

PRESS RELEASE

Colorado Department of Law
Attorney General Ken Salazar

FOR IMMEDIATE RELEASE

Nov. 18, 2003

**PAYDAY LENDER SETTLES DISCIPLINARY
CHARGES WITH ATTORNEY GENERAL'S OFFICE**

DENVER — Attorney General Ken Salazar announced today that a “payday” lender surrendered its licenses and closed its Colorado stores to settle disciplinary charges his Office brought against the lender. The lender, Kentucky Cash Connection, LLC, of Knoxville, Tennessee doing business in Colorado under the name "Americash", also agreed to pay \$18,000 in settlement of the charges. Americash and its principals agreed not to engage in payday lending in Colorado in the future.

The settlement required Americash to surrender its licenses by November 15, 2003. The \$18,000.00 it paid will be used in part to reimburse the Administrator for the costs incurred in prosecuting the case and for consumer education.

“Payday loans are primarily intended for consumers who find themselves with unexpected bills or in emergency situations,” Attorney General Salazar said. “It is important to pursue and prosecute payday lenders who unlawfully take advantage of such consumers.”

In October 2002, the Administrator of the Uniform Consumer Credit Code, an agency within the Attorney General's office that regulates payday lenders, brought disciplinary proceedings against Americash seeking to revoke its payday loan licenses. Americash at one time had ten payday loan stores located in the Denver and Colorado Springs metropolitan areas.

The Administrator alleged that Americash renewed its loans more than the one time allowed under Colorado's payday loan law. The Administrator further alleged that Americash falsified its records to make it appear as if it was not unlawfully renewing its loans more than the one time the law allowed, but that instead the consumer had paid off in full the old loan and immediately obtained a new loan for the same amount.

Payday loans are consumer loans of up to \$500 that may be obtained quickly and conveniently but must be repaid within forty days or less. Colorado law allows payday lenders to charge high interest rates for these transactions, which can be as much as a 500% annual percentage rate. Under Colorado's payday loan law, a lender can renew, or refinance or “roll over”, a payday loan one time at this high interest rate. After the one renewal, if the lender wants to refinance the loan again, it must do so only at the much lower interest rate of 36% allowed for regular loans under the Uniform Consumer Credit Code. Otherwise, the loan must be paid off in full.

Two former high-ranking executives of Americash came forward to the Administrator with information that it was Americash's practice to unlawfully renew its loans more than once, resulting in the consumer paying higher finance charges than permitted by law. They further claimed that, as part of this practice, Americash would falsify its records to make it appear as if these renewed loans were instead new loans. In this way, an outside observer, such as the Administrator in her routine compliance examinations of payday lenders, would believe that it was in complete compliance with Colorado law.

Several consumers also provided information that Americash renewed their loans more than once under the original rate. Some of these consumers claimed that Americash required them to initial altered loan documents or sign statements certifying to the accuracy of altered loan documents, and that Americash would not make them loans unless they did so.