



Consumer Federation of America

Internet Payday Lending:

How High-priced Lenders Use the Internet to Mire Borrowers in Debt and Evade State Consumer Protections

A CFA Survey of Internet Payday Loan Sites

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Executive Summary

- Payday lending has expanded from check cashing outlets, pawn shops and payday loan outlets to the Internet. Loans are marketed, delivered and collected online at rates and terms that mire cash-strapped consumers in repeat borrowing at extremely high costs. Finance charges are in the \$25 (650% APR) to \$30 (780% APR) per \$100 borrowed range, with built in loan flipping in many contracts.
- Web sites marketing and/or delivering small loans are growing rapidly, with numerous referral sites feeding applications to actual lenders. Lenders are hard to locate, identify or contact. Some are licensed in their home states, while others hide behind anonymous domain registrations or are located outside the United States.
- Banks are involved in Internet payday loans through the Automated Clearing House System (ACH) used to electronically deliver loans to consumers' bank accounts and to withdraw payments. 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. State regulators, notably in Kansas, New York and Colorado, are beginning to enforce state usury and small loan laws against lenders making loans online to state consumers.
- Payday loan applications made online expose consumers to privacy and security risks as bank account numbers, Social Security numbers, and other personal financial information are transmitted to lenders, often over unsecure web links. Privacy policies do not protect privacy.
- Federal electronic banking laws and industry self regulatory rules for use of the Automated Clearing House (ACH) system do not adequately protect consumers who use electronic fund transfers to borrow and repay loans from bank accounts.

Introduction

The new frontier in the fringe small loan market in cyberspace is payday loans marketed online, delivered directly to borrowers' bank accounts and collected electronically with no personal contact between lender and borrower. Reports published by Consumer Federation of America over the last seven years have documented the growth of check-based lending, the ruses and scams used by some to evade state usury and small loan laws, and rent-a-bank partnerships employed by leading payday lenders to avoid state efforts to regulate the small loan industry. Reports from CFA and other organizations and state officials demonstrate the debt trap set for cash-strapped consumers by check-based lenders and the collection tactics used to ensure repeat borrowing by consumers at storefront operations.¹

This report summarizes a survey of a sample of one hundred Internet sites offering payday loans and explores the additional risks to consumers who borrow from distant lenders by providing access to personal bank accounts to receive loan proceeds and make payments via electronic funds transfer. 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 state regulators have attempted to enforce state credit laws against online lenders.

Payday lending on the Internet involves a confusing mix of 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.

Payday loans made online combine the negative aspects of store-front payday loans (extreme high cost, loan flipping and coercive collection tactics) with the additional problems of jurisdiction and applicable law, security and privacy risks of entering personal financial information online, and gaps in the federal laws and industry rules for electronic fund transfers and the Automated Clearing House system industry self-regulation rules. Consumers who borrow online have additional difficulties with locating and communicating with web lenders who are hard to find or identify to resolve disputes.

¹ See, "Unsafe and Unsound: Payday Lenders Hide Behind FDIC Bank Charters to Peddle Usury," report by Consumer Federation of America, March 2004, www.consumerfed.org/pdlrentabankreport.pdf

"Rent-A-Bank Payday Lending: How Banks Help Payday Lenders Evade State Consumer Protections," report by Consumer Federation of America and the U. S. Public Interest Research Group, November 2001, www.consumerfed.org/paydayreport.pdf

"Show Me The Money," report by Consumer Federation of America and the U. S. Public Interest Research Group, February 2000, <http://uspirg.org/uspig.asp?id2=5043&id3=USPIRG&>

"Safe Harbor for Usury: Recent Developments in Payday Lending," Consumer Federation of America, September 1999, www.consumerfed.org/safeharbor.pdf

"The Growth of Legal Loan Sharking: A Report on the Payday Loan Industry," Consumer Federation of America, November 1998.

Payday Loans Migrate from Store Front to Cyberspace

Payday loans are small cash loans based on borrowers' personal checks held for future deposit or on electronic access to borrowers' bank accounts. Check-based loans of \$100 to \$500 or more cost triple-digit interest rates, typically 390% to 780% annual interest rates for two-week loans with \$15 to \$30 finance charges per \$100 loaned. These single-payment loans are due in full on the borrower's next payday, typically in two weeks. Borrowers must have a bank account in relatively good standing and a source of income or benefits to qualify for loans. Lenders do not determine the borrower's ability to repay through conventional credit checks or application information. Payday lenders entice cash-strapped consumers to write checks without funds on deposit and then use those checks to coerce repeat transactions or collections. The combination of relatively large loan size, expensive finance charges, short repayment terms, and check holding results in loan flipping that traps many vulnerable consumers in debt.

According to industry sources, there are about 22,000 storefront payday loan outlets, making \$40 billion a year in loans and collecting \$6 billion in finance charges from borrowers.² We know of no industry-wide or government studies that measure the size of the Internet payday loan market, or the number of actual lenders (versus the proliferation of referral sites). The Yahoo Shopping directory listed almost 140 payday lenders in late August. One marketer claims that over seventy million Americans relied on the Internet for online payday loan sites last year.³ PDL Marketing LLC claims that its affiliate web sites generate over 10,000 fresh, exclusive payday loan applications every single week.⁴ A Google search for "payday loan" and "application" resulted in 252,000 hits on October 27, 2004. While some Internet lenders are licensed in their home states, none of those states publish annual report data on the number, dollar value, or price of licensee lending, either online or at storefront locations.

One of the few sources of payday loan industry data, Stephens Inc., a Little Rock investment bank, reported in late 2003 that over 50 separate websites offered payday loans, not counting sites for store-based lenders. Stephens found that fees range from 15% to 35% with a median rate of 25% of the loan, that most sites offered loans of up to \$500 while a few sites loaned up to \$1,000, and that many online payday lenders were based in California, Delaware or offshore locations such as Costa Rica.⁵

An early survey of Internet payday lending by the Massachusetts Division of Banks on Internet payday lending in 2000, noted how little information was provided by some companies about themselves and how much information was required from their customers.⁶ Of the sixteen web sites surveyed, Massachusetts regulators found that only seven disclosed any information about fees or interest rates. The New York Banking Department also surveyed Internet payday lenders in 2000 and found thirty-two listings, some with multiple outlet locations. CFA resurveyed the New York list of sites in mid-2004 and found that about a dozen were still actively making loans four years later and that some domain names were now owned by others or were up for sale.

² Dennis Telzrow, "The 3U Consumer Finance Monthly," Stephens, Inc., March 29, 2004, p. 2.

³ MaxOutLoan.com, www.maxoutloan.com/affiliates.html, visited August 16, 2004.

⁴ Email from winningapplications@hotmail.com to Alaska Public Interest Research Group, August 16, 2004.

⁵ Jerry L. Robinson, "Update on the Payday Loan Industry: Observations on Recent Industry Developments," Stephens Inc., Sept. 26, 2003, p. 18.

⁶ Massachusetts Division of Banking, "Internet Payday Loans – Risky Business," May 30, 2000, www.state.ma.us/dob/payday.htm, viewed August 27, 2002.

Banks Play a Key Role in Internet Payday Lending

Banks are involved on both ends of every Internet payday loan delivered by the ACH system. A consumer's bank receives the loan proceeds direct deposited into the consumer's account and electronically withdraws payment on the due date. If funds are not sufficient to cover the withdrawal, an insufficient funds fee is levied. The payday lender's bank initiates the loan electronically and receives the payment on the due date. The National Automated Clearing House Association (NACHA), the industry self-regulatory group, writes and enforces the voluntary rules that govern bank use of the ACH system.

County Bank of Rehoboth Beach, DE was the only bank found by the survey as the purported lender for online non-bank payday lenders. A Google search in March 2004 for County Bank turned up over twenty-nine URLs for sites where loans were made online.⁷ Many of the URLs led back to the same web site. The County Bank-affiliated web sites stated that loans are not made to consumers in one or more states, including Colorado, Delaware, Florida, New York, California, Idaho, and West Virginia. The cost of payday loans marketed on these sites ranged from 573% APR to 782% APR in the instances where cost information could be found.⁸ A complaint filed in New Jersey alleged that County Bank made loans through servicing agents costing 780% for a two-week term despite New Jersey's 30% usury cap.⁹

Internet Payday Lending Latest Tactic to Evade Consumer Protections

State Small Loan and Payday Loan Limits

Payday loans are small loans subject to state small loan, 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 payday 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, including maximum loan size, duration, and terms.¹⁰ (See Appendix D.)

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

⁷ www.moneybyfax.com, www.cashnet500.com/index.asp, www.cashreserve.net/, www.loansbyfax.com/index.htm, www.fastcashovernight.com, www.emerbencyloansnow.com, http://cashxpress.com, www.needaloannow.com, www.cashdoctors.com/index.htm, www.webfastcash.com/?page=infor&type=appinfo, www.500cashhotline.com, www.myautocash.com, www.fastcashhasslefree.com, www.mrspeedycash.com, www.speedwaycash.com, www.fastcashnoquestions.com, www.500emergencycash.com, www.911emergencycash.com, www.911cashmoney.com, www.shorttermloan.net, www.choicecash.com/TermsConditions.aspx, www.firstchoicecash.com, www.ezmoneypaydayloan.com/mainpage.html, www.500radiocash.com, www.684cash.com, www.212cash.com, www.cashauto.net, www.advantage-insuranceinc.com/ezcash/, www.paydayexpressloan.com/mainpage.html, www.222cash.com

⁸ Survey of Google search for "County Bank" conducted by CFA, March, 2004. On file with author.

⁹ *Jaliyah Muhammad v. County Bank of Rehoboth Beach, Delaware, Easycash, Telecash and Main Street Service Corporation*, filed in Superior Court of New Jersey Union County.

country. In addition Internet payday lenders often claim a choice of law in states with few restrictions and no usury caps.

At its web site, USAdvance.com says “You have entered the legal domain of the Federation of Saint Christopher and Nevis.” Transactions will be “deemed to have taken place in the Federation,” despite the fact that arbitration hearings for disputes with this website will be conducted in Wilmington, DE.¹¹ A major online lender, United Cash Loans, provides a Carson City, Nevada address although the domain is registered to a Vancouver, Canada marketing firm, but is not licensed by Nevada payday loan regulators.

PaydayConnection.com states that “we are currently providing our services for residents of the states listed below,” then provides links to sites in cities, such as Philadelphia, New York, Baltimore, and Boston, all in states with usury or small loan rate caps that do not permit payday lending.¹² The disclaimer at FastCashAdvancePaydayLoan.com states that its service “does not constitute any offer or solicitation for a short term or payday loans cash advance loans in any state...may or may not be available in your particular state...” Then the site provides links to all fifty states and cities in states where payday lending is not legal.¹³ Paydayconnection posts a notice that “by applying for a loan with us, you are agreeing that your loan transactions will be governed by the laws of the State of Delaware. Delaware laws and regulations may be different from your state of residence.”¹⁴ Another site provides an application for Georgia payday loans, a state where small lenders are required to be licensed by the state and charge no more than 60% annual interest. Paydayconnection.com will lend \$1,000 to California residents, despite that state’s cap of \$300 for the loan plus finance charge.¹⁵

Some sites try to have it both ways, by providing links for payday loans in all fifty states while including a disclaimer that “This ad does not constitute an offer or solicitation for short term payday loans, payday advance, payroll loans, or personal loans in all states. The source lenders we use may or may not be available in your particular state.”¹⁶ Only a few sites in the CFA survey actually refused to accept loan applications coming from specific states.

Jurisdiction and Enforcement

Questions of jurisdiction and applicable law are not unique to payday loan web sites. Justice Lebedeff ruled in a New York Internet commerce case that “invocation of ‘the Internet’ is not the equivalent to a cry of ‘sanctuary’ upon a criminal’s entry into a medieval church,” in finding that a magazine seller was subject to and had violated New York’s consumer protection laws. The judge also found that Commerce Clause concerns did not apply because the consumer protections being enforced were media neutral.¹⁷

¹¹ www.usadvance.com/ visited 8/24/04.

¹² www.paydayconnection.com/payday_advance/ visited 8/14/04.

¹³ www.fast-cash-advance-payday-loan.com, visited 8/28/04.

¹⁴ www.paydayconnection.com/payday_loan_states/, visited 8/14/04.

¹⁵ www.paydayconnection.com, visited 8/13/04.

¹⁶ www.instant-payday-loans.us/payday-loans-map.shtml, visited 8/28/04.

¹⁷ People v. Lipsitz, NYLJ, June 25, 1997, at 1A, (N.Y. Sup. Ct. 1997). Reported in NAAG Consumer Protection Report, “Internet Jurisdiction Issues,” Eric A. Wenger and Jane Azia, August-September 1997.

State “long-arm statutes” have long held that states have jurisdiction over businesses that enter their states to conduct business, regardless of where the business is actually located. In *Zippo Manufacturing v. ZippoDot Com*, Federal court set a sliding scale to determine whether a business located in a state outside of the consumer’s state can be held to the laws of the consumer’s state. If a business merely advertises or provides information, or the information provided is clearly intended for a specific audience in a particular state, the business does not come under the jurisdiction of a consumer who solely views the advertisement or information in another state. At the other end of the scale, if a business solicits business, accepts business, and continues to transact business with a consumer in another state, the court held that, in fact, the “electronic” business is conducting business in the consumer’s state, and therefore, is subject to the laws and courts of that state.¹⁸

In an Internet gambling case, an injured Texas consumer sued a California-based gaming website under Texas law. The website argued that it was not based in Texas, its servers were in California, and its customers signed a choice of law agreement stating that they would abide by California law. The US District court held that the gaming site was indeed doing business in Texas and was, regardless of the contract choice of law, covered by Texas law, permitting Texas consumers to sue the California gaming site under Texas law in Texas state court.¹⁹

States have broad power to protect citizens where federal law does not directly conflict.²⁰ The National Consumer Law Center Cost of Credit manual notes that courts generally find that web sites by which a lender conducts business with residents of the state in question, such as entering into contracts and exchanging files, meets the minimum contacts test to give the consumer’s state jurisdiction in e-commerce cases.²¹ States are just beginning to come to grips with regulatory issues resulting from loans made to state residents by out-of-state lenders via the Internet. Iowa’s Uniform Consumer Credit Code prohibits waiver of rights, such as choice of law provisions in contracts. Regulators hold that interactive Internet loans made with an Iowa consumer by an out-of-state lender are subject to Iowa credit laws.²²

Other states are adapting credit laws to cover loans made via the Internet. The Colorado Uniform Consumer Credit Code was amended in 2000 to specifically cover consumer loans made over the Internet, if the consumer is physically in the state with the transaction is made.²³ Maine’s lending jurisdiction law was amended to deal with Internet communications and now reads, “This Act...applies to...transactions ... if ... (t)he creditor, wherever located, induces the consumer ... to enter into the transaction ... by ... mail, telephone or electronic mail solicitation...”²⁴ The Virginia Bureau of Financial Institutions

¹⁸ 952 F. Supp. 1119, 1124-15 (W.D.Pa. 1997)

¹⁹ 998 F.Supp. 738, 744 (W.D. Tex. 1998).

²⁰ *City of Philadelphia v. New Jersey*, 437 U.S. 617, 624-625 (1978).

²¹ National Consumer Law Center, *The Cost of Credit: Regulation and Legal Challenges*, p. 392.

²² Electronic communication, Kathleen Keest, Assistant Attorney General, Iowa, received Nov. 15, 2002, on file with author.

²³ CO 5-1-201. Territorial application – definitions. (1) Except as otherwise provided in this section, this code applies to consumer credit transactions made in this state and to modifications, including refinancing, consolidations, and deferrals, made in this state, of consumer credit transactions, wherever made. For purposes of this code, a consumer credit transaction is made in this state if: (a) A written agreement evidencing the obligation or offer of the consumer is received by the creditor in this state; or (b) A consumer who is a resident of this state enters into the transaction with a creditor who has solicited or advertised in this state by any means, including but not limited to mail, brochure, telephone, print, radio, television, internet, or any other electronic means. (2) Notwithstanding paragraph (b) of subsection (1) of this section, unless made subject to this code by agreement of the parties, a consumer credit transaction is not made in this state if a resident of this state enters into the transaction while physically present in another state.

