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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT OF
FINANCE, CONSUMER FINANCE BUREAU,

Complainant,

vs.

LEND CONNECT, LLC,

Respondent.

Docket No. 2012-6-05

CONSENT ORDER

The Director of the State of Idaho, Department of Finance (Director) has conducted a review of the Idaho payday lending activities of LEND CONNECT, LLC (Respondent). Pursuant to said review, the Director alleges that Respondent has violated provisions of the Idaho Credit Code, Idaho Code § 28-41-101 *et seq.* (ICC), and Idaho's Payday Loan Act, Idaho Code § 28-46-401 *et seq.*, included within the ICC (the Act). The Director and Respondent have agreed to resolve this matter through this Consent Order rather than through a formal administrative proceeding or civil action. Therefore, the Director deems it appropriate and in the

public interest that this Consent Order be entered. Respondent voluntarily consents to the entry of this Consent Order.

FACTS

1. Respondent was formed as a Nevada limited liability company on June 3, 2010 by Jessica Henry. Ms. Henry was the initial member, but in late 2010, Blake Collins and Ashley Collins became members of Respondent.

2. On December 20, 2010, the State of Idaho, Department of Finance, Consumer Finance Bureau (Department) issued to Respondent Payday Loan License No. RPD 8059 authorizing the company to engage in payday lending activities in Idaho. Respondent engaged in payday lending in Idaho from 352 Denver Street, Suite 224, Salt Lake City, Utah. The payday loan license issued by the Department to Respondent continued in effect until May 31, 2011, when it expired by operation of law due to Respondent's failure to meet license renewal requirements. At that time, the Department sent Respondent a letter notifying Respondent that its Idaho payday lender license had expired for failure to timely renew. That letter also informed Respondent that if it wished to engage in payday lending activities in Idaho in the future, it would need to complete a new application for licensure under the Act. Further, the letter notified Respondent that until it was properly licensed under the Act, Respondent was prohibited from engaging in payday lending activities in Idaho.

3. Sometime in early 2011, Nathan James Lord and Jeremy Russell Peterson acquired Respondent. On March 22, 2011, Mr. Lord and Mr. Peterson were listed as managing members on Respondent's filings with the Nevada Secretary of State. On July 1, 2011, Mr. Lord and Mr. Peterson entered into an Operating Agreement, which listed both Mr. Lord and Mr. Peterson as the initial members of Respondent. On September 20, 2011, Jessica Henry and

Blake Collins entered into a “Membership Interest Relinquishment Agreement” with Respondent, relinquishing all rights, titles and interests in Respondent and to all membership interest they each had in Respondent.

4. The Department was not notified of the change of ownership when Mr. Lord and Mr. Peterson acquired Respondent, and Respondent did not apply for or obtain a payday lender license issued by the Department authorizing Respondent to engage in a payday lending business in Idaho. Nevertheless, from the time the new owners acquired Respondent, Respondent continued to engage in a payday lending business while it failed to hold the license under the Act authorizing it to do so.

5. On August 26, 2011, Respondent submitted an incomplete application for a payday lender license under the Act to the Department. Such application was deemed withdrawn after Respondent failed to timely cure deficiencies contained in that application.

6. On January 24, 2012, Respondent submitted a second application for a payday lender license under the Act to the Department. Such application was deficient in several respects, and over the next several months, Respondent submitted information to the Department about its Idaho activities and customers. Respondent cooperated by providing the information requested by a Department investigator. The information consisted of pipeline reports that included the names of Respondent’s Idaho clients and specific payday loan dollar amounts; borrower payday loan agreements; and loan payment histories.

7. Based on information provided to the Department by Respondent in connection with the Department’s investigation of Respondent’s unlicensed payday lending activity in Idaho, the Department concludes as follows:

a. That Respondent has extended payday loans to at least 40 Idaho consumers from at least April 2011 to the date of this Consent Order.

b. That Respondent's "Idaho Payday Loan Agreement" includes a provision requiring that borrowers agree to provide Respondent with a wage assignment, authorizing Respondent to deduct from the borrower's wages the amount owing under the Agreement in the event of default by the borrower.

c. The contracts with Idaho consumers disclosed the amount borrowed, the repayment amount, and the fees for the transaction which were expressed as a finance charge. The repayment amount equaled the amount borrowed plus the finance charge. If the consumer repaid the loan timely, he or she would pay the repayment amount as shown on the contract. However, if the consumer defaulted and did not repay timely, Respondent would continue to accrue interest on the unpaid amount.

d. Respondent originated loans for the total principal amount of \$13,000. It collected principal payment of those loans in the amount of \$5,701.48.

e. In addition to the principal collections, Respondent collected from Idaho borrowers interest in the total amount of \$3,867.20, and fees in the total amount of \$1,308.86.

