returned for any reason will result in a \$25.00 charge.

What Does it Cost

Answer from Payday lenders:

Your fees are less than the cost of not having the cash you need when you need it – overdraft fees, bounced check charges, taxes, even losing your job because you can't get to work!

Payday Lending in Arkansas

**Presented by Hank Klein
By H. C. Klein, Retired President/CEO
Arkansas Federal Credit Union**

- Payday Loans in Arkansas – What is the Arkansas Situation.
- Payday Lending in Arkansas: The Regulated & Unregulated (AFCU Study)
- Services Benefiting Low Income & Credit Impaired Members – Discuss list.
- Our Projects: 1) Low Income Payday Lending Study – By a University of Arkansas Walton Fellow this summer; 2) Lawsuit –victims & taxpaying citizens [Craig and Mayor Hayes] against State Regulator (Payday Loan Trade Assoc. vs. Arkansas Federal Credit Union and Arkansans Against Abusive Payday Lending; 3) Lawsuit –victims against Bonding Companies to collect judgments.
- FDIC Concern with 11 Partnering Banks – Venture Bank Stops - 6/30/05 (switched to First Fidelity, Burke, SD changed from \$15/\$100 to \$20/\$100). Changes: 1) Only 1 loan outstanding at any time. 2) must be fully repaid in 3 months; 3) then 9 months Payday Loan fee before next Payday Loan; 4) If can't pay in 3 months then convert to a Installment Loan properly underwritten.
- U.S District Court – Eleventh District decision / NAAG Letter (33 A/G) to FDIC and response to NC Attorney General.
- DoD Cautions Service members Against “Loan-Shark” Lenders - (John M. Molino, Deputy Undersecretary of Defense for Military Secretary).
- GAO Study – DoD’s Tools for Curbing the use of Predatory Lending Not Fully Utilized.
- Navy & Marine Corp vs. Air Force and Army – Assistance and open decisions with Little Rock AFB First Sergeants vs. Base Legal Officers.
- Some Credit Unions Start (Boeing and Washington State Employees) and others Stop (OBee CU and Harborstone CU (McCord AFB) Payday Lending.

Where the “Payday Loan” Came From

- There has always been a need by some consumers for extra cash just prior to payday. In years past, loan sharks filled this need by loaning consumers a few dollars to tide them over until their next payday. These lenders were often called Loan Sharks because their lending and collection practices were questionable at best. They had no office, but worked the streets and their interest rates always exceeded established state usury laws.
- In the mid-1990s, Loan Sharking became big business. Offices were set up in storefronts while forms and systems were developed. They became known, as “Check Cashers” because the “system” they developed was to take a consumer’s check and “cash it”. They would take out their interest up front (example, \$45 for a \$300 loan = total \$345 check) and return to the consumer the remainder of the check as a loan until next payday. Next payday, the consumer is supposed to buy back the check by paying face amount of the check (\$345) or the Check Casher simply cashes the check for the face amount at the consumer’s bank.
- In 1998, the Arkansas Attorney General’s office (on behalf of the citizens of the State of Arkansas) filed several lawsuits against companies engaged in payday loan transactions maintaining that payday loan transactions were void due to the usurious interest rates being charged. All of these cases were resolved in favor of the Attorney General. Arkansas’ state usury law, which is contained in Article 19, Section 13 of the Arkansas Constitution, sets a limit on interest charged on consumer loans not to exceed 17%.

- **Check Cashers Act of 1999** - Because of the actions of the Arkansas Attorney General's office, the Arkansas Check Cashers lobbied in 1999 for a law to legitimize payday loans. That year, the General Assembly passed a Check Cashers Act (Act 1216 of 1999 – Arkansas Code Annotated 23-52-101 through 117) which stated among other things, that amounts advanced “shall not be deemed to be a loan”, and the fees charged for payday loans “shall not be deemed interest”. The Check Cashers were now in business – legally through passage of this new Arkansas law and they now became regulated by the Arkansas Board of Collection Agencies, Division of Check Cashers.
- **The Federal Reserve acts in 2000** - Payday lenders were not only taking hold in Arkansas, but all across America and Attorney General offices and legislatures in other states were beginning to question whether the cost to consumers for payday loans was interest or fees. When calculated as an interest rate, payday lender charges usually calculate from 300% to over 1700%, on an Annual Percentage Rate basis.