²⁴ Title 9-A Maine Revised Statutes Annotated, section 1-201(1), “Territorial application”

regulation implementing the payday loan law prohibits loans secured by electronic access to the borrower's bank account. The only security for the loan in Virginia is the paper check. Since all Internet payday loans employ ACH or electronic fund transfer to deliver loans, Virginia regulators view internet lending as prohibited although no enforcement has been attempted.²⁵ Utah requires Internet payday lenders to comply with state requirements to disclose a complete schedule of interest and fees charged for a loan, a phone number the consumer can call to file a complaint with Utah regulators, and a list of states where the check casher is registered or authorized to offer deferred deposit loans through the Internet or other electronic means.²⁶

Some states require out-of-state lenders to get a state license. New Mexico requires non-resident lenders to be licensed to make loans to consumers.²⁷ Oklahoma's payday loan law was amended in 2004 to expressly apply to loans made via the Internet, although state regulators already thought they had that authority.²⁸ The North Carolina usury law applies to out-of-state lenders if the borrower accepts the loan offer in North Carolina even if the solicitation comes from outside the state. The NC Consumer Finance Act provides that loans made from outside the state to a North Carolina borrower are not enforceable in North Carolina if the rates exceed the rates permitted under the Consumer Finance Act. Non-bank internet lenders would be subject to state law in North Carolina.²⁹ Also, Washington law requires that state usury limits apply to loans made to Washington residents from outside the state. "Whenever a loan or forbearance is made outside Washington state to a person then residing in this state the usury laws found in chapter 19.52 RCW, as now or hereafter amended, shall be applicable in all courts of this state to the same extent such usury laws would be applicable if the loan or forbearance was made in this state."³⁰

A site with links to all fifty states says that "When applying for a loan on the internet, the company you are dealing with is bound by the rules of the state where they are operating in."³¹ State credit regulators are challenging out-of-state Internet payday lenders who make loans to consumers without complying with state licensing requirements or state payday loan limits. Loans may be unenforceable if made without complying with credit laws where the consumer resides.

Kansas Cases

The Kansas Office of State Bank Commissioner has been the leader in enforcing the state's payday loan law and licensing requirement with out-of-state Internet lenders. A loan is considered made in Kansas and subject to state regulation where a creditor induces a Kansas resident to enter into the transaction by solicitation in the state by any means including mail, telephone, television, or any other electronic means including the Internet.³² Kansas regulators have argued that state regulators have jurisdiction over out-of-state Internet lenders, describing the loan process as deliberately targeting local consumers.

²⁵ See: Case No. BFI-2002-00012 at www.state.va.us/scc/caseinfo/orders.htm

²⁶ Utah Code Ann. 7-23-105.

²⁷ New Mexico Statutes 58-15-3, Code of New Mexico Rules, Title 12, Chapter 18, Part 8. Licensing of Nonresident Lenders.

²⁸ "The provisions of this act shall apply to transactions if the lender, wherever located, enters into the transaction with the debtor by mail, brochure, telephone, print, radio, television, Internet, or any other means." Okla. Stat. Tit. 59 Sec. 3103.C.

²⁹ G.S. 24-2.1, G.S. 53-190, North Carolina.

³⁰ Wash. Rev. Code § 19.52.034. Washington courts are not free to engage in conflict of law analysis to determine whether the parties' own choice of law provision should apply, NCLC *Cost of Credit*, p. 391.

³¹ www.instant-payday-loans.us/payday_loan_staterules.shtml, visited 8/28/04.

³² K.S.A. 16a-1-201

When construction of the website and viewing of that website by a Kansas consumer results in the Kansas consumer obtaining a payday loan from the company operating the website, it is logical to assume that the website constituted a ‘solicitation,’ in the plain and ordinary sense of the word, of that consumer. Respondent’s website contains information regarding the availability of loans, and allows a Kansas consumer to ‘Apply in Under 2 Minutes’ by answering five questions. Once the consumer answers the five questions and clicks on ‘apply now,’ the next screen viewed by the consumer says, ‘Congratulations! You have been pre qualified for UP TO a \$500.00 loan.’ This statement constitutes a solicitation, and is certainly an inducement to the individual consumer, who has just provided their personal e-mail address and the answers to the five questions, to continue filling out the loan application. Once the consumer finishes filling out the remainder of the loan application, and submits it to Respondent electronically, the consumer receives an e-mail from Respondent with an electronic version of the loan form that has been completed with all of the consumer’s personal information and loan terms. That form is then printed and signed by the consumer, and faxed back to Respondent for final processing. That fully-individualized loan form, sent to the consumer electronically by Respondent, also constitutes a solicitation of the consumer.³³

Kansas regulators settled cases for unlicensed payday lending by Mycashnow.com of Chattanooga, TN,³⁴ and National Opportunities of New Castle, DE (operating a web site www.itsyourpayday.com).³⁵ These unlicensed lenders agreed to refund finance charges collected from Kansas consumers. Kansas regulators also have a pending case against Cash Advance and United Cash Loans of Nevada. When that case was filed in 2003, regulators sought \$4.5 million in fines. The companies which share the same owner appealed a preliminary order and a hearing was scheduled. Regulators reported that the two companies made loans to at least nine hundred Kansas consumers. Cash Advance charged \$90 for a two-week \$300 loan that would cost \$23 if made according to the Kansas payday loan law. The \$75 finance charge for a \$250 loan by United Cash Loans also exceeded Kansas rate limits.³⁶

New York Order

A Nevada-licensed Internet payday lender agreed to stop making loans in New York according to a November 2004 agreement with Attorney General Eliot Spitzer. Cashback Payday Loans, Inc., based in Las Vegas, charged 650% APR for two week loans in a state with a 25% criminal usury law and a 16% civil usury cap. The consumer who complained to New York regulators paid \$825 in interest on a \$470 loan and was told she owed another \$925.³⁷ The Assurance of Discontinuance states “The Attorney General believes, by offering and making the above described ‘payday loans’ without a license to do so in New York State and by repeatedly and persistently making loans to New York consumers at interest rates that exceed twenty-five percent (25%) per year, Cashback has violated of GOL 5-501, Penal Law 190.40 and Executive Law 63(12).” Cashback did not admit violation of law in signing the agreement to stop

³³ Kansas, Plaintiff’s Memorandum in Opposition to Respondent’s Motion to Dismiss, In the Matter of: United Cash Loans, 2533 N. Carson Street #5020, Carson City, Nevada 89706 and All Owners, Officers and Members, Respondent. Served July 28, 2003.

³⁴ Summary Order to Cease and Desist and Pay Fine, Office of State Bank Commissioner v. Mycashnow.com Inc.

³⁵ Amended Summary Order to Cease and Desist and Pay Fine, Office of State Bank Commissioner v. National Opportunities Unlimited Inc., Feb. 21, 2003.

³⁶ Deb Gruver, “State orders two online lenders to stop doing business,” The Wichita Eagle, Nov. 13, 2003

³⁷ Michael Gormley, “Payday Company Forced to Forgive Loans,” Newsday, November 22, 2004.

making loans to New York consumers. Cashback is required to make restitution to every New York borrower for the difference between rates charged and New York's civil 16% interest cap. Open loans and loans in collection will be null and void.³⁸

Colorado Advisories

In late November, Colorado's consumer credit regulator issued cease and desist advisories to three Internet payday lenders believed to be offering deferred deposit loans in Colorado without complying with state law. The advisories warn lenders that failure to obtain a supervised lender's license when required can trigger injunctions, refunds of all finance charges, and potential criminal liability. Companies warned by Colorado regulators include Preferred Cash Loans and Cash Advance, both of Carson City, Nevada; and Quik Payday Inc., located in Logan, Utah.³⁹ Quik Payday charges \$20 per \$100 for loans up to \$500, while Colorado's deferred presentment law caps rates at 20% of the first \$300 and 7.5% for loan amounts over \$300 to \$500.

Internet Payday Lenders Difficult to Identify

The online payday loan industry is a confusing mix of lender sites, referral sites, and layers of click-through entities. Consumers who click through links on referral sites may have no idea who is making the actual loan or collecting their personal information. A consumer clicking on moneybyfax.com ends up at the application page on instantcashusa.com. A visitor to internetfastcash.com clicks through to paydayconnection.com. A borrower who starts at paydayadvanceonline.com encounters paperwork giving AccessEZ Cash, Inc. authorization to withdraw payment of the loan and EasyCashNow.com the right to "initiate either the whole amount or portions of the amount until fully paid."⁴⁰ Consumers could easily lose track of which web site they used to get a loan.

Some sites are payday lenders with a physical location in addition to making loans online, while others only lend via the Internet. Some are licensed in a state with lax regulatory requirements but located elsewhere.⁴¹ Many are referral sites that collect applications from potential borrowers and then hand them off to actual lenders for a fee (see Marketing Internet Payday Loans.) These referral sites carry disclaimers, such as "Advance Cash Loans is not an online provider of online payday cash advances. We simply connect people seeking fast cash advances with online providers of instant cash advances so they can get the advance cash that they need as soon as possible. Thank you for visiting Advance Cash Loans. We wish you luck on your search for online payday cash advances."⁴²

Looking up web site addresses, or URLs, on domain registries often does not provide information on the actual owners of web sites. Several sites in the survey sample are registered through Domains by Proxy in Arizona, an anonymous service that hides the ownership and location of web site owners. In some cases marketing firms are registered as the domain owner, with a Vancouver company listed as

³⁸ Attorney General New York, Assurance of Discontinuance In the Matter of Cashback Payday Loans, Inc., November 3, 2004.

³⁹ Cease and Desist Advisories, State of Colorado Office of the Attorney General, issued November 23, 2004, on file with author.

⁴⁰ www.paydayadvanceonline.com, visited 8/30/04.

⁴¹ MyCashTime.com has a NM license

⁴² www.advancecashloans.com/info.html, visited August 26, 2004.

owning several sites in the survey. FastBucks.com has a Virginia registry listing, despite the fact that the company is located in New Mexico.

Some consultants offer turnkey payday web sites that include the domain name registry, hosting, monitoring, a secure site seal, help with search engines and access to the Automated Clearinghouse Network.⁴³ PDLMarketing LLC claims to have developed over three hundred “live” domains and expects to be the top payday loan lead generation source by the third quarter of 2005.⁴⁴ Cash Now, a Canadian payday lender with offices in Pennsylvania, markets franchises to people who want to become storefront or Internet lenders. Washington, California, and Illinois securities regulators have halted Cash Now’s sale of franchises in their states.⁴⁵

Internet payday lenders may involve a complex set of interlocking company names for marketing purposes, loan servicing, and collections. A lawsuit filed in Texas against a Canadian consortium of lenders named multiple company names involved in one loan transaction.⁴⁶ A pro-bono attorney assisting consumers filed a complaint with Kansas regulators about a lender apparently located in Kansas with a domain name registered in Nevada by a registered agent for foreign corporations.⁴⁷

Tracking down the real lender at a physical location is a difficult process for lawyers and regulators, much less for borrowers trying to contact the lender or resolve complaints. As noted in the website survey, companies making payday loans via the Internet are located outside the United States, making it even more difficult to exercise consumer rights, bring enforcement cases, or resolve disputes.

Making Payday Loans via the Internet: How it works

Although offers and arrangements vary from site to site, 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

Qualification requirements on the purported County Bank application are typical. To be eligible for a \$500 loan, a consumer must have a steady income, be able to show a verifiable source of recurring income payments, have a checking account with the consumer’s name printed on the checks, be able to be contacted after work, be at least 18 years old, have a gross income of at least \$1000 per month or a minimum of \$800 per month in Social Security or other benefits income. Applicants must not be delinquent on a prior loan from County Bank or other short term loan lenders, and must have access to a

⁴³ “Turnkey Payday Loan Web Sites,” www.fastcashconsulting.com/payday-loan-turnkey-web-sites.htm, visited April 19, 2004.

⁴⁴ www.pdlmarketing.com/, visited September 24, 2004.

⁴⁵ CALIFORNIA decision, press release from Cash Now.

⁴⁶ *Rhonda Green v. Payroll Loans Direct, Limited Partnership d/b/a PRL Direct.com, et al.* District Court Dallas, TX.

⁴⁷ Consumer complaint to Kansas regulators, on file with author.

fax machine.⁴⁸ Required borrower income levels generally range from \$800 to \$1200 per month. One lender claims they will never allow applicants to bite off more than they can chew by not approving loan amounts for more than your biweekly net pay.⁴⁹ Lenders advertise no credit checks but use databases, such as TeleTrack, to screen applicants for returned check history and payday loan use.

Applications

Sites use multi-stage applications to draw applicants into the process. The first set of questions, pre-filled in with “yes” answers, covers the basic qualifications and asks for name and email address. When the 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 used by Internet lenders. Consumers fill out detailed application forms online, including bank account information and routing numbers for their checks. A completed application form pops up which the applicant confirms and files online. Or, more commonly, consumer information from an online application is entered into a set of forms, which the applicant is instructed to print, sign and fax back with additional documentation. Applicants may access this paperwork through pop-ups or icons at the end of the online application or through links that have been sent to their email accounts. 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. Many lenders have different procedures and requirements in place for returning customers.

The portion of the Cashnet500 application which is printed out and faxed back requests personal and contact information, a Social Security number, whether the borrower rents or owns her home, and the birth date. Employment information that must be supplied includes the supervisor’s name, shift hours, and phone number, net take home pay and schedule of pay periods, whether the pay is made through direct deposit, the next pay day and the second pay date. Applicants must give the names and phone number for two contact persons. No questions are asked about other debts or obligations that would enable a lender to determine ability to repay the loan.

Some applications ask very intrusive questions. Onlinepaydayadvance.com asks if a consumer has ever filed for bankruptcy, had property foreclosed or made a settlement for a creditor’s benefit. It asks if the consumer is party to any lawsuit or legal action or has an unsatisfied judgment against her. Is the consumer an officer, director or shareholder of a financial institution? Have you filed all required tax returns?⁵⁰

Applications are available in Spanish on request at some sites.

⁴⁸ [Http://216.203.40.180/lps?application_id=3235089987444963488](http://216.203.40.180/lps?application_id=3235089987444963488), visited August 30, 2004. Five page application for payday loan from County Bank via the referral web site www.payday-now.net, on file with author.

⁴⁹ www.payday-now.net/payday-loans/ visited August 30, 2004.

⁵⁰ www.onlinepaydayadvance.com, visited 8/16/04.

Consent at the Click of a Mouse

Under the federal E-Sign law, consumers can now “sign” contracts and receive required disclosures through electronic means if federal requirements for consent and capacity are met. As electronic signature includes any “electronic sound, symbol or process,” such as pressing a touch-tone key on the phone, clicking “OK” on a salesperson’s computer, or through a simple email or click.⁵¹ A contract is “signed” by clicking “I accept.” Industry NACHA rules also require that the record creating the ACH transaction must be signed in a way that evidences the identity of the person who signed and that person’s assent to the terms of the contract. A payday loan borrower can electronically sign using a digital signature, PIN, password, shared secret. A hard copy record can be authenticated via the telephone by the consumer speaking or key-entering a code provided on the record.⁵² Several sites in the survey permitted consumers to “sign” by typing their names and clicking an “I accept” button.

Contracts and Authorization Forms

The packet of paperwork or online forms typically include a loan application, a loan note and disclosure form, and an authorization to access the bank account. Application forms include an agreement to arbitrate all disputes, and agreement not to bring or participate in class action lawsuits. The applicant signs and dates the form.

The contract is often called a “Loan Note & 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. The right to withdraw access authorization no later than three business days before payment is due is typically included. If authorization is withdrawn, the borrower agrees that the lender will turn the electronic withdrawal into checks that will be collected from the consumer’s account. The Cashnet500 agreement states “This authorization to prepare and submit checks on your behalf may not be revoked by you until such time as the loan is paid in full.”⁵³

Contracts completed online require consumers to electronically sign contracts. Efastcash.com requires consumers to check that they have read the terms of the application for, the privacy policy, an authorization agreement to access the borrower’s bank account, and the loan note and disclosure. To “sign” electronically, a consumer merely types in her full name and clicks the “I agree” button.⁵⁴

⁵¹ Brian Livingston, “Beware: E-signatures Can be Easily Forged,” News.com, July 14, 2000.

