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CONSUMER BULLETIN

FINANCIAL LITERACY MONTH TIP OF THE WEEK

FOR IMMEDIATE RELEASE

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Beware of Unlicensed and Unregulated Internet Payday Lenders

APRIL IS FINANCIAL LITERACY MONTH and Department of Finance Director Gavin Gee ushers out a month full of financial literacy education and information with a strong caution to Idaho borrowers: "Payday loans can be very expensive; it's important to explore alternatives and shop and compare offers for short-term credit, especially before you decide to take out an online payday loan."

Gee advised consumers considering a payday loan that one of their first steps should be to verify that the payday lender is licensed with the department. "This is particularly crucial when dealing with an internet payday lender," said Gee. "Don't learn your lesson the hard way. Check out the company's license and learn your rights under Idaho law."

The department has become aware of instances of unlicensed and unregulated Internet payday lending where borrowers' personal financial information has been compromised. Gee said that borrowers enter "the danger zone" of possible identity theft when they give out their personal financial information to unlicensed Internet payday lenders, which may be located anywhere in the world. "Obtaining restitution or recourse against unlicensed and unregulated Internet payday lenders is extremely difficult."

The department has also received complaints against unlicensed Internet payday lenders from consumers whose payday loans are renewed far more times than the three renewals permitted by Idaho law. Gee said that the pattern of repeated renewals make a payday loan not only more expensive, but virtually impossible to manage. Along with the unlicensed payday lending often comes aggressive, abusive and unlawful third-party collection attempts against a borrower who is unable to meet the continued payment demands.

When asked for an example of an illegal internet payday lending practice, Gee cited the department's [participation with the Federal Trade Commission in 2010 in stopping "GetEcash,"](#) an unlicensed Internet payday lender, from perpetrating a scheme to illegally garnish borrowers' wages. "We will continue to cooperate with our state and federal counterparts to stop illegal practices of unlicensed internet payday lenders."

Gee urges borrowers who may be tempted to respond to enticing offers of quick cash from an unlicensed internet payday lender, "know your rights under Idaho law and don't do business with an unlicensed lender."

KNOW YOUR RIGHTS

Idaho law requires the following from payday lenders, including Internet payday lenders doing business in Idaho:

- ▶ Payday lenders must be licensed before offering payday loans in Idaho
- ▶ A payday loan made in Idaho in violation of licensing requirements is void, uncollectable and unenforceable
- ▶ Payday lenders are prohibited from engaging in any unfair or deceptive acts or practices
- ▶ Payday lenders are prohibited against threatening criminal action as a result of a borrower's payment default
- ▶ Payday loans are limited to no more than \$1,000 with no more than three renewals
- ▶ Each licensee must conspicuously post a notice of fee costs, expressed in a dollar amount as a cost per \$100
- ▶ The costs for the payday loan must be disclosed as an annual percentage rate (APR) on a truth-in-lending form
- ▶ Payday lenders must also disclose to prospective borrowers that
 - a. payday loans are intended to address short-term, not long term, financial needs
 - b. the borrower will be required to pay additional fees if the loan is renewed
 - c. the borrower may rescind/cancel the loan, **at no cost**, no later than the end of the next business day following the day the payday loan was made

The Department's listing of licensed payday lenders may be reviewed on its website at <http://finance.idaho.gov/consumerfinance/consumercreditlicense.aspx>. The department also has a [payday loan brochure available online](http://finance.idaho.gov/education/documents/payday-loans-in-idaho.pdf) at, <http://finance.idaho.gov/education/documents/payday-loans-in-idaho.pdf>. The brochure entitled, "Payday Loans in Idaho; Your Rights and Remedies," outlines borrowers' rights under Idaho's Payday Lending Act.

Special lending laws apply to payday lenders making loans to military personnel. Guidance is available from the U.S. Department of Defense (DoD) for military personnel, including alternatives to payday loans and financial planning assistance. For more information, consumers can contact the DoD, toll-free 24 hours a day, seven days a week, at 1-800-342-9647, or online at www.militaryonesource.com.

Department of Finance Press Releases and other information can be found on the Department's website at <http://finance.idaho.gov> and may also be obtained by contacting the Department at (208) 332-8000, or toll-free in Idaho at 1-888-346-3378.