The Federal Reserve Board of Governors took up the issue based upon its authority under the Federal Truth-in-Lending Act (TILA; 15 U.S.C. 1601). They studied schemes called “Payday Loans”, “Cash Advance Loans”, “Check Advance Loans”, “Postdated Check Loans”, “Delayed Deposit Loans”, “Deferred Deposit Loans”, and “Deferred Presentment Options.” A Final Rule was issued on March 24, 2000 indicating that “regardless of how the fee is characterized for state law purposes”; it would be considered interest and must comply with all the consumer disclosure requirements as required of other types of loans, effective October 1, 2000.
- **Repeal of Act Sought in 2001** - When the Arkansas General Assembly reconvened in the spring of 2001, then Senator Cliff H. Hoofman introduced Senate Bill 6 which would have repealed the Check Cashers Act of 1999. Many additional bills were also introduced to alter the act. Although many bills were introduced, none passed the General Assembly.

- **Law Suits Followed** - Even prior to the inability of the General Assembly to take action in 2001 to repeal the Check Cashers Act of 1999, attorneys in Arkansas were suing Check Cashers on behalf of Arkansas consumers, declaring the fees charged to consumers were interest and therefore usurious under the Arkansas Constitution. Most notable of these law firms is Arnold, Batson, Turner and Turner of Arkadelphia, Arkansas. Todd Turner, Attorney-at-Law had taken on the Check Cashers of Arkansas almost single handedly suing in county court, state court, appeals court, and even the Arkansas Supreme Court and in every case winning class action lawsuits for his clients. Many Check Cashers have closed up shop in Arkansas due to the actions of Todd Turner and his firm. Turner continues to pursue cases against check cashers and has filed a lawsuit (currently awaiting a hearing from the Arkansas Supreme Court) seeking to have the Check Casher's Act of 1999 declared unconstitutional.
- **Rent-A-Bank** - Even though we may think the fees/interest rates charged by Payday Lenders are extremely high and usurious, these lenders began looking for even higher earnings. Not entirely happy with the new Arkansas state law, many Arkansas Check Cashers began establishing a scheme of relationships with out of state banks to "import" other states' interest rates into Arkansas. Some states (Delaware and South Dakota, for example) have no usury rate and lenders can charge any interest rate that a consumer will pay. Federal Bank Regulators (Comptroller of the Currency, Federal Reserve Board, and the Office of Thrift Supervision) have either forbidden the practice or placed such high restrictions on the banks they supervise as to stop the practice. The only bank regulator that has failed to stop this practice is the Federal Deposit Insurance Corporation who supervises state banks who are not members of the Federal Reserve. FDIC has recently issued restrictive guidelines, which may over time restrict or stop the handful (currently eleven banks) that continue to front for some Payday Lenders.

- **Rent-A-Finance Company** – Some Arkansas Payday Lenders have taken the Rent-A-Bank concept and set up loan companies out of state (South Dakota). They are trying to import these out of state interest rates into Arkansas. While the importation of our of state interest rates is legal for banks, savings & loans and credit unions that are Federally governed and regulated is not legal for finance companies which are governed and regulated by state laws.
- **Internet Rebate Lenders** - One consumer friendly provision of the Check Cashers Act of 1999 is the prohibition of rollovers. A rollover is the practice of extending the loan on payday if the consumer is unable or unwilling to pay the balance in full. Rollovers put the consumer into a never-ending cycle of debt and turn a one time loan into an installment loan at an extremely high interest rate. Rollovers are often considered the worst feature of Payday Lending.
Some lenders, in an effort to get around this restriction in the Check Cashers Act of 1999, have developed schemes like the “Internet Rebate”. The Internet Rebate Lender’s loan works just like a normal Payday Loan transaction from a Check Casher, except the consumer also signs a contract to rollover the loan every two weeks for a period of 12 months by agreeing to “purchase” Internet service from the Payday Lender. The Internet service is available from an Internet terminal in the lobby of the Internet Rebate Lender office during office hours and is limited based upon the amount of the loan (or rebate as it is called). For example, if the consumer asks for a \$300 rebate then the consumer presents a check for \$360. The Internet Rebate Lender keeps \$60 as the first payment for Internet service and the consumer makes a payment of \$60 a payday (every 14 days) for a year in order to pay off the loan and receive the Internet service.