⁵² NACHA Operating Guidelines at 8, B.1.

⁵³ Authorization Agreement for Preauthorized Payment, www.cashnet500.com on file with author.

⁵⁴ <http://efastcash.com>, visited 8/27/04.

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.

United Cash Loans paperwork to be faxed includes a copy of a personal check marked "void," a copy of the most recent bank statement, a copy of the most recent pay stub, a completed loan application with printed and signed name, the signed Note and Disclosure form, a congratulations sheet with required items attached, and the signed electronic payment authorization form.⁵⁵

Some sites enable consumers to access their bank statements online in order to complete applications. Emergency Cash Loans lists over four hundred banks for applicants to click on to print off the required bank statement in order to fax in an application with supporting documents.⁵⁶ Other sites have links to Kinko's to help applicants locate a commercial fax center. Others permit paperwork to be shipped by overnight delivery.

Loan Approvals

Cashadvancefast.com claims its 30 minute approval process is "quicker than getting a pizza delivered." Consumers either receive an email or a phone call to let them know the loan has been approved. Lenders use specialized credit reporting databases such as TeleTrack to screen applicants. Some verify addresses with US Postal Service lists.

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 works with providers of payday loans that will loan you payday loans regardless of your credit history."⁵⁷ Another site states "Don't worry about your credit rating. At Payday Loans Overnight, there are absolutely no credit checks."⁵⁸

One site says: "Can I still get an unsecured loan if I have bad credit or a bankruptcy? Yes. Our list has over 80 little-known companies willing to give 'high risk' loans to people with bad credit or even a bankruptcy."⁵⁹ "Even bankruptcy, bounced checks, charge-offs and other credit hassles don't prevent you from getting the cash advance you need!"⁶⁰ One lender claims to "approve 96% of payday loan customers for up to \$1,000 dollar (sic) in just 30 SECONDS!"⁶¹ 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.⁶²

⁵⁵ www.mypayday.com, linking to United Cash Loans, visited 8/27/04.

⁵⁶ www.emergency-cash-loan.com/findbankfax.asp, visited September 2, 2004.

⁵⁷ www.payday-loans.org/requirements.html, visited 8/28/04.

⁵⁸ www.paydayloans-overnight.com, visited 8/28/04.

⁵⁹ www.fast-cash-advance-payday-loan.com/guaranteed-loans.html, visited 8/28/04.

⁶⁰ www.rapidcashpoviderapp.com, visited 8/30/04.

⁶¹ www.top-rated-cash-advnce-company.co/index.asp, visited 8/23/04

⁶² www.zippycheck.com/Zippy_approval.asp, visited 8/26/04.

Electronic Delivery and Payment

Payday lenders use the Automated Clearinghouse system to deliver and collect loans. This electronic funds transfer system involves a bank on both ends of the transaction and operates under industry self-regulatory rules administered by the National Automated Clearinghouse Association.

Internet lenders typically promise that loan proceeds will be direct deposited into the borrower's bank account by the next business day. On the loan due date, the loan amount and finance charge are electronically withdrawn from the consumer's bank account. No paper checks are involved. A few sites will wire loan proceeds for an additional fee.

Sites make claims of reliability as a result of ACH capacity. One site disclosed: "We are authorized to use the Federal Reserve Wire System and we must follow all FDIC and NACHA regulations, so we are only authorized to withdraw the amount authorized by your payday loans request."⁶³

Repayment Options

Lenders typically offer three choices for repayment/loan renewal. In many cases, 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

Payment is electronically processed without action by the consumer. 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."⁶⁴ Some loan agreements permit the lender to split the payment into multiple withdrawals.

Marketing Internet Payday Loans

Payday loans are aggressively marketed via the Internet and email. A small industry of Internet payday loan marketing companies has emerged. PDLMarketing LLC 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.⁶⁵ FastCashConsulting offers turnkey payday loan web sites that permit consumers to apply for a loan via the Internet and use the Automated Clearinghouse Network to deposit or withdraw funds electronically. The deal includes a domain name, web site hosting, monitoring of site traffic, a site secured by Thawte, a Verisign Company, email, auto responders, help with search engines, Internet classified ads, links to other sites (search engines rate by popularity), meta tags/keywords/descriptions to help search engines find a site. Fast Cash provides the

⁶³ www.overnight-payday-loan.com/payday_loan_faq.html, visited 8/28/04.

⁶⁴ www.fastcashconsulting.com/payday-loan-turnkey-web-sites.htm, visited April 19, 2004.

⁶⁵ www.pdlmarketing.com/, visited September 24, 2004.

turn key operation for \$500 plus \$50 as well as all applications outside the local geographic area of the turn key operator.⁶⁶

Search results

Search is the leading marketing tool for Internet payday lenders. Internet merchants use sophisticated search engine optimization tools to make sure their web sites show up on the first page in search engine results. Marketers claim that search engine optimization is replacing pay-per-click as the preferred method of driving more consumers to web sites to produce more sales. Methods that TBBI.net offers include keyword selection by language linguistics research, keyword saturation throughout the site, site design elements and HTML attributes, site navigation elements and site architecture, HTML coding by hand, link popularity integration, submission order and sequence, search engine partnering, web analytics and consumer business profiling, among others. The company claims its search engine optimization is 100% ethical.⁶⁷ One Delaware marketer claims that the average payday loan prospect visits a minimum of five to ten web sites before filling out an application.⁶⁸

Sites include multiple links to other payday lenders to augment search results and to earn referral fees. As one site states, "We exchange site links for our business to be successful in being listed in Google or Yahoo and other prominent search engines."⁶⁹ PaydayDirect.com's page on cash advances and payday loans information has forty-six links to payday loan sites, including links to "military cash advance" and "military payday loan." Another page on that site has 185 links to payday loan related destinations.⁷⁰ Quickcashloans.com includes links to dozens of casinos.⁷¹

Print Advertising

Internet payday lenders advertise in print media as well as online. Despite Massachusetts' small loan law, the Metro shopper paper in Boston ran ads this summer for www.acepays.com which offered "Fast Cash! \$100-\$1000, Job & Checking account Required/NO Credit Check." The fine print states "This is a cash rebate for joining the www.acepays.com website. This is not a loan product. Recipient keeps the cash rebate! Early Termination Fee applicable for cancellation or termination."⁷² Other ads in the Boston paper include "CASH BY PHONE. Get \$100 - \$500! Next Day! Call Now! Why Wait! 98% approval rate for all new applicants! Required: Checking Account, Steady Job or Recurring Income, Access to a Fax." www.cashnet500.com⁷³ 800MONEY4U.com also advertises in the Boston⁷⁴ newspaper, claiming "No credit? No Problem!" The Washington Post's Express paper ran an ad for "FAST CASH! \$200 - \$750. No Credit? No Problem! Job and DD Req'd. www.yourcashbank.com."⁷⁵ A visit to that web site found loans for up to \$500 from a company listed as United Capital in Salt Lake City, UT.⁷⁶

⁶⁶ www.fastcashconsulting.com/Why-turnkey-web-sites.htm, visited April 19, 2004.

⁶⁷ TBBI.net Search Engine Optimization, www.tbbi.net/search-engine-optimization/index.html, visited August 30, 2004.

⁶⁸ www.pdlmarketing.com/, visited September 24, 2004.

⁶⁹ www.top-rated-cash-advance-company.com, visited 8/23/04.

⁷⁰ www.paydaydirect.com, visited 8/28/04.

⁷¹ www.quickcashloan.org/links.aspz, visited 8/29/04.

⁷² AcePays.com advertisement, "Metro," Page 6, August 25, 2004.

⁷³ CashNet500 ad, "Metro," Page 9, August 25, 2004.

⁷⁴ Payday lending is prohibited by the Massachusetts small loan law which applies to brokers and lenders.

⁷⁵ Express, Washington, DC, Page 2, December 5, 2003, on file with author.

⁷⁶ www.yourcashbank.com, visited December 8, 2003.

Yellow Pages Ads

The San Diego Yellow Pages includes dozens of listings for store front payday loan outlets. It also advertises websites offering loans that do not comply with California payday loan limits which provide that the check used to obtain a payday loan cannot exceed \$300, including the finance charge. Typically the maximum loan in California is \$255, yet www.unitedquickcash.com advertises up to \$600 Loan by Phone to San Diego consumers. www.getcash911.com offers loans up to \$500. www.cashnet500.com, a web site affiliated with County Bank of Rehoboth Beach, DE, offers loans up to \$500. Checkexpress.com loans up to \$500 and displays a Better Business Bureau seal on its Yellow Pages ad.⁷⁷

E-Mail

Consumers browsing the Internet and using email are bombarded with offers of quick cash and instant credit from payday lenders. A typical unsolicited commercial email: “Subject Line: Cash Advance Today – up to \$1,000, no credit check. NEED CASH FAST? Borrow up to \$1,000 until your next payday!!! No Credit Check. Cash in Under 24 Hours! One Hour Approval.”⁷⁸ Missouri Attorney General Jay Nixon snagged payday loan e-mail in one of the first cases brought to enforce Missouri’s anti-spam law which requires that commercial email be labeled with the phrase “ADV” in the first four characters of the subject line. A suit was filed in October 2003 against Fundetective.com of Boca Raton, Fla. for sending several payday loan spam messages without the advertising label.⁷⁹

Applicants to online payday lenders end up on commercial email lists, under the terms of most “privacy” policies. A North Carolina consumer got a series of payday loan mail, prefaced by “You are receiving this email because you have completed the Pre-Qualification form or applied for a cash advance from 123onlinecash.com or one of our affiliated cash advance sites.” Payday lending at over 36 percent annual interest is illegal under North Carolina’s small loan law.

Referral Fees/Affiliate Marketing

Affiliates are web sites that link to Internet payday lender sites by buttons or banner ads to feed payday loan applications into the system. To make affiliate marketing work, a web site employs an affiliate tracking system to keep count of leads and the payment due to the affiliate.⁸⁰ For example, ShareASale software tracks each person that visits the Rapid-Advance web site, from a referral web site.⁸¹ TBBI.net touts itself as “the undisputed industry (sic) leader in payday loan web site marketing” and states that its clients pay from \$12 to \$50 per application for payday loans.⁸² Referral fees from the survey varied from one site to the next for either buying or selling leads, ranging from \$4 to \$50. Cashadvance.com claims to have 1,000 “satisfied affiliates” and to provide real-time tracking of referral fee income.⁸³

⁷⁷ San Diego Yellow Pages, Loan listings, page 949-955. Collected June 2004.

⁷⁸ http://www.lendergateway.com/page.php?p=500_page_payroll.htm&m=M6PD102802, Delivered Nov. 4, 2002.

⁷⁹ Jefferson City News Tribune Online Edition, “Nixon Files Suits under New Anti-Spam Law,” St. Louis, MO, October 10, 2003. http://newstribune.com/stories/101003/sta_1010030065.asp, viewed October 20, 2003.

⁸⁰ www.tbbi.net/affiliate-marketing/index.html, visited August 30, 2004.

⁸¹ www.rapid-advance.com/fast-cash-affiliate-information.html, visited April 14, 2004.

⁸² Electronic communication from dana@tbbi.net to Self-Help Credit Union, March 18, 2004, on file with author.

⁸³ www.cashadvance.com/affiliates/index.html, visited 8/27/04.

Some lenders also pay their customers a bounty to refer their friends. Loan Me Cash pays \$15 for every referral who qualifies for a loan.⁸⁴ PaydayOK pays a \$10 fee to customers who forward email to a friend who then gets a loan.⁸⁵

“Advice” Sites Marketing Loans

Several Internet payday loan sites market loans along with financial management advice and articles about payday lending. MSpayday.com speaks of “empowerment lending” and provides information for women. Other sites include news articles along with loan applications, even articles that criticize payday lending. Advance Cash Loans gives budget and spending tips with links to applications for United Cash Loans.⁸⁶ These sites include credit counseling contacts, and provide links to debt settlement companies. Another site gives tips on how to save for college and how to save for retirement along with links to payday loans.⁸⁷ AdvanceCashLoans.com offers spending and budget tips along with its payday loan offers at 521.4% annual interest.⁸⁸ In one case the surveyor entered information into an online payday loan application only to be sent another company’s application for credit repair services with the same information already filled in.⁸⁹

CFA Survey of 100 Internet Payday Loan Sites

CFA surveyed a sample of 100 Internet sites that market payday loans directly to consumers. The sample was selected, using top listings in several search engines, directories of lenders, and from e-mail messages. Researchers collected all web pages available through each site, and clicked through links present on web sites. We filled out online application forms with nonsense data in order to gain access to multi-part application forms and disclosures about loan terms that in some cases were not available on the lenders’ homepages or pages available without an application. Another purpose for “sending” applications was to see if a secure link was provided for transmission of personal financial information. CFA did not take out any payday loans as a part of this survey project.

In addition to observing web sites, CFA performed domain registry searches for each site and tried to determine if lenders were licensed in their home states. For further information on the survey methodology, please see Appendix A.

Who and Where Are Lenders

The Internet payday loan sites surveyed by CFA were categorized as lender or referral sites. Based on the information available on the sampled web sites, we concluded that fifty-eight of the 100 sites made loans to consumers, while forty-two were referral sites.

Some companies had multiple web sites in the sample. Internet Cash Advance Marketing, based in Vancouver, is listed as the domain owner for six United Cash Loan primary or referral sites.

⁸⁴ www.loan-me-cash.com/referral_program.html, visited August 30, 2004.

⁸⁵ www.connectcommerce.com/secure/partner-app.html...

⁸⁶ Also, see <http://jowston.org/> visited August 26, 2004..

⁸⁷ www.paydaycenter.com/financialtips.html, visited 8/28/04.

⁸⁸ www.advancecashloans.com connecting to www.mypayday.com visited August 26, 2004.

⁸⁹ www.paychecksadvance.com connecting to <https://lexingtonlaw.com/SignUpSecure.php> visited August 17, 2004.

CashAdvanceNow.com, Payday One XL, Liberty Capital Investments, Benjamin Thomas LLC, Michael Gibbons, and Network Solutions had two registrations each. Web Check Services had three registrations.

CFA conducted a domain name search for each surveyed site, noting the location of the domain name registration. Eight sites were registered through Domains by Proxy, based in Arizona, a service that makes web site ownership anonymous. California had the most registered sites with eighteen, followed by ten in Canada, and nine each in Florida and Nevada. In all, twenty states were listed by domain registry filings as well as Canada with ten, and Costa Rica and Grenada. Contact information for one site listed a bank in the Bahamas.⁹⁰ One site claims to be a Nevada based lender with Nevada law applicable to its loans; however, it directs consumers with questions to call the Utah State Department of Financial Institutions.⁹¹

Who Regulates Lenders

Of the 100 surveyed sites, fifteen sites claimed to be licensed in one of seven states (SD, DE, UT, NV, CA, ID, NM) while two additional sites claimed to be licensed but did not say in which state. CFA attempted to verify claims of state licensing and to check the license status of the primary lender sites. In ten instances the web site claimed state licensing which CFA was able to confirm. Another ten Internet lenders were listed as licensed in their home states but did not disclose their state licensing status on their web sites. Six lenders claimed to have state licenses but CFA could not confirm that with state regulators. In part, this uncertainty resulted from web site names having no relationship to licensed lender names, the absence of physical addresses, and hidden domain registry information.

Where Loans Are Available

CFA also noted claims on web sites about states where loans would not be made and other limits on the geographic availability of payday loans made via the Internet. Twelve sites listed states where loans are not available. Two sites claimed that loans are available in all 50 states and three sites said loans are available in the US and Canada. One site each claimed loans are made in US, Canada and the UK; only in CA and NV; and only available in Nevada. A total of fifteen states were listed as states where loans are not available from one or more lenders. The most frequent listings were for New York and Georgia (six each), Kansas with five mentions, and Nebraska, Colorado, and Idaho with three sites each.