CONCLUSIONS OF LAW AND VIOLATIONS

8. The allegations set forth in paragraphs 1 through 7 above are fully incorporated herein by this reference.

9. Idaho Code § 28-46-401(1) defines "payday loan" as a transaction pursuant to a written agreement between a creditor and the maker of a check whereby the creditor: (a) accepts a check from the maker; (b) agrees to hold the check for a period of time prior to negotiation, deposit or presentment; and (c) pays to the maker of the check the amount of the check, less the

fee permitted by the ICC. Idaho Code § 28-46-401(2) provides that payday loans are regulated consumer credit transactions, and both payday loans and payday lenders are subject to all provisions of the ICC that relate to regulated consumer loans.

10. Idaho Code § 28-43-304(1) provides that a creditor may not take an irrevocable assignment of earnings of the debtor for payment or as security for payment of a debt arising out of a regulated consumer credit transaction. An assignment of earnings in violation of Idaho Code § 28-43-304 is unenforceable by the assignee of the earnings and revocable by the debtor.

11. Respondent's acts of requiring borrowers to agree to provide Respondent with a wage assignment, as described above, constitute violations of Idaho Code § 28-43-304(1).

12. Idaho Code § 28-46-402(1) provides that no person shall engage in the business of payday loans in Idaho without first having obtained a license from the Department authorizing the person to do so. Pursuant to Idaho Code § 28-46-406(1), a license issued pursuant to the Act is not transferable or assignable.

13. Respondent's acts of extending at least 40 payday loans in Idaho while not licensed under the Act, constitute violations of Idaho Code § 28-46-402(1). Each loan constitutes a separate violation.

14. Idaho Code § 28-46-406(2) provides that the prior written approval of the Director is required for the continued operation of a payday loan business whenever a change in control of a licensee is proposed. In the case of an entity, "control" means direct or indirect ownership, or the right to vote or otherwise control, 25% or more of the governance interests of the entity, or the ability of any person to elect a majority of the directors.

15. Respondent failed to get prior written approval of the Director of the proposed change in control of Respondent's payday loan business, as described above. Such failure constitutes a violation of Idaho Code § 28-46-406(2).

16. Idaho Code § 28-46-412(3) provides that:

A licensee may charge a fee for each payday loan. Such fee shall be deemed fully earned as of the date of the transaction and shall not be deemed interest for any purpose of law. No other fee or charges may be charged or collected for the payday loan except as specifically set forth in this act.

17. Respondent's acts of charging an interest rate on payday loans, as described above, constitutes a violation of Idaho Code § 28-46-412(3).

18. Idaho Code § 28-46-402(3) provides that:

A payday loan made in this state in violation of the licensing requirement of this section is void, uncollectible and unenforceable. For any such payday loan the debtor is not obligated to pay the principal or any fee associated with such payday loan. If a debtor has paid any part of the principal or fee, the debtor has a right to recover the payment from the person violating the provisions of this section . . . In the event the administrator initiates an administrative or civil action against a person who has violated the provisions of this section, the administrator shall be entitled to recover the principal and fees received by such person in a payday loan transaction made in violation of the provisions of this section.

19. Respondent may collect fees as long as the fees are fully earned as of the date of the loan. The fees in the Respondent's contracts, identified as finance charges, satisfies Idaho Code § 28-46-412(3). However, Respondent may not collect any additional interest or other fees, other than the fees identified as finance charges.