- **Time for the Legislature to Act** - In 1999 (prior to the Federal Reserve Board determining that fees paid on Payday Loans were interest) the fees charged by Payday Lenders might have been in question. The Arkansas General Assembly might have passed the Check Cashers Act of 1999 in good faith in an effort to regulate an industry that was growing rapidly and appeared to need state regulation. Since October 1, 2000, when the Federal Reserve Board determined that the fees being charged by Check Cashers/Payday Lenders were interest, it has been clear that the interest rates charged are usurious based upon the Arkansas Constitution. Class Action lawsuit after Class Action lawsuit has proven that the usury rate in the Arkansas Constitution is being exceeded. The Courts of the state of Arkansas have reaffirmed this over and over again.
- **It is time for the Arkansas General Assembly to repeal the Check Cashers Act of 1999 just as former Senator Cliff Hoofman suggested in 2001. It is time to stop harming the poor families of Arkansas by allowing consumers to obtain Payday Loans at usurious rates that cause an endless cycle of debt.**

Services Benefiting Low Income and Credit Impaired Members

The following is a list of services specifically designed for our lower income members and those with impaired credit. We know that not every member has a perfect credit report and that sometimes our members need more options and more choices so they can get back into the mainstream of financial services. These products and services were designed with that purpose in mind.

- **Small Loans** – Whether you need a small-unsecured loan to tide you over until next payday or need to add a small amount to your existing auto loan Arkansas Federal offers unsecured and secured loans as low as \$100.
- **Credit Builder Loan** – The Credit Builder Loan allows the member to build or rebuild their credit history by laying-away the proceeds of a loan (up to \$10,000) in their Share Savings Account while they make regular, monthly payments during a 24-month repayment period. By laying the proceeds of the loan away in this manner, the member will: build a positive credit history with the credit union that will be reported monthly to all major credit bureaus, build a sizable savings balance that will earn dividends as the loan is being paid off. Credit Builder Loans will only be made to members who have the income capacity to repay the loan.
- **Special Savings Account** – Saving for any special purpose is made easy with a Special Savings Account. The account gives you a choice of unlimited withdrawals or a limit of one withdrawal per year. Having a Special Savings Account allows you to save for a specific purpose like Christmas shopping, vacation or tax time. A Special Savings Account can be opened with a minimum deposit of \$25. Dividends are set by the Board of Directors, calculated on your daily balance, paid, and compounded quarterly.

- **Secure VISA Credit Card** – This is an alternative to the typical Secure Credit Cards that are offered with interest rates above 20% and initial fees of \$50 or more. This is a great product for those members trying to establish their credit history for the first time or for members who have had past financial difficulties and want to re-establish their credit history. In today's world, having a credit card is essential as you try to make various reservations – from confirming hotel dates to reserving a rental vehicle. The card is opened by securing money on deposit in your Share Savings Account for as little as \$250 up to a credit limit of \$10,000.
- **Credit Management Seminars** – It is important to have or keep your good credit status in these changing times. Consumer Credit Counseling Services (a service of the Family Service Agency) offer financial seminars that can assist with the making of a budget and sticking to it and not let your credit get any worse or beyond repair. To some, bankruptcy may seem like the only option, but there may be other options that are less expensive and less harmful to your credit rating.
- **First Time Home Buyers Seminars** – An educational class for first-time homebuyers in the central Arkansas area. Discussions at the seminars include the Home Buying Process, explanation of different types of loans, the realtor's role in the process, and much, much more. With attendance and completion of all three classes, you will receive a certificate that may qualify you to borrow your down payment and closing costs with a new home purchase (first-time homebuyers only)!
- **Bond Loans** – Low cost home mortgage loans are available through the Arkansas Development Finance Authority's bond loan program. This program is for those members having lower income, yet stable credit. Down payment assistance up to \$3,000 is available for those who complete the required homebuyer education classes.