Some sites require an applicant to type in a zip code before being permitted to fill out the application. Other sites send a message - "Error, pick a new state" - if an applicant types in a state where loans are not made. It is not clear whether a consumer is actually denied a loan if she enters another state in response. Other sites say they permit consumers from all fifty states to apply, such as the ad claim by FastBucks: "Easy to apply. With Fast Bucks' advance payday system, you get the money you need! Anywhere in the U.S."⁹²

⁹⁰ www.advancepaychecknow.com/contact.htm, visited 8/30/04.

⁹¹ www qloot.com/ga.aspx, visited 8/23/04

⁹² www.fastbucks.com/fast_application.asp, visited 8/13/04

Whose Law Lenders Claim

Twenty-eight Internet payday loan sites stated a choice of law claimed to govern loans made, with nine states and three foreign countries mentioned. Another three sites claimed “Federal” law applied to their loans.⁹³ States listed under choice of law included Delaware (6), Nevada (6), and California and New Mexico with three listings each. Utah was listed by two sites, and Arizona, South Dakota, Pennsylvania and Idaho were given as the choice of law on one site each. Other countries whose laws were claimed to apply were Grenada, Costa Rica, and St. Christopher.

A review of loan terms compared to state limits for payday loans demonstrates that choice of law claims do not always mean compliance with that choice. Delaware’s payday loan law caps loans at \$500, yet half the surveyed lenders who claim to be subject to Delaware law offer loans up to \$1,000.⁹⁴ Two of the three sites claiming California law make loans of up to \$415 and \$500, despite the California payday loan law that limits the face value of the check used to get a loan at \$300.⁹⁵

Loan Size Offered

The size of loans available at the surveyed sites ranged from \$200 to \$2,500. The most frequent loan size was \$500, at sixty-seven percent of surveyed sites. Seventeen sites will make loans of \$1,000. Other loan limits included \$245, \$255, \$300, \$415, \$510, \$1300, and \$1500.

Cost of Internet Payday Loans

The most frequently disclosed finance charge for borrowing \$100 was \$25, listed on 18 sites; \$30 on 12 sites, and either \$17.50/\$17.65 or \$20 listed on five sites each. The lowest price quoted by two sites was \$10 per \$100 and the highest quoted rate was the site charging \$25 per \$100 plus a \$10 fee, for a \$35 total cost to get \$100 until payday. One site claims that it is “in compliance with federal and state laws. Our fees take all this into consideration and are available anywhere from \$30 to \$90, depending upon your salary and other factors.”⁹⁶

The finance charge for loans is not the only cost to payday loan borrowers. If funds are not on deposit in the consumer’s bank to repay loans on the due date (and borrowers have not agreed to automatic loan renewals), lenders impose bounced check fees (NSF) which are electronically withdrawn from the consumer’s bank account. Twenty-seven surveyed sites listed their NSF fees which ranged from \$15 to \$30 per overdraft, while another two sites indicated that they charged NSF fees but did not specify an amount. Over half the sites that listed an NSF fee charge \$25 per returned withdrawal.

⁹³ Quickest-Payday Loan.com claims that the borrower is responsible for complying with any local laws that apply to payday lending and claim that federal law applies to its loans.

⁹⁴ See Survey, www.americashadvance.com, www.paydayconnection.com, and www.internetfastcash.com.

⁹⁵ See Survey, www.aeroadvance.com, www.quikmoneyonline.com.

⁹⁶ www.paychecksadvance.com/faq.html, visited 8/17/04.

Disclosure of Finance Charges

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, with consumers encouraged to apply for loans with no idea of the cost. The FAQ page at Rapidcashprovider.com answers the “What does it cost?” question without quoting a dollar finance charge or a typical APR. Instead the lender says “Your fees are less than the cost of not having the cash you need.” and “Actual fees are determined based on the information you provide when you submit your loan application.”⁹⁷ Yourcashnetwork.com answers the “what does it cost?” question with “your fees are less than the cost of not having the cash you need when you need it.”⁹⁸

Disclosure of Annual Percentage Rates

The Federal Truth in Lending Act requires lenders to quote the annual percentage rate (APR) for loans when advertising other trigger terms for loans, such as the finance charge. Some sites include the APR on the same page with finance charge disclosures, while others require consumers to click onto a separate page.⁹⁹ Although 57 sites quoted the finance charge, only 38 sites listed the APR for their loans on a page that was accessible to consumers who had not filled out an application. Another two incorrectly quoted the finance charge as the APR. The most frequently quoted APR for a \$100 two week loan was 652% at fifteen sites, followed by 782% at eight sites.

Some contracts generated by the lender using application information provided by the surveyor contained inaccurate APRs. Mypayday.com stated a 26.5133% APR for a two-week loan with a finance charge of \$30 per \$100 instead of 780% APR.¹⁰⁰ Americashadvance.com’s FAQ page lists the finance charge without an APR disclosure.¹⁰¹ Getcash911.com quotes the finance charge in a manner that could confuse consumers about the APR. The site’s FAQ says “The APR formula is 15.0% for 1-10 day loan terms, 17.5% for 11-20 day loan terms, and 25.0% for 21-30 day loan terms.” After the application is submitted, the consumer receives a rate disclosure page stating, “A loan of 1-10 days is only 15%; 11-20 days for 17.5%; 21-30 days for 25%.” Only the subsequent filled-in loan contract discloses the APR for a 31 day loan at 294% APR. The more typical 14-day loan would cost 455% APR.¹⁰² YourCashBank.com posts a fee chart, listing the amount borrowed, the flat fee, a wiring fee, and the payback amount but does not include an APR disclosure along with the finance charge.¹⁰³

Loan terms offered on Websites

Loan duration periods offered at online payday lenders varied. Thirty-one sites offered loans due on the borrower’s next payday. Twelve sites make loans with a maximum duration of fifteen days while nine

⁹⁷ www.rapidcashproviderapp.com, visited 8/30/04.

⁹⁸ www.yourcashnetwork.com, visited 8/25/04. No cost information appears elsewhere on the site.

⁹⁹ Example, www.americashadvance.com, includes a separate APR chart for combinations of loan size and term.

www.mycashnow.com posts finance charges, with a separate page for disclosures stating a 485.450% APR.

¹⁰⁰ www.mypayday.com/process, visited 8/27/04

¹⁰¹ www.americashadvance.com/faq.htm, visited 8/30/04.

¹⁰² <http://getcash911.com/pdl/help.asp?SID.com>, visited 8/14/04.

¹⁰³ www.yourcashbank.com/application.asp, visited 8/14/04.

sites will allow loans for as long as thirty days. Just three sites give over thirty days to repay loans, with the longest term of 37 days.

Surveyed sites promised that loans would be delivered promptly to consumers' bank accounts through the ACH Network or electronic funds transfers. About three-fourths of sites promised loans delivered by the next day. Two sites promised loans in one hour.

Repayment Options/Collection Terms

Repayment provisions for many payday lenders trap borrowers in a cycle of repeat loans. Instead of consumers having to walk into a payday loan store to buy back their check with cash and write a new check to renew loans, internet sites make it easy to automatically renew loans.

Options for repayment typically include permitting the lender to withdraw only the finance charge from the borrower's bank account on the due date, extending the loan for another pay cycle; paying the finance charge plus a portion of the loan; or repaying the loan and finance charge in full on the next payday.

Payment options from United Cash Loans, as offered through referral site www.mypayday.com:

- a. Refinance. Your loan will be refinanced on every due date unless you notify us of your desire to pay in full or to pay down your principle amount borrowed. You will accrue a new fee every time your loan is refinanced. Any fees accrued will not go toward the principle amount owed. On your fifth refinance and every refinance thereafter, your loan will be paid down by \$50.00. This means your account will be debited for the finance charge plus \$50.00, this will continue until your loan is paid in full.
- b. Pay Down. You can pay down your principle amount by increments of \$50.00. Paying down will decrease the fee charge for refinance. To accept this option you must notify us of your request in writing via fax at 800-xxx-xxxx, at least three full business days before your loan is due. (Phone number removed by author.)
- c. Pay Out. You can payout your full balance, the principle plus the fee for that period. To accept this option you must notify us of your request in writing via fax at 800-xxx-xxxx. The request must be received at least three full business days before your loan is due.¹⁰⁴

Sixty-five of the surveyed sites permit loan renewals without repayment of principal. Forty-six sites simply state that loans can be renewed without limits (three of these sites indicate that consumers are entitled to unlimited renewals.) Fourteen sites quote a four renewal limit before loans must be repaid, and three sites will permit three renewals.

Signing Away Rights

Twenty-one websites included mandatory arbitration clauses in online documents that consumers could access without giving away personal information. Many more mandatory arbitration clauses showed up in applications visible only after a consumer enters personal information to start the application process. The use of mandatory arbitration clauses is almost universal in the payday loan industry, so it is likely that all Internet lenders include mandatory arbitration clauses in final contracts.

¹⁰⁴ http://www.mypayday.com/process/view_documents.php?unique_id... Visited August 26, 2004

In addition to depriving borrowers of their right to take an Internet payday lender to court, some loan applications also require consumers to forfeit other rights they have. The County Bank of Rehoboth Beach, DE loan agreement is typical and includes a mandatory arbitration clause, an agreement not to bring, join or participate in class action lawsuits against County Bank, its agents, servicers, directors, officers and employees and agree that an injunction can be brought to remove the consumer from a class action suit and to pay the Bank's court costs and attorneys' fees from taking the borrower to court. The agreement not to bring a class action lawsuit claims to survive the closing, funding, repayment and/or default of the loan for which the application is made. By signing the loan application a consumer agrees to let the Bank call them at home or at work any time up to 9:00 p.m.¹⁰⁵

Privacy and Security Features

Although all surveyed sites ask consumers to enter personal and financial information online, eighteen sites had no posted privacy policies. The privacy policies used by the typical web site permit the lender to use information provided by consumers for third party marketing and other uses. In other words, when consumers enter their personal financial information including bank account numbers on a web page to apply for a quick loan, that information is available for unlimited uses by the web site.

The United Cash Loans privacy policy states that all information submitted to the company via the website is the "property of United Cash Loans and United Cash Loans shall be free to use such information for any lawful purpose..." Personal information is used for marketing other products to consumers. "We reserve the right to share, rent, sell, or otherwise disclose data we collect to third parties." In order to opt out of receiving communications from United Cash Loans or its partners, consumers must not submit their information.¹⁰⁶

The payday loan referral site "Cash Advance and Payday Loans Online," operated by Jowston.org, claims to be serious about protecting online privacy. Jowston collects or tracks web page http headers, information entered into online application forms, surveys, or other entries, such as email addresses, personal, financial or demographic information; information on what pages site visitors access and the email addresses of visitors that communicate with them. The site states that personal information is used for marketing and promotional purposes, or is added to their databases for future emails or postal mailings. To opt out a consumer would have to not apply for a loan. The site retains the right to change its privacy policy at any time by either sending the new policy or posting changes online to its site. Consumers who ask to be removed are promised that their personal information will not be used in the future.¹⁰⁷

Web sites indicate secure links by displaying a closed lock on the browser or adding the "s" to "https" as a sign that information being transmitted is encrypted. These security indicators do not provide assurance that lenders protect consumer data once it is received. The CFA survey found that security protections on Internet payday loan sites are frequently nonexistent. Twenty-eight sites did not have secure connections on application pages that collected personal financial information, including referral sites where the consumer clicks through to another URL for the actual application. Another twenty-five sites, including referral sites with different application page URLs, claimed to have secure connections but did not. A

¹⁰⁵ Advance Finance Loan Page, <http://leadsourcing.com> visited August 17, 2004.

¹⁰⁶ www.unitedcashloans.com/?page=infor_privacy&unique_id.... Visited 8/24/04

¹⁰⁷ <http://jowston.org/privacy1.html> visited August 26, 2004

total of forty-one sites had secure connections, nineteen of whom claimed some type of privacy or security seal program.

Customer Service and Contact Information

Consumers would have a hard time locating or contacting many of the payday loan web sites surveyed. Less than half gave a physical street address (43) or phone numbers (45). Seventy-three web sites provided contact through email addresses or provided an online form to send email to the company. Forty-four sites gave fax numbers for consumers to use in faxing applications and required documents, but that could also be used to contact the lender. Almost one-fourth of the surveyed sites, twenty-three, list no contact information of any kind.

Serious Risks to Consumers of Internet Payday Lending

Traditional payday loans are criticized as being extremely expensive, creating a debt trap and fostering coercive collection tactics due to high finance charges, one pay-cycle repayment terms, and check-holding by the lender. These problems, plus new ones, apply to payday loans based on debit-holding and made via the Internet.

Factors That Create A Debt Trap

Internet payday loans become a debt trap as a result of the extremely high cost of loans, the relatively large amount of money that must be repaid on the next payday, and the coercive use of authorization to debit the borrower's bank account to repay loans. It is extremely easy to get into debt to one or more Internet payday lender, 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 54.65% profit margin) are due, in large part, to rollovers. FastBucks.com claims that 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.¹⁰⁸

Lenders permit consumers to borrow a high proportion of 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. After establishing a good repayment history, the site will permit loans up to 75% of net income per pay period.¹⁰⁹ Borrowing online in the privacy of a consumer's home may also make it easier to become overextended. As one site puts it, "Avoid the hassle and embarrassment of having to go to a local check cashing or cash advance center. Apply for your payroll loan in the privacy of your own home!"¹¹⁰ Another site says "If you go to a walk-in payday lender, someone you know might see you...Imagine not having to walk into a payday loan center and stand in line, with everyone staring at you..."¹¹¹

¹⁰⁸ www.fastbucks.com/franchise/faq.asp, visited 8/13/04

¹⁰⁹ www.paydayloans-paydayloans.com, visited 8/20/04.

¹¹⁰ www.instant-payday-loans.us/ visited 8/28/04.

¹¹¹ www.zippycheck.com/payday/loans/why.html, visited 8/26/04.

Extreme High Cost of Loans

The finance charge per \$100 for a full two-week pay cycle results in triple-digit interest rates. Loans made for less time at the same finance charge carry astronomical APRs. From consumer's Internet payday loan contracts on file with the author, these examples illustrate the extreme high cost of payday loans:

- 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, from Wilmington, DE charged \$54.86 for a \$400 loan for eight days and quoted a 625.71% APR.
- Inajin Enterprises dba 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, Inc. of Keane, NH 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.¹¹²

Another consumer contacted the Center for Responsible Lending in North Carolina 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% at two web sites. Three lenders claimed to be Delaware lenders, while another claimed to be from Idaho.¹¹³

Automatic Renewals

A consumer reported that CashNet charged her bank account a \$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 didn't sign, the company automatically refinanced.¹¹⁴ According to the Application Supplement on page 4 of 8 from the CashNet 500 web site, a consumer has to sign and fax to the company a separate section

¹¹² Complaint filed with Center for Responsible Lending, Sept. 28, 2004, on file with author.

¹¹³ Center for Responsible Lending 2003 complaint, on file with author.

¹¹⁴ "Read Everything When Getting Payday Loan," NBC10.com, February 26, 2004, www.nbc10.com/print/2878023/detail.html?use=print, accessed 2/27/04

and call the lender to decline the refinance option.¹¹⁵ On the same page that CashNet500 makes perpetual refinancing so likely, in bold print it warns “Short Term loans provide the cash needed to meet immediate short-term cash flow problems. They are not a solution for longer term financial problems for which other kinds of financing may be more appropriate. You may want to discuss your financial situation with a nonprofit financial counseling service.”

Inajin Enterprises d/b/a/ Instant Cash USA also sets the default option for repayment at automatic renewal. If consumers do not call ahead of time, the lender will deduct the finance charge only.¹¹⁶ Mypaydayloan.com tells consumers it is “easier to simply make a minimum payment and extend the loan for another two weeks” instead of repaying the loan in full and waiting four to five days after making the payment before being allowed to apply for a renewal...”there is no waiting period for keeping your current funds and extending the loan.”¹¹⁷

Under the renewal plans of some Internet lenders, a consumer borrowing \$100 at a \$30 per \$100 finance charge will pay \$150 for one loan and four renewals (5/\$30). If the principal is then repaid in \$50 increments at the same rate, the consumer pays an additional \$15 finance charge for the \$50 principal due at the second pay-down renewal for a total cost of borrowing \$100 at \$165 over a 14 week period.