REMEDIES

20. Respondent neither admits nor denies the allegations contained in this Consent Order.

21. Respondent acknowledges any fees or interest it collected, other than the initial fee disclosed to its customers, is not enforceable and shall be refunded to its customers, pursuant

to Idaho Code § 28-46-412(3). Respondent shall pay the total amount of \$5,176.06 it collected back to its customers. Respondent agrees to provide a detailed accounting to the Department by no later than fourteen (14) days after the Director's entry of this Consent Order demonstrating that it has complied with all requirements of this, and certifying in writing that it has fully complied with such requirements of this paragraph. Respondent agrees and acknowledges that its failure to timely and fully comply with the requirements of this Consent Order may render this Consent Order null and void, and the Department may pursue whatever legal action against Respondent that it deems necessary.

22. Respondent agrees to pay to the Department the sum of one thousand dollars (\$1,000) as an administrative penalty in settlement of the violations contained herein, and an additional amount of five hundred dollars (\$500) constituting investigative expenses and attorney fees incurred by the Department in pursuing this matter, for a total payment to the Department of fifteen hundred dollars (\$1,500), by no later than November 2, 2012.

23. Respondent shall unwind its sale of 11 delinquent accounts to United Debt Holdings and reimburse these account holders of any fees or interest collected by United Debt Holdings or its affiliates or assigns. Respondent will provide evidence of the unwinding and the reimbursement of fees to the Department.

24. Respondent will not pursue any collection activities, including the selling or assigning of accounts to others for direct or indirect collection activities, based on amounts owed or allegedly owed on a payday loan made by Respondent to any person in Idaho during the time period which Respondent was not licensed to make payday loans in Idaho.

25. Respondent will not report, or cause to be reported, to any credit reporting agency any record, notice, or other report of default or delinquency related to any payday loan made by

it to any Idaho borrower during the time period that Respondent was not licensed to make payday loans in Idaho.

26. Respondent agrees to immediately cease and desist from engaging in any and all payday lending activity in Idaho, to include offering to enter into or entering into payday loans; advertising its availability to make payday loans; making telephone calls related to offering payday loans, including automated calls; and mailing, faxing, e-mailing, or otherwise delivering communications to Idaho residents in connection with payday lending activities until such time as it obtains a license from the Department authorizing it to do so.

27. Upon the execution of this Consent Order, Respondent hereby withdraws its application for licensure.

28. Respondent acknowledges and understands that this Consent Order is an administrative action that must be disclosed to the Department on future licensing and renewal forms. The disclosure requirements of other states may also require disclosure of the same.

29. Respondent acknowledges and understands that should the Department learn of additional violations by Respondent of the ICC, the Act, rules promulgated under the Act, or applicable federal laws and regulations relating to Respondent's payday lending activities in Idaho, the Department may pursue further legal action and seek additional remedies.

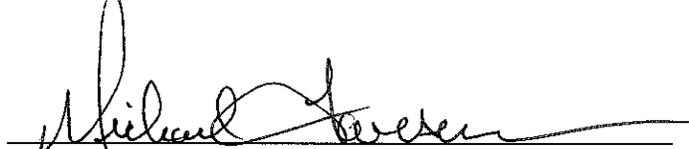
DATED this 29 day of October, 2012.

LEND CONNECT, LLC


By: Nathan Lord
Title: Manager

DATED this 5th day of November, 2012.

STATE OF IDAHO
DEPARTMENT OF FINANCE


MICHAEL LARSEN
Consumer Finance Bureau Chief

IT IS SO ORDERED.

DATED this 5th day of NOVEMBER, 2012.



STATE OF IDAHO
DEPARTMENT OF FINANCE

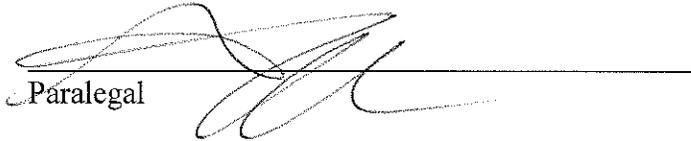

GAVIN M. GEE, Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 6th day of November, 2012, I caused a true and correct copy of the foregoing fully-executed CONSENT ORDER to be served on the following by the designated means:

Lend Connect, LLC
Attn: Nate Lord
352 Denver St. #224
Salt Lake City, UT 84111

- U.S. mail, postage prepaid
- certified mail
- facsimile: (928) 771-2184
- email: accounting@lendconnect.net


Paralegal