- **Checking Accounts** – Fee-Free Checking accounts that require a minimum deposit of only \$25 with no per check fee, no minimum balance, no monthly fee, and no direct deposit requirement. All you have to do is buy your checks at a low fee of \$8.00 for 150 checks. In addition, you will be able to check your account balance any time of the day or night by logging on to our website at www.afcu.org and using our free Online Account Access and Free Internet Bill Payment or through our 24-Hour Touch Tone Teller on the phone.
- **Free Check Cashing** – Members may cash checks for free at any Arkansas Federal branch office.
- **Get Checking** – This educational program is designed to help consumer gain access to basic financial services, namely checking accounts. This included individual that may have had problems managing their accounts in the past, or consumers who have simply never opened a checking account. The program includes six hours of in-class instruction, exercises, and skill development training specific to checking account management. Individuals learn basic financial skills and principles, money management and financial planning goals such as purchasing a home or saving for higher education.
- **Financial Counseling** – Consumer Credit Counseling Services is a program of the Family Service Agency. They are a private nonprofit community service that provides money management counseling to individuals and families. They offer to arrange mutually acceptable debt repayment plans with creditors. Arkansas Federal Credit Union is the only financial institution in the state to offer Consumer Credit Counseling Service (CCCS) in its branch office locations.
- **Free Financial Education** – We provide free financial education seminars at our branch offices and at local area high schools. This financial education covers areas of budgeting, borrowing, and saving.

- **Extended Term Auto Loans** – Auto loan terms up to 84 and 96 months make monthly car payments affordable and are an alternative to leasing a vehicle.
- **Free Remote Access** – Account and loan access is available at no charge via the 24-hour Touch-Tone-Teller, Online Account Access, Internet Bill Payment, and our 300 absolutely free ATMs in Arkansas and more than 18,000 free ATMs across the country.
- **100% Financing** – Low-income members often cannot make a down payment so we offer up to 100% financing on all secured loans.
- **Free Pre-Approved Loans** – Many members do not know how much loan they can qualify for. We offer pre-approved loans that approve members up to the maximum loan they qualify. This allows members to shop for a car, truck, van, SUV, boat, motorcycle, or recreational vehicle that is in their price range.
- **Credit Card Debt Liquidation** - Our Credit Card Liquidation Report shows how to can cut years off the repayment of high balance, high interest credit card debt— saving hundreds, even thousands of dollars. The report serves as a “road map” to paying off debt faster by allocating funds used for minimum monthly payments in smarter, more efficient ways.

A BETTER WAY TO BORROW

Some of us have limited ways to borrow a small amount of money. Now, with Cash Advance, there may be a better short-term solution.

Cash Advance is a short-term advance product provided by Republic Bank & Trust Company. The cost and other details can be found on the left inside panel.

Start by filling out the application on the inside. You will need to provide the following items in addition to the information on the completed and signed application.

- A preprinted check from your current open bank account
- Most recent checking account statement (dated within the last 45 days)
- Valid Government Issued Picture I.D.
- Proof of income (e.g., pay stub, Social Security or government benefit statement dated within the last 45 days)
- Proof of residency (e.g., rent statement or utility bill statement dated within the last 45 days)
- Proof of working phone (phone bill)

IMPORTANT INFORMATION

Credit Reporting Agency: I understand that Republic Bank & Trust Company will not perform a lengthy credit check on me, but the information I have provided in and with this application will be sent to a credit reporting agency for a search of its database and for determination as to whether or not I satisfy Republic Bank & Trust Company credit criteria. The credit reporting agency's database is a national database of consumers who have a record of transactions with certain lending institutions. By signing this application, I agree to and authorize such a search and credit analysis.

Your Short-Term Cash Advance Solution



Up to \$425 on the spot

Fast Approval

Easy Application Enclosed

Cash On the Spot

Unexpected bills? Can't make it to payday? Ace Cash Express may be able to get you the cash you need... right now!



Cash Advance Details

Please read the following information regarding the Republic Bank & Trust Company advance for which you are about to apply. This is a short-term cash advance that requires payoff by the due date indicated on the Deferred Presentment Agreement. This program is not intended to be a long-term financial solution for you. You can borrow between \$100-\$425, in increments of \$10, for a 14-day period. The fee is \$17.64 per \$100 borrowed for 14 days. This equates to a 459.90% APR (Annual Percentage Rate). Note the amount authorized will be based upon an assessment of your ability to repay the cash advance.

A deferred deposit transaction means, for consideration, accepting a check and holding the check for a period of time prior to deposit or presentment in accordance to an agreement with or any representation made to the maker of the check, whether expressed or implied. A deferred deposit service business means a person or entity that engages in deferred deposit transactions.

1. Do you have any deferred deposit transactions outstanding to any Kentucky-based deferred deposit service business?

Initial: Yes _____ No _____

2. Are you currently in bankruptcy?

Initial: Yes _____ No _____

REMEMBER: THE ADVANCE YOU ARE APPLYING FOR CARRIES A HIGH RATE OF INTEREST. IT IS INTENDED AS A SHORT-TERM SOLUTION FOR IMMEDIATE CASH NEEDS.