Collection Problems Exacerbated by Electronic Lending

Online lenders with authorization to debit borrowers’ bank accounts can initiate payments without any action by the borrower. United Cash Loan’s authorization agreement gives the lender permission “to initiate one or more ACH debit entries (for example, at our option, one debit entry may be for the principal of the loan and another for the finance charge) to your Deposit Account indicated below for the payments that come due each pay period and/or each due date concerning every refinance, with regard to the loan for which you are applying.”¹¹⁸

Contracts include collection terms if funds are not available in the account to repay the loan. If a borrower’s payment is dishonored at Speeddog.com for a loan applied for at Cashinaclick.com, she agrees to pay a \$20 service charge for dishonored check or ACH drafts, to pay a collection agency no less than 30% of any amount not repaid within 14 days, and to pay all costs for collections including attorneys fees, court costs and collection costs.¹¹⁹

Some lenders spell out their collection process. Quick-payday-loans.com says it will turn unpaid accounts over to a third party collection agency which will call the borrower, her family and friends at work and at home, and report unpaid loans to the “big 3” credit bureaus.¹²⁰ ZippyCheck says it will give

¹¹⁵ www.cashnet500.com/loannoteapp.asp, above the signature line, Section C – Decline Refinance Option states: “You may decline the refinancing of this loan by signing below. To decline refinancing, you must call us at 1-800-654-7444 to alert us of your intention to decline this option. You must also complete the information in this box, then sign and fax this document to us at 1-800-887-9284. If you do not follow these procedures your option to decline refinancing will NOT be honored. Your loan will be refinanced. Only the applicable finance charge then owed on any outstanding balance will be deducted from your account. You will accrue new finance charges with every refinance of your loans.” Site visited 3/22/04.

¹¹⁶ www.instantcashusa.com, visited 8/14/04.

¹¹⁷ www.mypaydayloan.com/nat/login.asp, visited 8/16/04.

¹¹⁸ www.unitedcashloans.com visited 8/24/04.

¹¹⁹ www.sppeddog.com/application/dotnet/default.... visited 8/24/04

¹²⁰ www.quick-payday-loans.com/get-a-quik-payday-loan.htm, visited 8/29/04.

applicant information to third parties, even if a loan is not made. If the company finds that the customer is overdue at any service listed in the databases used by ZippyCheck, it may elect to give them information to aid in their efforts to collect debts from the applicant.¹²¹

ACH authorization forms give lenders permission to deduct additional fees from consumers' bank accounts. The CashAdvanceUSA form permits withdrawal of "any accrued late fees or applicable late fees or applicable NSF fees."¹²² Another site claims the right to electronically withdraw payment from consumers' bank accounts even if the financial institution and/or account numbers are different than those on the original application.¹²³

If loans are not repaid, FCash warns delinquent borrowers that their borrowing privileges will be terminated with the FCash Service and information on the borrower will be turned over to Scan and Telecheck services (check verification services used by retailers and banks) and "your check writing privileges will be terminated! Your information will also be turned over to the credit bureau's delinquent account division."¹²⁴ Quikmoneyonline.com tells its borrowers if collection activity begins, the borrower will be responsible for unpaid loan extensions up to four times, plus up to four \$25 NSF fees, plus administrative fees of 50% of total balance outstanding at the time the account is processed for collection, not counting court costs and fees and attorneys fees.¹²⁵

The Aeroadvance privacy policy states "For funds that are delinquent or in default AeroAdvance will continue to debit the checking account that you authorized us to withdraw funds from everyday after your due date until the funds have been collected."¹²⁶ What goes unsaid is that each attempt to withdraw funds from a depleted checking account will trigger bank NSF fees in addition to the payday lender's fees for returned debits. The 200Cash.com Inc. master agreement permits the company and/or designated collection agency to continue initiating ACH/EFT or bank draft debit entries of the borrower's bank account for full or partial payments of the loan and costs until paid in full, with up to five ACH/EFT transactions.¹²⁷

Paydayadvanceonline.com claims protection via federal bank regulatory agencies and attempts to restrict their borrowers' rights to file complaints under the Electronic Fund Transfers Act. The FAQ page answers the question "How do I know you are only going to withdraw what you say?" with "AccessEZCash, Inc. and anyone else authorized to use the Federal Reserve Wire System must follow FDIC rules. Plus, all accounts with banks that are FDIC members are protected. You may not dispute the validity of these ACH transactions without written note from AccessEZCash, Inc."¹²⁸

ZippyCheck.com, based in Nevada, claims that Navy and Air Force members qualify for a slightly higher credit rating than Army or Marines, due to "the fact that we have found that the Navy and Air

¹²¹ https://ssl2.securehost.ws/zippycheck/SSL/SSL_ZippyPolicies.asp, visited 8/26/04.

¹²² www.paydaycity.com/requirements.php, visited 8/17/04, page 3.

¹²³ www.top-rated-cash-advance-company/legal.asp, visited 8/23/04.

¹²⁴ www.fcash.com, visited 8/30/04.

¹²⁵ www.quikmoneyonline.com/frameset.html, visited 8/23/04.

¹²⁶ www.aeroadvance.com/privacy.asp, visited 8/11/04

¹²⁷ 200Cash.com, Inc. Master Agreement, on file with author.

¹²⁸ www.paydayadvanceonline.com/faq.html, visited 8/30/04.

Force are much less tolerant of their members defaulting on a PaydayCash Advance, and because these branches of the military are more willing to help ZippyCheck in its collection efforts.”¹²⁹

Some Internet payday loan agreements authorize the lender to convert the electronic withdrawal to a paper check which the lender will attempt to collect if a consumer withdraws authorization for an ACH transaction. The lender uses the information from the MICR line of the faxed check or the application entry to produce a check-like instrument called a pre-authorized draft or a demand draft. Although the loan was offered over the Internet, the use of a paper demand draft to collect on the loan triggers the legal provisions of the state’s Uniform Commercial Code.

Security and Privacy Risks of Internet Payday Lending

Applying for a payday loan online is extremely risky for consumers. A customer cannot be sure she is dealing with the same company if she returns to a web site. Domain names become available to be sold to new owners, making it difficult for consumers to know if they are dealing with the same entity. Besides not knowing who or where the lender is located, difficulty in enforcing consumer protection laws or compliance with state licensing requirements, these financial transactions expose consumers to identity theft and loss of privacy and control over personal financial information. All Internet payday loans involve transmitting bank account numbers, Social Security numbers, name and address, and extensive other personal information to a distant lender. One lender advises consumers with debit cards to copy the front and back of the card to fax to the lender.¹³⁰ These personal financial documents are an identity thief’s jackpot of information needed to apply for credit in the borrower’s name and other unauthorized uses. Privacy Rights Clearinghouse advises consumers that e-commerce shopping by check or debit card leaves consumers vulnerable to bank fraud and with less protection than credit cards provide.¹³¹ Security risks are high when this information is transmitted over unsecured web links, when it is faxed to companies unknown to consumers, and when posted privacy policies give carte blanche to web sites to make any use it wants of consumer information.

The president of the Electronic Payments Network, a division of Clearinghouse, the largest private check processing system owned by large banks, told the Washington Post that “One of the most dangerous things a consumer can do on a Web purchase when they are dealing with someone they had no prior relationship with is to give out a bank account number.” He advised using a credit card, instead, which comes with more consumer protections and “doesn’t give crooks access to your financial assets.”¹³²

Payday lenders are subject to federal law on security and privacy of financial information. For purposes of the Gramm-Leach-Bliley Act (“G-L-B”), the Federal Trade Commission is responsible for enforcing privacy and security rules with non-bank financial institutions. Payday lenders are required to provide privacy policies just as banks, insurance companies and securities firms are under G-L-B. They must give consumers the right to opt out of the sale of customer data to third parties. The only information that financial institutions are prohibited from disclosing to third-party nonaffiliated companies is the consumer’s bank account number or access code. If a company sells customer

¹²⁹ www.zippycheck.com/Zippy_approval.asp, visited 8/26/04. This site also permits borrowers with overdrawn bank accounts to apply for loans.

¹³⁰ www.loan-till-payday.com/how_it_works.asp, visited 8/16/04.

¹³¹ Privacy Rights Clearinghouse, Fact Sheet 23: Online Shopping Tips, www.privacyrights.org/fs/fs23-shopping.htm.

¹³² “Keep Close Watch on Bank Accounts,” Washington Post, A 8, 7/19/04.

information to third party nonaffiliates, it must give consumers the right to opt out of information sharing.¹³³

The FTC's Safeguards Rule requires financial institutions to safeguard customer records and personal information collected during customer transactions, including names, addresses and phone numbers, bank and credit card account numbers, income and credit histories, and Social Security numbers. Each company must have a written information security plan describing its program to protect customer information. An employee must be designated to coordinate safeguards, identify and assess risks to customer information and contract with service providers to implement the safeguards. (See www.ftc.gov) Consumers have no way of knowing if Internet payday loan sites fully comply with the financial privacy and security requirements of G-L-B.

Phishing is the latest tactic used by crooks to get consumers to divulge account numbers and passwords or PINs so that bank accounts and credit cards can be looted. The typical Phishing scam involves an email purporting to be from a well-known company, such as Citibank, PayPal, or EBay, telling consumers to click on a link to visit the company's web site to provide account numbers and PINs. The links take consumers to the thief's site where that information is collected and used to steal from financial institutions and their customers. The National Consumers League reports that ID thieves trick people into providing their Social Security numbers, financial account numbers, PIN numbers, mothers' maiden names and other personal information by pretending to be someone they are not.¹³⁴ The group advises consumers not to click on a link in an e-mail that asks for personal information, since the link may deliver information to identity thieves.

Internet payday loan e-mails induce consumers to click on an embedded web link to go to a site promising \$500 with no credit check. A consumer has no way of knowing if the Internet payday loan site is a legitimate, albeit expensive, lender or a site set up just to con consumers out of their bank account information in order to steal identities.

Electronic Fund Transfers Rules and Debit-Based Payday Lending

With store-based payday lending, loans are based on paper checks held for future deposit. Loans based on check holding have been transformed to debit holding for Internet payday lending. Loans based on electronic access to the borrower's bank account involve an additional set of legal and self-regulatory factors. All payday loans made via the Internet are electronic fund transfers between the payday lender's bank and the borrower's bank account. Two sets of protections and requirements apply to these transactions: Federal Electronic Funds Transfer Act/Reg E (EFTA) requirements and the voluntary self regulation rules imposed on banks by the National Automated Clearing House Association rules that in some cases provide more protections for consumers.

Consumer protections under the Electronic Fund Transfers Act/Reg E and the NACHA rules do not easily fit the use of electronic fund transfers to make payday loans or collect payments when the loans are due. Neither of these regulatory regimes were written with electronic payday loans in mind and do not provide financial institutions or consumers with clear rights, protections, or recourse. Consumer

¹³³ Privacy Rights Clearinghouse, Fact Sheet 24: Protecting Financial Privacy in the New Millennium: The Burden is On You. www.privacyrights.org/fs/fs24-finpriv.htm.

¹³⁴ www.phishinginfo.org/materials.html, visited Nov. 14, 2004

complaints and inquiries focus on collection tactics using the ACH system, whether a borrower can stop payment or withdraw authorization for the payday lender to withdraw funds from their bank accounts, how to get a dispute resolved, and risks of fraud and unauthorized transfers. NACHA's rules for electronic collection of returned checks also may apply to payday loans based on debits.

Electronic Fund Transfers Act and Reg E

EFTA/Reg E is the law/regulation that applies to debit card use, direct deposit of paychecks, and payday loans made via the Internet when information from the borrower's check is used to access a bank account in the name of the borrower.¹³⁵ An electronic fund transfer is the movement of "money," or credits, from one account to another through an electronic medium.¹³⁶ Consumers applying for payday loans online either fax a paper check to the lender or enter check account information in an online form. Reg E applies to both types of transactions, since the consumer authorizes the transaction as an ACH transaction and the paper check is only a source document.¹³⁷ Some Internet payday loans are "preauthorized debits" under contracts that make loan renewals automatic on the borrower's next payday unless the consumer takes a separate action to have full payment withdrawn from her bank account.

NACHA Rules

All payday loans made via the Internet are delivered and collected through the electronic funds transfer system, called the Automated Clearinghouse. The National Automated Clearinghouse Association is a private entity made up of the banks that use the ACH Network and its rules bind the banks on both ends of the Internet payday loan transaction, prescribing security requirements and other protections that benefit consumers. Since account agreements signed by consumers typically require them to comply with NACHA rules, consumers are also covered by these industry self-regulatory provisions. NACHA rules require the lender to get the borrower's authorization before transmitting most types of ACH debit entries and set out the requirements for that authorization. The payday lender must be able to furnish its bank with the original or a copy of the borrower's authorization to access her bank account to credit the loan and debit the payment through the ACH Network.¹³⁸ NACHA rules also require security and fraud-prevention steps when the ACH system is triggered online and sets out procedures for revoking authorization to credit/debit accounts.

NACHA has two sets of rules that apply to Internet payday lending, depending on how consumers give authorization to access their bank accounts. If the authorization is provided online through clicking on an "I agree" or "I accept" button, NACHA's WEB¹³⁹ rules apply. If the borrower faxes in an authorization for the lender to access her bank account, the prearranged payment and deposit entry

¹³⁵ EFTA and Reg E do not apply to payday loans that start as a paper check that is later converted to an electronic withdrawal from the borrower's bank account. Although some iPDL sites ask consumers to fax a copy of a canceled check as part of the loan application, the paper check is used only to provide the MICR number for accessing the account electronically, not to process a paper check.

¹³⁶ Christoslav. E. Anguelov, et al, "U.S. Consumers and Electronic Banking, 1995-2003," Federal Reserve Bulletin, Winter 2004, p. 2.

¹³⁷ Reg E Commentary 3(b)-1(v) and 3(b)-3.

¹³⁸ NACHA Operating Guidelines 55, F3.

¹³⁹ "A WEB entry may be transmitted by an Originator pursuant to an authorization that is obtained from the Receiver via the Internet to effect a transfer of funds from a consumer account of the Receiver." NACHA Rule 2.10.1

(PPD)¹⁴⁰ rules seem to apply. PPD transactions cover both credit (payday loan proceeds deposited into the borrower's checking account) and debit (payment of loan principle and finance charges to payday lender) transactions and can be repeat transactions with a standing authorization or a single transfer.¹⁴¹

WEB Rule Requirements:

Security: Since a web site that captures bank account information exposes consumers to greater fraud and security risks, NACHA rules say that WEB ACH companies must use at least 128 bit encryption technology prior to transmitting banking information, including the Receiving bank's routing number, account number, and PIN or any identification symbol.¹⁴² Merchants are supposed to use commercially reasonable systems to detect fraudulent transactions and to verify that routing numbers are valid.¹⁴³ All payday loan applications filed online with the surveyed lenders included transmission of the applicant's bank account number among other information. In addition, bank account information was entered into online forms that were transmitted to lenders electronically but authorization was signed on paper and faxed back to the lender. Although account information was transmitted online in both methods, the NACHA WEB security requirements apparently don't apply in the second case.

The payday lender must have physical security to protect data and protect against unauthorized access and use of data and network security. The payday lender's bank has the same obligations and must establish the identity of the merchant and the merchant's creditworthiness on an ongoing basis. The merchant's bank is required to set exposure limits and to periodically review the merchant's entries relative to the exposure limit.¹⁴⁴ It is unclear how banks comply with this requirement with off-shore online lenders.

Consent: Internet initiated entries (WEB) require the merchant (payday lender) to have a consumer's consent to access the bank account to deposit the loan proceeds and to withdraw payment. The authorization must contain evidence of a consumer's identity and consent. The authorization has to be clearly labeled as such, and conspicuously displayed on a computer screen or visual display. If the transaction is a one-time payment, the lender doesn't have to tell the consumer how to revoke authorization, presumably because the merchant is expected to process the payment immediately. In the case of a payday loan initiated via the Internet, there is typically up to a two-week delay between authorizing the transaction and the withdrawal of the payment from the consumer's bank account.

PPD Rule Requirements:

NACHA rules for prearranged payment and deposit transactions:

Notice: If the amount of a recurring debit is more or less than the recent one, the payday lender is required to send the borrower a written notice of the amount of the entry and the date when the debit will be initiated. This situation could arise when the borrower permits the payday lender to withdraw the

¹⁴⁰ "PPD Entry means a credit or debit entry ... initiated by an organization pursuant to a standing or a single entry authorization from a Receiver to effect a transfer of funds to or from a Consumer Account of the Receiver." NACHA Rule 13.1.44

¹⁴¹ ACH Rule 13.1.44 and Rule 13.1.57.

¹⁴² 2003 Operating Rules, Subsection 2.10.2.4 Security of Internet Session, www.achrulesonline.org/viewrules.asp?page=10, visited 4/22/03.

¹⁴³ *Consumer Banking and Payments Law/2004 Supplement*, National Consumer Law Center, p. 54.

¹⁴⁴ NACHA Rule 2.10.2.2.

finance charge over a succession of paydays or opts for the repayment of partial principal and finance charge. With the typical payday loan cycle of two weeks or less, an Internet payday lender complying with the NACHA rules for PPD transactions would have to immediately notify the borrower of the amount of the payment scheduled for the next electronic withdrawal. No such advance notice would be required for a one-time PPD Entry.

Access to Funds: The consumer's bank must make loan funds available for withdrawal by cash or other use no later than the settlement date of the entry. If the payday lender's ACH operator makes a PPD entry available to the borrower's bank by 5:00 p.m. on the banking day prior to the settlement date, the loan credit has to be available to use at the opening of business on the settlement date.¹⁴⁵

Prohibition on Required Electronic Payment as a Condition of a Loan

The EFTA prohibits "any person" to require, as a condition of the extension of credit, repayment by the means of preauthorized electronic fund transfer.¹⁴⁶ Under the Federal Reserve's Reg E rules, this prohibition applies to recurring electronic payments. While some payday loans are single transactions, those that permit multiple payments should be subject to this prohibition.

Some surveyed sites apparently do not permit borrowers to withdraw authorization to debit accounts. The 200Cash.com agreement states: "This authority is to remain in full force and effect until 200Cash.com, Inc. and the Financial Institution have received written notification from the customer of its termination in such time and in such manner as to afford 200Cash.com, Inc. and the Financial Institution a reasonable opportunity to Act on it." But, the contract also states "You understand and agree that you may revoke this ACH/EFT authorization only after all payments are completed and 200Cash.com, Inc. is paid in full." This agreement could be construed as requiring that the loan be repaid electronically. Another contract says: "I agree to....keep my account open to allow all ACH/EFT and/or bank drafts to Americash Advance to occur in a timely manner for the scheduled due date."

Liability Limits and Unauthorized Use of Debits

EFTA protections that apply to debit cards also apply to payday loans made via the ACH system. If the debit is unauthorized, a consumer is not liable for lost funds if she notifies the financial institution within 60 days of getting the periodic statement on which the unauthorized debit first appears. To be able to prove a transaction was not authorized or was for the wrong amount, a borrower has to be able to print out and keep copies of loan authorization documents.

Stopping Payment on Debits

Reg E does not give consumers the right to stop payment for a single debit. However, Reg E, 205.10(c) "Consumer's Right to Stop Payment" requires financial institutions to honor an oral stop-payment order made at least three business days before a scheduled recurring debit. If the debit item is resubmitted, the financial institution must continue to honor the stop-payment order. Reg E gives the

¹⁴⁵ NACHA Rule 4.4.1 sets the opening of business as the later of 9:00 a.m. or the time the consumer's bank teller facilities including ATMs are available for customer account withdrawals.

¹⁴⁶ 15 U.S.C. 1693K. Reg E limits this protection to credit extension with preauthorized payments that recur at substantially regular intervals.

example of suspending all subsequent payments to the payee-originator until the consumer notifies the institution that payments should resume. In the case on online payday loans, this means that consumers have the right under Reg E to stop payment if the loan is structured with automatic renewals (preauthorized debits) but not if the loan must be repaid on the next payday.

On the other hand, NACHA rules give consumers a right to stop payment if they order the stop in time to give their bank a reasonable opportunity to act.¹⁴⁷ Since payday loans are deposited into the borrower's bank account by the next day, the window of opportunity to stop a deposit is very brief but the borrower has several days to stop the withdrawal to repay the loan. Consumers do not have a private right of action directly to enforce NACHA rules, however.

Withdrawing Authorization for Electronic Transactions

Reg E permits consumers to withdraw authorization for an electronic transaction by “notifying institution holding the account orally or in writing at least three business days before the transfer is scheduled.”¹⁴⁸ The consumer's bank can require that the consumer supplement the oral notification with a written confirmation of the stop payment order within fourteen days of the oral notification. Once a financial institution has been notified that the consumer's authorization is no longer valid, it must block all future payments for the particular debit transmitted by the designated payee originator and may not wait for the payee-originator to terminate the automatic debits. The consumer's financial institution may confirm that the consumer has informed the payee-originator of the revocation, for example by requiring a copy of the consumer's revocation as written confirmation to be provided within 14 days of an oral notification. If the bank doesn't get this confirmation within the 14-day period, it may resume honoring subsequent debits to the account.¹⁴⁹

Under NACHA rules, a consumer can also withdraw authorization to access her bank account if recurring payments are involved. NACHA rules require that the merchant's authorization form include the notice that consumers can revoke that authorization. A consumer has to contact the merchant directly and follow the instructions in the authorization agreement. The next step is to inform her bank that she has revoked authorization. The consumer will be asked to sign a form under pain of perjury that authorization has been revoked directly with the merchant in order for the consumer's bank to return the merchant's attempt to withdraw funds from the consumer's bank account.¹⁵⁰ Presumably this right only applies to Internet payday loans where the contract authorizes interest only payments on the borrower's next payday or installment payments. If the payday loan is a single WEB transaction, the authorization doesn't have to include revocation language and the consumer has no right to revoke these one time payments despite the fact that the debit will not take place until the payday loan is due in a week or two.¹⁵¹

¹⁴⁷ NACHA Rule 7.4

¹⁴⁸ C.F.R. 205.10(c)

¹⁴⁹ Reg E, Official Staff Commentary, section 10(c).2.

¹⁵⁰ ACH Guidelines II, ch. I.B.3 at OG 21.

¹⁵¹ ACH Guidelines, II, ch. I.B.3 at OG 22.

Multiple Presentments to Collect Checks Electronically

When a paper check or electronic equivalent is returned for insufficient funds, NACHA rules impose limits on the number of times a lender can attempt to collect the check through electronic means. The ACH entry can be reinitiated no more than two times after the first attempt is returned, for a total of three attempts.¹⁵² If a lender charges \$25 per returned transaction, a consumer unable to repay the loan on its due date will owe an additional \$75 in return fees in addition to the NSF fees charged by her bank. Since banks are currently charging \$20 to \$35 per returned check, a consumer can easily owe an additional \$150 when unable to repay a payday loan collected through the ACH system. When lenders fail to follow the NACHA three-presentment limit, fees escalate.

Some payday loan contracts in the study sample include agreements that the lender can send additional ACH entries if the first one is returned for insufficient funds or cannot be completed. A typical agreement says that a consumer authorizes the lender to initiate debits to your account in amounts up to and less than the amount owed until the amount owed is paid in full. Typically the lender adds a \$25 insufficient funds fee for every payment request returned by the consumer's bank. As a result, Internet payday loan companies can use the ACH network to repeatedly ding the consumer's bank account, triggering bounced check fees each time the debit is returned for insufficient funds.

Collecting NSF fees Through the ACH Network

NACHA rules for handling returned checks (RCK) electronically also provide some consumer protections. RCK rules require that consumers give written authorization prior to the lender initiating a debit entry to the consumer's account in order to use the ACH Network to collect a fee associated with a check or ACH entry returned for insufficient funds. This protection exceeds Reg E requirements for written authorization only for pre-authorized recurring payments.

Enforcing NACHA Rules

NACHA rules do not give consumers a right to enforce them. All commercial parties using the ACH Network have to agree to be contractually bound by the rules and the typical deposit agreement a consumer has with her bank provides that the consumer agrees to be bound by the NACHA rules. It is possible that consumers can file a lawsuit against any party that violates NACHA rules, but this is not certain.¹⁵³ Consumers can also file complaints with their bank regulator, their state Attorney General or the Federal Trade Commission.

Consumers who believe NACHA rules have been violated to withdraw funds without their approval should file an "Affidavit of Unauthorized ACH Withdrawal" form at their bank. If the withdrawal was unauthorized, the consumer's bank must promptly recredit the disputed amount. Under NACHA rules, consumers must report the error within 15 days in writing and under penalty of perjury. For example, if the payday lender has attempted to collect payment more than three times, triggering more than three bank NSF fees, the victim should demand a refund of the excess penalty fees triggered by this

¹⁵² 2003 Operating Rules, Section 2.12 Re-initiation of Returned Entries by Originators, www.achrulesonline.org/viewrules.asp?page=10, visited 4/22/03.

¹⁵³ Mark E. Budnitz, "Payday Lending Meets Electronic Commerce," Conference of State Bank Supervisors Payday Lending Regulatory Summit, June 7, 2004, p. 4.

violation of NACHA rules. NACHA rules require the consumer's bank to promptly re-credit the consumer's account if the consumer claims the debit was unauthorized.¹⁵⁴ This consumer right applies in situations where the merchant failed to comply with requirements for getting the consumer's consent; and when the debit is greater than the amount agreed to.

Complaints about EFTA/Reg E

Consumers must notify their bank of any unauthorized transactions within 60 days of receiving a bank statement. Under EFTA, consumers are not liable for unauthorized electronic withdrawals if they report it within 60 days to the bank. After that time limit, consumers can lose all funds in their bank accounts plus any overdraft lines. In addition, complaints should be filed with the consumer's bank regulator and with the Federal Trade Commission.

Recommendations

States should preserve and strengthen state usury laws and/or small loan rate caps and prohibit loans based on check holding or electronic access to consumers' bank accounts.

Failing an outright ban on loans based on electronic access to consumers' bank accounts, states should amend small loan and payday loan laws to explicitly apply to loans made via the Internet and other electronic means with in-state consumers in order to provide a consistent level of consumer protections for loans made to consumers. States should prohibit choice of law provisions that make the laws of other countries or state applicable to loans.

State credit regulators and the Federal Trade Commission should investigate the Internet payday loan industry to enforce state credit laws and interest rate limits and federal credit and financial privacy laws.

The Electronic Fund Transfers Act should be updated to extend consumer protections to ACH-enabled credit transactions not envisioned when the law was enacted. Industry self-regulatory rules for the ACH system should be revised to fit payday loans applied for and delivered and collected online.

Advice to Consumers

Do not borrow money at triple-digit interest rates with unrealistic repayment terms. If you pay \$90 to borrow \$300 and take out twelve two-week loans a year, you will have paid \$1,080 to use \$300 for half the year.

Do not send personal financial information or bank account information via the Internet or by fax to an unknown company. Safeguard bank account numbers, Social Security numbers and other identifiers.

If payday lenders already have access to your bank account, revoke that authorization in writing and notify your bank in writing to stop processing ACH withdrawals. Immediately report any unauthorized transactions to your bank. File a complaint at your bank if the lender returns the same check/debit more than three times.

¹⁵⁴ NACHA Rule 7.6.1.

Seek out lower cost and less risky alternatives to payday loans to cope with a financial emergency, such as real overdraft protection, arrangements with creditors, borrowing from friends or relatives, or help from religious institutions.

Compare the cost of borrowing money, based on both the dollar finance charge and the annual percentage rate, and only borrow as much as you can repay during the term of the loan.

Build up savings and seek credit counseling and budgeting assistance to avoid high-risk debt.

File complaints about Internet payday lending with state credit regulators or the Attorney General. Seek legal help from private attorneys or legal services offices.

Appendix A: CFA Internet Payday Loan Survey Methodology and Sampling Protocol

Survey Methodology:

CFA staff surveyed a sample of popular Internet payday loan sites. The sample was originally selected in July and August 2003, and updated with additional sites in 2004. Almost ten percent of the original sample of sites were no longer functional or accepting new loan applications by August 2004 and were deleted from the survey. The researcher collected information on the loan offer, the disclosures of cost and repayment terms, application information, and privacy and security policies, if any. We noted any contact or location information, claims about applicable law or jurisdiction, and states where loans were or were not available. We collected information on key contract terms from the sites where applications provided this level of information, including mandatory arbitration clauses.

CFA did a Who Is search for each web site's URL in an effort to identify the owner of the web site. The surveyor did not enter any personally identifiable information but filled out application forms with nonsense information in order to progress through websites from entry application to full application. We checked for indicators of a secure site when submitting application pages that contained bank account information or personal financial data, including a Social Security Number.

CFA attempted to verify claims that Internet lenders were licensed/registered in their home states by reviewing posted lists of licensed payday loan companies and by calling state regulators. The home states used were those identified in choice of law provisions, claims of licensee status or address information and not those revealed by the Who Is search. We were still unable to determine the licensing status of several lenders after checking web site information against posted lists of licensed lenders.

Selection of Surveyed Sites

The total sample included 100 sites, gathered from online directories and various searches on popular search engines. Sites that referred to physical storefronts but did not offer loans directly through the site were not included in the survey.

We logged onto Yahoo Directory: Business and Economy>Shopping and Services> Financial Services> Credit and Finance> Financing> Cash Advances. The most popular site listings yielded nine sites, with one site leading to a storefront payday lender. The tenth site from this source was selected at random from the alphabetical list of sites that followed the most popular list.

Also from that directory, we chose ten sponsored links, a few from the sponsored listings and then several sponsored sites that were listed in the alphabetical site list section below.

The second directory was the Google Directory: Business> Financial Services> Loans > Payday Advance Services. The top ten pages yielded some duplicate results with the Yahoo Directory site listings and thus, other site listings from the directory were obtained from searching the sites listed underneath the top ten, but rounding out the top thirty.

The next source was the Payday Loans Index. After looking at the ten sites with the highest number of hits, several were duplicate sites, thus some site listings were pulled from their featured payday providers index (2), and their general payday loan providers index(2).

The next source was a general search of Google, under “payday loans.” The top ten results yielded four new site listings, with the remaining six listings under this search coming from the top 60 results.

Under this same search, we gathered site listings of sponsored links on Google. The sponsored sites that were listed along with the top ten results yielded 80% results. Two more sites were collected after a subsequent search of payday loans on Google a few weeks later.

A Google search under “cash advance” yielded another six sites out of the top ten results. Four more site listings were obtained from the top 110 results.

Another search was conducted using Google under “quick cash.” This search resulted in only one new site listing with the other nine coming from subsequent searches, with one site obtained from the 91-100th results.

A Yahoo search for “payday loan” yielded site listings taken from 80 results. In spring of 2004, we used the new “Froogle” shopping service on Google to look for payday loan websites and added new listings. A small sample of payday loan web sites advertised through unsolicited commercial email rounded out the sample of 100 sites.

Appendix B: Surveyed Lender Key and Summary Chart

Company:	Name on website given for company
URL:	Website address on home page or initial page for company name.
WHOIS Name:	Owner of domain name. WHOIS search conducted by using www.verisign.com and noting the registrar names for those sites registered with another domain registry, such as TUCOWS or GoDADDY. The ultimate registrar was used to gather WHOIS information.
WHOIS Location:	Where the site's domain registration location is listed, from WHOIS profile.
Address:	Checked if a physical address for the payday lender is posted on the web site and available to consumers before entering personal information in application forms.
E-mail:	Checked if e-mail address for the payday lender is posted on the web site.
Phone:	Checked if a phone number for customer service is posted on the web site.
FAX:	Checked if payday lender provides a fax number for sending applications.
Get Loan In:	Web site claims on states where loans are not available or specific states where loans are made.
Choice of Law	Web site claims on state law that applies to transactions. Information typically located under Terms and Conditions, Legal Disclosures, or on the home page.
Licensed Claim:	States where lenders claim to be licensed.
Licensed:	States where CFA was able to confirm that the company is licensed, using state regulatory licensee lists and phone calls to regulators. Name in which license is held where available.