Amount of Advance Requested? <input style="width: 150px;" type="text"/>		How Did You Hear About This Loan Product?			
<small>Write the amount of cash advance authorized will be issued upon an assessment of your ability to repay the advance.</small> Last Name: <input style="width: 150px;" type="text"/>		<input type="checkbox"/> Newspaper		<input type="checkbox"/> TV	<input type="checkbox"/> Radio
		<input type="checkbox"/> ACE Store	<input type="checkbox"/> ACE Employee	<input type="checkbox"/> Family	<input type="checkbox"/> Friend
First Name: <input style="width: 150px;" type="text"/>		Middle Initial: <input style="width: 50px;" type="text"/>			
Street Address: <input style="width: 150px;" type="text"/>		Apartment #: <input style="width: 50px;" type="text"/>		City: <input style="width: 100px;" type="text"/>	
State: <input style="width: 50px;" type="text"/>	ZIP Code: <input style="width: 50px;" type="text"/>	How Long at This Address?		Residence:	
		Year(s): <input style="width: 30px;" type="text"/>	Month: <input style="width: 30px;" type="text"/>	1. Rent	2. Own
				3. NA	
Home Phone: <input style="width: 100px;" type="text"/>		Work Phone: <input style="width: 100px;" type="text"/>		State Security Number (Required for Approval): <input style="width: 100px;" type="text"/>	
				Date of Birth: <input style="width: 50px;" type="text"/>	
Applicant Identification Type: <input style="width: 50px;" type="text"/>		1. State Picture Driver's License	3. Passport	5. Military	Identification Number: <input style="width: 100px;" type="text"/>
		2. State Picture Identification	4. Birth Card	6. Welfare	
Location of Issuance: <input style="width: 150px;" type="text"/>		Date of Issuance: <input style="width: 100px;" type="text"/>		Expiration Date: <input style="width: 100px;" type="text"/>	
Employer Information					
Employer Name or Source of Income: <input style="width: 100%; height: 20px;" type="text"/>					
Street Address: <input style="width: 150px;" type="text"/>				City: <input style="width: 100px;" type="text"/>	
State: <input style="width: 50px;" type="text"/>	ZIP Code: <input style="width: 50px;" type="text"/>	Start Date of Job: <input style="width: 50px;" type="text"/>	Gross Pay Per Paycheck: <input style="width: 50px;" type="text"/>	Last Last Paid: <input style="width: 50px;" type="text"/>	
Frequency of Pay:					
<input type="checkbox"/> Monthly		<input type="checkbox"/> Twice a Month		<input type="checkbox"/> Every Two Weeks	
<input type="checkbox"/> Weekly					
Bank Information					
Bank Name: <input style="width: 150px;" type="text"/>		Bank Telephone Number: <input style="width: 100px;" type="text"/>		Checking Account Number: <input style="width: 100px;" type="text"/>	
You will have to provide a preprinted bank check from your bank.					
Personal References					
Name: <input style="width: 150px;" type="text"/>		Telephone Number: <input style="width: 100px;" type="text"/>			
Name: <input style="width: 150px;" type="text"/>		Telephone Number: <input style="width: 100px;" type="text"/>			
<small>*Alimony, child support or separate maintenance income need not be received, if you do not wish to have it considered as a basis for repaying this cash advance.</small>					
<small>RELEASE OF INFORMATION: (Please read statement before signing) I permit this information to be provided on this form to contact individuals complete and location of all information that I have provided as well as understand that this information may be used to verify certain past and/or current credit or payment history information from third party source(s). Republic Bank & Trust Company or ACE Cash Express may contact any person or company listed above, and I fully release all parties from all liability for any damage that may result if I understand that this application may be rejected if any information provided above is found to be false.</small>					
<small>By signing below, I acknowledge that ACE Cash Express is not part of Republic Bank & Trust Company and is assisting me in applying for a cash advance from Republic Bank & Trust Company.</small>					
We would like to call you three days prior to your cash advance due date.					
At what number can we reach you? <input style="width: 150px;" type="text"/>					
Applicant Signature: <input style="width: 100px;" type="text"/>		Date: <input style="width: 50px;" type="text"/>		Customer Identification Verified By: <input style="width: 100px;" type="text"/>	