Company	URL	WHOIS Name	WHOIS Location	Address	Email	Phone	Fax	Get Loan In	Choice of Law	Licensed (claim)	Licensed
Primary											
123onlinecash	www.123onlinecash.com	Internet Cash Advance Marketing, Inc.	Canada								
200cash.com Inc.	www.200cash.com	Degnanco	DE						DE	DE	Unclear
500FastCash	www.500fastcash.com	Internet Cash Advance Marketing, Inc.	Canada								
ABC Cash Advance Inc.	www.cash-advance-payday-loans.tv	N/A	N/A								
Access EZ Cash Inc.	www.paydayadvanceonline.com	Tony Freiberg	CA					N/A in ND, KA, MN, NE			Yes, DBA Access EZ Funding, Inc.
Ace Pays Inc.	www.acepays.com	Ace Check Cashing, Inc.	PA					N/A GA	PA		Unclear
Advance Paycheck Now	www.advancepaychecknow.com	Brian Hughes	CA								
AeroAdvance Financial	www.aeroadvance.com	AeroAdvance Financial, Inc./ Jon Sanchez	CA						CA		Yes, DBA Aerofund Financial, Inc.
Americash Advance LLC	www.americashadvance.com	Americash Advance, LLC	DE						DE		Yes*
Avantis Financial, LLC	www.avantisfinancial.com	Avantis Financial LLC	SD						SD	SD	Yes
Cash Advance Man	www.cashadvanceman.com	CashAdvanceNow.com	FL					N/A in AR, FL, IL, NE			Unclear
Cash Advance Now	www.cashadvancenow.com	CashAdvanceNow.com	FL					N/A in AR, FL, IL, NE			Unclear
Cash Advance USA	www.cashadvanceusa.com	Liberty Capital Investments	FL								Unclear
Cash by Morning LLC	www.cashbymorning.com	Cash By Morning/ Mark Tischler	DE							DE	Yes
Cash N Minutes	www.cashnminutes.com	Instant Lease/ Chad Rounds	TX								
Cash Net	www.cashnet500.com	CRA Services/ Adrian Rubin	PA							UT	Unclear
Cash Oncall of America Inc.	www.cashoncall.com	Cash On Call Of America, Inc.	NV					NV only	NV	NV	Yes (DBA Payday Loan)
CashBack Payday Loans Inc.	www.cashbackpayday.com	Cashback Payday Loans	NV					N/A in AK, GA, NY	NV		Yes
CheckExpress.com	www.checkexpress.com	CheckExpress.com/ Dino Tagnani	CA						NV		Unclear
Dollar Advance	www.dollaradvance.com	Peoples Payday	FL								Unclear
EfastAdvance	www.efastadvance.com	eFastMedia.com	KS								
Emergency-Cash-Loan.com	www.emergency-cash-loan.com	Domains by Proxy, Inc.	AZ					N/A in NY, KA,CO,GA,ID	Federal	Yes	
Empowerment Lending Inc.	www.ms-payday-loans.com	Ms Payday Loans, Inc.	DE					US and Canada			Unclear
EZ Payday Cash	www.ezpaydaycash.com	Ezpaydaycash.com c/o Network Solutions	VA						UT	UT	Yes (DBA United Consumer Fin. Services)
Fast Bucks	www.fastbucks.com	Fastbucks, Fastbucks.com c/o Network Solutions	VA						NM		Yes
Fast Cash Online	www.fastcashonline.com	Fast Cash Online.com	NV					US, Canada			Yes

Company	URL	WHOIS Name	WHOIS Location	Address	Email	Phone	Fax	Get Loan In	Choice of Law	Licensed (claim)	Licensed
Fast Funds Online	www.fast-funds-online.com	Internet Cash Advance Marketing, Inc.	Canada								Unclear
Fast Payday Cash Loans Online/ Island Financial	www.fast-payday-cash-loans-online.com	Jordan Robbins/ Long Island Web Page Design	NY								
Fcash Inc.	www.fcash.com	Neteller/ Brad James	Canada								
First Choice Financial Services Inc.	www.yourcashbank.com	United Capital / Marc Matthews	UT					N/A in AK,HI,NM,NY			Yes (DBA Capital Investments, Inc.)
GetCash911	http://getcash911.com	Advance Check Express, Larry Felt	CA								
Gold X	www.goldx.com	Gold Exchange	CA								Unclear
Inajin Enterprises dba Axxess Cash	www.loan-til-payday.com	Jon Schultz	NV*								
Max Out Payday Loans Inc.	www.maxoutloan.com	.Com Endeavors Inc.	OR					All 50 States			
Mycashnow.com	www.mycashnow.com	mycashnow.com Inc.	Grenada					N/A in KS	Grenada		
MyPaydayloan.com	www.mypaydayloan.com	Roxan Sofia Lao Mendez	Costa Rica						Costa Rica		
National Opportunities Unlimited Inc.	www.itsyourpayday.com	NOU	DE						DE	DE	Yes
National Payday	www.nationalpayday.com	Devidia II Ltda	Costa Rica						Costa Rica		
Online Payday Advance	www.onlinepaydayadvance.com	Daniel Joye	AL								
Pay Day One XL LLC	www.paydayone.com	PayDay One XL	TX								Yes
PayAdvance LLC	www.payadvance.com	PayAdvance LLC	CA						CA	CA	Unclear
Payday City	www.paydaycity.com	Liberty Capital Investments	FL								Unclear
Payday Connection	www.paydayconnection.com	Domains by Proxy, Inc.	AZ					N/A in DE, GA	DE	DE	Unclear
Payday Loan Cash Advance Ltd.	www.payday-loan-cash-advance.com	Payday Loan Cash Advance Online	IA					US and Canada			Unclear
Payday Loan Corporation	www.paydayloan.com	Payday Loan Corporation	CA					CA, NV only	NV	CA, NV	Yes (CA)
Paydayloan-Paydayloans	www.paydayloan-paydayloans.com	Internet Manager	OK							DE	Unclear
PayDayOK	www.paydayok.com	PayDay One XL	TX					Get in NM et al, N/A NY et al	NM		Yes
Power Cash Advance	www.powercashadvance.com	Domains by Proxy, Inc.	AZ								
Quick Loot	www.qloot.com	DMA Financial Inc.	NV						NV		Unclear
Quik Money Online	www.quikmoneyonline.com	GFC Groups, Inc./ Paul Gallo	CA						CA		Unclear
Quik Payday	www.quikpayday.com	Quik Payday Inc.	UT						UT	UT	Yes
Rapid Cash Provider	www.rapidcashprovider.com	Azoogle, Inc.	Canada								
Sonic Cash LLC	www.soniccash.com	Jason Brizendine/ Sonic Cash LLC	ID						ID	ID	Yes

Company	URL	WHOIS Name	WHOIS Location	Address	Email	Phone	Fax	Get Loan In	Choice of Law	Licensed (claim)	Licensed
Top rated cash advance company	www.top-rated-cash-advance-company.com	Domains by Proxy, Inc.	AZ					N/A in NY,KS,CO,GA,IND	Federal	Yes	Yes (DBA Rio Resources)
UnitedCashLoans	www.unitedcashloans.com	Internet Cash Advance Marketing, Inc.	Canada								Unclear
US Advance	www.usadvance.com	Pan American Advance Ltda	Costa Rica						Fed. Of Saint Chris		
Your Cash Network	www.yourcashnetwork.com	Internet Cash Advance Marketing, Inc.	Canada								Unclear
ZippyCheck Inc.	www.zippycheck.com	No Spam	NV						NV	NV	Yes
Referral											
Advance Cash Loans	www.advancecashloans.com	Manager	CO								
Cash Advance and Payday Loans Online	http://jowston.org	N/A	N/A								
Cash Advance Fast	www.cashadvancefast.com	Benjamin Thomas LLC	FL								
Cash Advance Loans	www.aceoffice.org	N/A	N/A								
Cash Advance Services	www.cash-advance-services.com	Happy Days Services	FL								
Cash Advance, LLC	www.cashadvance.com	Ward Chandler	Canada						AZ		Unclear
Cash Payday Advance	www.cash-payday-advance.com	N/A	N/A								
Cash Payday Loans	www.cash-payday-loans.com	Domain Manager	IA								
CashInAClick.com	www.cashinaclick.com	Intermark Media	NY								
Cash-in-1-Hour.com	www.slcash.com	ezbusinessdomains.com LLC	NV								
Delaware Financial Lenders	www.internetfastcash.com	Domains by Proxy, Inc.	AZ						DE		Yes
Epaychecks.com	www.epaychecks.com	Advance Online Services	CA								
Fast Cash Advance Payday Loan	www.fast-cash-advance-payday-loan.com	BCB	TX					State List			
First Payday.com	www.firstpayday.com	Domains by Proxy, Inc.	AZ						DE		Unclear
Get Payday Advance	www.getpaydayadvance.com	eXtreme Traffic, LLC	NV								
iCreditCentral Inc.	www.icreditcentral.com	Domains by Proxy, Inc.	AZ					US, UK, Canada			
iEmergency Loans	www.iemergencyloans.com	iBusinesses.com, LLC	LA								Unclear
Instant Cash Advance	www.magcalc.com	Web Check Services	CA								
Instant Cash USA	www.moneybyfax.com	CR Services Corp	PA								
Instant Payday Loans	www.instant-payday-loans.us	N/A	N/A								
Loan Me Cash	www.loan-me-cash.com	ISN, Inc.	TX								
Online Payday Loans	www.payday-loans.org	N/A	N/A								
Overnight Payday Loan	www.overnight-payday-loan.com	OPL	CA								

Company	URL	WHOIS Name	WHOIS Location	Address	Email	Phone	Fax	Get Loan In	Choice of Law	Licensed (claim)	Licensed
Paychecks in Advance	www.paychecksinadvance.com	LHMR, Inc., Ryan Fiore	FL								
Payday Advance at Payday Direct	www.paydaydirect.com	Web Check Services	CA								
Payday Cash Advance	www.everythingoz.com	Payday Cash Advance	WY								
Payday Center	www.paydaycenter.com	Payday Center	CA								
Payday Loan Advance	www.advance-payday-loan.com	Web Check Services	CA								
Payday Loan Cash Advances	www.payday-loan-cash-advances.com	Benjamin Ogden/ Benjamin Thomas LLC	FL								
Payday Loans at Variety Zone	www.varietyzone.com	Variety Zone	CA								
Payday Loans Online Services	www.payday-loans.ws	N/A	N/A								
Payday Loans Overnight	www.paydayloans-overnight.com	Paydayloans Overnight	CA								
Payday-Loans-Now.com	www.1paydayadvance.com	Payday-Loans-Now.com/ Michael Gibbons	PA								Unclear
Payday Now	www.payday-now.net	Matt Richenthal	NY								
PayDayRightAway	www.dioceseofvermont.net	NorthWind Hosting Solutions/ Phillip Ma	NY								
Quick Cash Loan.org	www.quickcashloan.org	N/A	N/A								
Quick Payday Loans	www.quick-payday-loans.com	quick-payday-loans.com	Canada								
Quickest-Payday-Loan.com	www.1000paydaycash.com	Domains by Proxy, Inc.	AZ					N/A in NY,KS,CO,GA,ID	Federal		Unclear
Secure Cash Advances	www.secure-cash-advances.com	Secure Cash Advances	CA								
US Payday Loan	http://www.uspaydayloan.com	Michael Gibbons	PA					All 50 States	NM	NM	Unclear
We Give Cash	www.wegivecash.com	wegivecash.com, LLC	NV								
Your Fast Cash	http://yourfastcash.com	Internet Cash Advance Marketing, Inc.	Canada								Unclear

Appendix C: Survey Summary Chart on Loan Terms and Limits Key

Company:	Name on website given for company
URL:	Website address on home page
Max Loan:	The largest amount of money the lender will give to a borrower. First time borrowers typically are not able to borrow the maximum. After prompt payment of one or more loans, the lender allows customer to borrow the maximum.
Max Term:	Sites set the due date for loans as the next payday. Some stipulate that the due date can be either the next payday or a period not to exceed a certain number of days.
Fee/\$100	The amount of money it costs to obtain a \$100 loan. Disclosures found in FAQs, in click-on charts or “Legal Disclosures” that a consumer can view without divulging personal information in an application.
APR/\$100	If an APR disclosure was provided, this is the interest rate disclosed for a \$100 loan for a two-week (14/15 day) period. This is not an APR computed by CFA.
NSF/Other Fees:	Fee posted for payments returned for insufficient funds. Failure to post a fee does not mean the site or actual lender does not charge a fee.
Rollover:	Posted repayment terms. “Yes” means web site permits borrowers to pay the finance charge to extend the loan for another pay cycle without limiting the number of times. The number of rollovers permitted is posted where given.
Secure Site:	Application page is secure, as shown by https on browser or closed lock on screen when application is sent. Claims of security seals listed. Asterisk used for referral sites when the surveyor clicked through to an application page at another URL for the actual lender.

Company	URL	Max Loan	Max Term	Fee/\$100	APR/\$100	NSF/Other Fees	Rollover	Secure Site
Primary								
123onlinecash	www.123onlinecash.com	\$500					Yes	No
200cash.com Inc.	www.200cash.com	\$200	15 days	\$60 for \$200	652%/\$200	\$25	4	Yes
500FastCash	www.500fastcash.com	\$500					Yes	No
ABC Cash Advance Inc.	www.cash-advance-payday-loans.tv	\$200 (1st time)	15 days	\$30			4	No, Claims Thawte
Access EZ Cash Inc.	www.paydayadvanceonline.com	\$245	15 days	\$15 + \$10	414%	\$15	Yes	Yes
Ace Pays Inc.	www.acepays.com					\$30		No, Claims SSL
Advance Paycheck Now	www.advancepaychecknow.com	\$500	30 days	\$17.65	460.16%		Yes	Yes, GeoTrust
AeroAdvance Financial	www.aeroadvance.com	\$500	Payday	\$20 MD	434.52% MD	\$25	Yes	Yes
Americash Advance LLC	www.americashadvance.com	\$1,000	15 days	\$25	651.79%	\$25	4	Yes, GeoTrust
Avantis Financial, LLC	www.avantisfinancial.com	\$500	Payday	\$30		\$30	4	Yes*
Cash Advance Man	www.cashadvanceman.com	\$500	15 days	\$25	651.79%	\$25	Yes	No
Cash Advance Now	www.cashadvancenow.com	\$500	15 days	\$25	651.79%	\$25	Yes	No
Cash Advance USA	www.cashadvanceusa.com	\$500	15 days	\$25	651.79%	\$25	Yes	No
Cash by Morning LLC	www.cashbymorning.com	\$1,000	20 days	\$30			Yes	No, Claims Secure
Cash N Minutes	www.cashnminutes.com	\$500	14 days					No
Cash Net	www.cashnet500.com	\$1,000	Payday				Yes	No
Cash Oncall of America Inc.	www.cashoncall.com	\$1,000	Payday	\$17.65	429.48%/15 day	\$25		Yes, Verisign
CashBack Payday Loans Inc.	www.cashbackpayday.com	\$500		\$25	651.79%		4	Yes, Thawte
CheckExpress.com	www.checkexpress.com	\$500	30 days	\$17.50	17.50%	\$15	Yes	Yes, VeriSign
Dollar Advance	www.dollaradvance.com	\$500	15 days	\$25	651.79%	\$25	Yes	No
EfastAdvance	www.efastadvance.com	\$500	Payday	\$25		Yes	Yes, unlimited	No
Emergency-Cash-Loan.com	www.emergency-cash-loan.com	\$1,000	17 days	\$30	782.14%		4	No, Claims Secure
Empowerment Lending Inc.	www.ms-payday-loans.com	10-30% Income	Payday	\$20-30			Yes	Yes, Thawte
EZ Payday Cash	www.ezpaydaycash.com	\$1,000	30 days	\$25	651.78%	\$20	2	Yes, Verisign and Thawte
Fast Bucks	www.fastbucks.com	\$500		\$25	651.79%		Yes	Yes
Fast Cash Online	www.fastcashonline.com	\$2,500		\$20-30				Yes, Thawte
Fast Funds Online	www.fast-funds-online.com	\$500					Yes	No
Fast Payday Cash Loans Online/ Island Financial	www.fast-payday-cash-loans-online.com	\$500	Payday				Yes	Yes
Fcash Inc.	www.fcash.com	\$200	15 days	\$25	608.33%	\$25	Yes	Yes
First Choice Financial Services Inc.	www.yourcashbank.com	\$500	Payday	\$25 + \$10		No NSF		Yes, Verisign
GetCash911	http://getcash911.com	\$500	30 days	\$17.50	17.50%	\$15	Yes	No, Claims SSL
Gold X	www.goldx.com	\$300	Payday					No
Inajin Enterprises dba Access Cash	www.loan-til-payday.com	\$1,000	37 days	\$30	782.14%		4	Yes, Verisign

Company	URL	Max Loan	Max Term	Fee/\$100	APR/\$100	NSF/Other Fees	Rollover	Secure Site
Max Out Payday Loans Inc.	www.maxoutloan.com	\$500					Yes	No
Mycashnow.com	www.mycashnow.com	\$1,000		\$18.62	485.50%	\$25	3	Yes, Verisign
MyPaydayloan.com	www.mypaydayloan.com	\$1,000	18 days	\$25	651.79%	\$25	Yes, unlimited	Yes, Verisign
National Opportunities Unlimited Inc.	www.itsyourpayday.com	\$500	Payday	\$25	304.17% (30 day)	\$20	Yes, unlimited	Yes
National Payday	www.nationalpayday.com	\$500	18 days	\$25	651.79%		Yes	Yes, Thawte
Online Payday Advance	www.onlinepaydayadvance.com	\$500	15 days	\$25	486.67% (15 day)		Yes	No
Pay Day One XL LLC	www.paydayone.com	\$500	30 days	\$12	312.86%	\$25	Yes	Yes, VeriSign
PayAdvance LLC	www.payadvance.com	\$255	Payday	\$35 for \$200	443.20%	\$15	Yes	Yes
Payday City	www.paydaycity.com	\$500	15 days	\$25	651.79%	\$25	Yes	No
Payday Connection	www.paydayconnection.com	\$1,000	18 days	\$30	782.14%		4 (if loan < 500)	Yes
Payday Loan Cash Advance Ltd.	www.payday-loan-cash-advance.com	\$1,500	Payday	\$20-30		\$15(CA), \$25(NV)	Yes	Yes, Thawte
Payday Loan Corporation	www.paydayloan.com	\$510	30 days	\$17.65	460.16%			Yes, Verisign
Paydayloan-Paydayloans	www.paydayloan-paydayloans.com	\$500	30 days				4	No
PayDayOK	www.paydayok.com	\$500	24 days	\$10	260.71%	\$25	Yes	Yes, Verisign
Power Cash Advance	www.powercashadvance.com	\$500					Yes	No, Claims SSL
Quick Loot	www.qloot.com	\$500	15 days	\$25	651.79%		Yes	Yes
Quik Money Online	www.quikmoneyonline.com	\$415	Payday	\$30+\$10/\$160	390%	\$25	Yes	Yes
Quik Payday	www.quikpayday.com	\$500	18 days	\$20	521.43%		3	Yes
Rapid Cash Provider	www.rapidcashprovider.com	\$500					Yes	No
Sonic Cash LLC	www.soniccash.com	\$500	18 days	\$20	521.43%	\$20	3	Yes, Digicert
Top rated cash advance company	www.top-rated-cash-advance-company.com	\$1,000	17 days	\$30	782.14%		4	No
UnitedCashLoans	www.unitedcashloans.com	\$500	Payday				Yes	No
US Advance	www.usadvance.com	\$500	16 days	\$30			Yes	Yes
Your Cash Network	www.yourcashnetwork.com	\$500	Payday				Yes	No
ZippyCheck Inc.	www.zippycheck.com	\$1,300	14 days	\$20		\$25	Yes	Yes
Referral								
Advance Cash Loans	www.advancecashloans.com	\$500						No
Cash Advance and Payday Loans Online	http://jowston.org	\$500	Payday					No, Claims SSL
Cash Advance Fast	www.cashadvancefast.com	\$500	Payday				Yes	No*
Cash Advance Loans	www.aceoffice.org	\$500						No*
Cash Advance Services	www.cash-advance-services.com	\$500	Payday					No*, Claims Secure
Cash Advance, LLC	www.cashadvance.com	\$500					Yes	Yes
Cash Payday Advance	www.cash-payday-advance.com	\$500	30 days					No*, Claims Secure

Company	URL	Max Loan	Max Term	Fee/\$100	APR/\$100	NSF/Other Fees	Rollover	Secure Site
Cash Payday Loans	www.cash-payday-loans.com	\$500	Payday					No*, Claims SSL
CashInAClick.com	www.cashinaclick.com	\$500	Payday					Yes, Verisign
Cash-in-1-Hour.com	www.slcash.com	\$500	30 days	as low as \$10				No*, Claims Secure
Delaware Financial Lenders	www.internetfastcash.com	\$1,000	Payday	\$25	651.79%		Yes	Yes*
Epaychecks.com	www.epaychecks.com	\$500	Payday					No*, Verisign Logo
Fast Cash Advance Payday Loan	www.fast-cash-advance-payday-loan.com	\$500	15-18 days	\$20-25			Yes	
First Payday.com	www.firstpayday.com	\$500		\$25	651.79%		4	Yes*
Get Payday Advance	www.getpaydayadvance.com							
iCreditCentral Inc.	www.icreditcentral.com							Yes*
iEmergency Loans	www.iemergencyloans.com	\$500						No
Instant Cash Advance	www.magcalc.com	\$500						No*
Instant Cash USA	www.moneybyfax.com	\$1,000	37 days	\$30	782.14%		4	Yes*
Instant Payday Loans	www.instant-payday-loans.us	\$500					Yes	
Loan Me Cash	www.loan-me-cash.com	\$500	37 days	\$20	782.14%	\$29	4	No
Online Payday Loans	www.payday-loans.org	\$500						No*, Claims Secure
Overnight Payday Loan	www.overnight-payday-loan.com	\$500	Payday					No*, Claims Secure
Paychecks in Advance	www.paychecksinadvance.com	\$500	18 days	\$30-90			Yes	No, Claims SSL
Payday Advance at Payday Direct	www.paydaydirect.com	\$500						No*
Payday Cash Advance	www.everythingoz.com	\$500						No*, Claims Secure
Payday Center	www.paydaycenter.com	\$500						No*, Claims Secure
Payday Loan Advance	www.advance-payday-loan.com	\$500						No*, Claims Secure
Payday Loan Cash Advances	www.payday-loan-cash-advances.com	\$500						No*, Claims Secure
Payday Loans at Variety Zone	www.varietyzone.com	\$500	Payday					No*, Claims Secure
Payday Loans Online Services	www.payday-loans.ws	\$500	Payday	\$20-25			No	No*, Claims Secure
Payday Loans Overnight	www.paydayloans-overnight.com	\$500	Payday					No*, Claims Secure
Payday-Loans-Now.com	www.1paydayadvance.com	\$1,000					Unclear	Yes*
Payday Now	www.payday-now.net	\$500	Payday					No, Claims secure
PayDayRightAway	www.dioceseofvermont.net	\$500		\$20-30			Yes	
Quick Cash Loan.org	www.quickcashloan.org	\$500	Payday					
Quick Payday Loans	www.quick-payday-loans.com	\$300	Payday				Yes	No*, Claims Secure
Quickest-Payday-Loan.com	www.1000paydaycash.com	\$1,000	17 days	\$30	782.14%	Yes	4	No*

Company	URL	Max Loan	Max Term	Fee/\$100	APR/\$100	NSF/Other Fees	Rollover	Secure Site
Secure Cash Advances	www.secure-cash-advances.com	\$500						No*, Claims Secure
US Payday Loan	http://www.uspaydayloan.com	\$1,000	17 days	\$30	782.14%		4	Yes*
We Give Cash	www.wegivecash.com	\$1,000	Payday	\$10 and up				
Your Fast Cash	http://yourfastcash.com	\$500	Payday				Yes	No

Appendix D:

Terms of State Payday and Small Loan Laws for Check-Based Loans

State	Min./Max Term	Min/Max Loan	Maximum Fee %/\$	Cost/ \$100	Effective APR¹⁵⁵ 14 day
Alabama Act No. 2003-359	10/31 days	-\$500	17.5% of loan	\$17.50	455%
Alaska Alaska Chapter 116 SLA 04	14/ days	-\$500	15% + \$5 fee	\$20	520%
Arizona Ariz. Rev. Stat. § 6-1251 <i>et seq.</i> 2000	NA	\$50-\$500	15% of ck	\$17.65	459%
(Arkansas) Ark. Stat. Ann. § 23-52-101 <i>et seq.</i> 1999. Arkansas Supreme Court ruled that fee section is invalid attempt to evade the usury provisions of Arkansas Constitution. (Luebbbers v. Money Store, Inc., et al, __ Ark. __ 2001)	6/31 days	-\$400 ck	10% + \$10	\$22.22	579%
CA Cal. Fin. Code § 23000 to 23106	-/30 days	-\$300 ck	15% of ck	\$17.65	459%
CO ¹⁵⁶ Colo. Rev. Stat. § 5-3.1-101 <i>et seq.</i>	-/40 days	-\$500	20% 1 st \$300 7.5% > \$30	\$20	520%
DE Del. Code Ann. Tit. 5, §961, 976, 2227, 2235A	-60 days	-\$500	No Limit	No Limit	No Limit
FL §560.401. <i>et seq.</i>	7/31 days	-\$500	10% + \$5 fee	\$15	390%
HI Haw. Rev. Stat. § 480F-1 <i>et seq.</i>	-/31 days	-\$300 ck	15% of ck	\$17.65	459%
ID Chapter 46, Title 28, Idaho Code, 28-46-401 <i>et seq.</i>	NA	-\$1,000	No Limit	No Limit	No Limit
IL IL. Admin. Code tit. 38, § 110.300 <i>et seq.</i>	-/30 days	-\$400	No Limit	No Limit	No Limit
IN IC 24-4.5-7-101 <i>et seq.</i>	14 days/	\$50/\$500	15% of 1st \$250 13% over \$250-\$400 10% \$400-\$500	\$15	390%

¹⁵⁵ Approximate APR without compounding

¹⁵⁶ Colorado Deferred Deposit Loan Act enacted in 2000 replaced regulations under the UCCC. Applies to agents.

State	Min./Max Term	Min/Max Loan	Maximum Fee %/\$	Cost/ \$100	Effective APR¹⁵⁷ 14 day
IA Iowa Code § 13-533D.1 <i>et seq.</i>	-/31 days	-\$500 ck	\$5+10% ck \$100 \$10/\$100	\$16.67	435%
KS Kan. Stat. Ann. § 16a-2-404	-/30 days	-\$860	Scale of fees ¹⁵⁸	\$15	390%
KY Ky. Rev. Stat. Ann. § 368.010 <i>et seq.</i>	14/60 days	-\$500 ck	\$15/\$100 ck	\$17.65	459%
LA La. Rev. Stat. Ann. § 9:3578.1 <i>et seq.</i>	-/60 days	-\$350 loan	16.75% ck	\$20	520%
MN Minn. Stat. Ann. § 47.60	-/30 days	-\$350 loan	Scale of fees ¹⁵⁹	\$15	390%
MS Miss. Code Ann. § 75-67-501 <i>et seq.</i>	-/30 days	-\$400 ck	18% ck	\$22	572%
MO Mo. Rev. Stat. § 408.500 to 408.506; Mo. Code Regs. Ann. tit. 4, §§ 140-11.030, 140-11.040	14 /31 days.	-\$500 loan	75% loan ¹⁶⁰	\$75	1,980%
MT Mont. Code Ann. § 31-1-701 <i>et seq.</i>	-/31 days	\$50/\$300 loan	25% of loan	\$25	650%
NE Neb. Stat Ann.. § 45-901 <i>et seq.</i>	-/31 days	-\$500 ck	15% per \$100 ck pro rata	\$17.65	459%
NV Nev. Rev. Stat. § 604.010 <i>et seq.</i>	NA	% income ¹⁶¹	No Limit	No Limit	No Limit
NH N. H. Rev. Stat. § 399-A <i>et seq.</i>	7/30 days	-\$500	No Limit	No Limit	No Limit
NM N. M Stat. Ann. §58-15-1 to 58-15-31.	NA	NA	No Limit	No Limit	No Limit

¹⁵⁷ Approximate APR without compounding

¹⁵⁸ Kansas fees: \$5.50 for loans \$0 to \$50, 10% of loans + \$5 for \$50 to \$100, 7% + \$5 for \$100 to \$250, 6% + \$5 for \$250 - \$300

¹⁵⁹ Minnesota fees: \$5.50 for loans \$0 to \$50, 10% + \$5 for loans \$50 - \$100, 7% + \$5 loans \$100 - \$250, 6% + \$5 for loans \$250 - \$350

¹⁶⁰ Total accumulated interest capped at 75% of initial loan amount for entire term of loan and up to 6 renewals.

¹⁶¹ Nevada: 1999 amendments prohibit loans that exceed one-third of the borrower's expected net monthly income

State	Min./Max Term	Min/Max Loan	Maximum Fee %/\$	Cost/ \$100	Effective APR¹⁶² 14 day
ND N D Cent. Code § 13-08-01 <i>et seq.</i>	-/45 days	/\$500	20% of loan	\$20	520%
OH Ohio Rev. Code Ann. § 1315.35 <i>et seq.</i>	-/6 mon.	-\$500 loan	5% + \$5/\$50	\$15	390%
OK Okla. Stat. Tit. 59 §3101 <i>et seq.</i>	12/45 days	-\$500	15% up to \$300 10% \$300 to \$500	\$15	390%
OR ORS 725.600 and 725.610	-/60 days	-	No Limit	No Limit	No Limit
SC S.C. Code Ann. § 34-39 <i>et seq.</i>	-/31 days	-\$300 loan	15% ck	\$17.65	459%
SD S.D. Codified Laws Ann. § 54-4-65, 54-4-66	NA	-\$500	No Limit	No Limit	No Limit
TN Tenn. Code Ann. § 45-17-101 <i>et seq.</i>	-/31 days	-\$500 ck	15% ck	\$17.65	459%
TX ¹⁶³ 7 Tex. Admin. Code § 1.605 <i>et seq.</i>	7 days/31 days	\$100-\$350	48% APR + \$10 Monthly fee	\$11.87	309%
Utah Utah Code Ann. § 7-23-101 <i>et seq.</i>	NA	-/12 weeks	No Limit	No Limit	No Limit
VA Va. Code Ann. §§ 6.1-444 to 6.1-471.	7days/-	-\$500	15% of loan	\$15	390%
WA Wash. Rev. Code Ann. § 31.45.010 <i>et seq.</i>	-/45 days	-\$700	15% up to \$500 10% \$500 - \$700	\$15	390%
WI Wis. Stat. §138.09	NA	NA	No Limit	No Limit	No Limit
WY Wyo. Stat. § 40-14-362 <i>et seq.</i>	-/30 days	NA	\$30 or 20%	\$30	780%
DC D.C. Code § 26-301 <i>et seq.</i>	-/31 days	\$50/\$1,000	10% + fee ¹⁶⁴	\$16.10	419%

¹⁶² Approximate APR without compounding

¹⁶³ Texas Finance Commission adopted regulations effective July 9, 2000 to permit payday loans under the Texas Finance Code § 11.304

¹⁶⁴ DC: If included in contract, administrative fee of \$5 on checks up to \$250, \$10 on checks \$250.01 - \$500, \$15 for checks \$500.01 - \$750, \$20 on checks \$750.01 - \$1,000