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NYDFS ANNOUNCES MONEYMUTUAL WILL PAY \$2.1 MILLION PENALTY; MONTEL WILLIAMS TO WITHDRAW ENDORSEMENT FOR NEW YORK PAYDAY LOANS

Banking Division Press Archive Company Assured New York Consumers: "Montel Williams has endorsed MoneyMutual and would not do so if it were not a legitimate company"

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MoneyMutual and Mr. Williams Will Not Market Payday Loans to New Yorkers in the Future

First Successful Enforcement Action Penalizing Payday Loan "Lead Generation" Company

Benjamin M. Lawsky, Superintendent of Financial Services, today announced that Selling Source (d/b/a MoneyMutual) will pay a \$2.1 million penalty, cease its payday loan lead generation activities in New York, and provide new consumer warnings and disclosures after a Department of Financial Services (DFS) investigation uncovered that the company marketed illegal, online payday loans to New York consumers. Additionally, Montel Williams – the firm's celebrity endorser – has agreed to withdraw his endorsement for payday loans to New York consumers.

Superintendent Lawsky said: "Using Mr. Williams's reputation as a trusted celebrity endorser, MoneyMutual marketed loans to struggling consumers with sky-high interest rates – sometimes in excess of 1,300 percent – that trapped New Yorkers in destructive cycles of debt. The company made special efforts to target the more than 55 percent of their customers who were 'repeat clients' – including so-called 'Gold' customers who took out a new loan to pay off a previous loan. We are pleased that they have agreed to resolve this matter and stop marketing these illegal, usurious loans to New York consumers. Our investigation into the lead generation industry continues."

Today's MoneyMutual agreement is the first successful enforcement action against a payday loan "lead generation" company penalizing it for its unlawful conduct. Lead generation firms do not typically make payday loans directly, but instead set up websites marketing those illegal loans. Through promises of easy access to quick cash, the lead generation companies entice consumers to provide them with sensitive personal information such as social security and bank account numbers, and then sell that information to payday lenders operating unlawfully in New York and other states. In December 2013, DFS issued subpoenas to **16 online "lead generation" firms**, including Selling Source/MoneyMutual, which were suspected of deceptive or misleading marketing of illegal, online payday loans in New York.

Payday lending is illegal in New York under both civil and criminal usury statutes. In some cases, however, lenders attempt to skirt New York's prohibition on payday lending by offering loans over the Internet. Nonetheless, Internet payday lending is just as unlawful as payday lending made in person in New York. And lead generators who obtain and profit from New Yorkers' personal information by advertising that illegal payday loans are legitimate and lawful, violate New York's Financial Services Law, among other laws.

Overall, MoneyMutual sold "leads" with the personal information of approximately 800,000 New York consumers. As MoneyMutual now acknowledges, the typical representative annual percentage rate (APR) range for the loans advertised on its website is "somewhere between 261% and 1304%" -- sixteen to eighty-two times higher than the legal limit in New York.

MoneyMutual's false and misleading advertisements failed to adequately warn consumers that the interest rates, charges, and repayment schedules offered by its "network of trusted lenders" often prevented consumers from being able to repay those loans on a timely basis, and caused them to roll over their loans or take out additional loans to pay off prior loans.

Indeed, a former Selling Source CEO noted that at least "55% of the people that come into MoneyMutual are repeat clients:" that its lender clients reported a "60 to 70%" repeat borrower rate; and that special targeting of

repeat, "Gold" customers could generate additional revenue for Selling Source if those customers took out additional loans to pay off prior loans.

Montel Williams endorsed the MoneyMutual network of illegal payday lenders as "the only source you can trust for finding a short term loan quickly and easily." Aware of Mr. Williams's reputation for trustworthy, sound judgment and advice, Selling Source media and sales representatives at times assured New York consumers that the lenders to whom it was selling leads were legitimate because "Montel Williams has endorsed MoneyMutual and would not do so if it were not a legitimate company."

London Bay Capital, LLC is a private equity company that acquired Selling Source in late 2007. Today's agreement does not release London Bay from liability for the conduct uncovered during DFS investigation, which remains ongoing.

The case was handled for the Department by Adam P. Schleifer, Special Associate Counsel, under the supervision of Joy Feigenbaum, Executive Deputy Superintendent, and Nancy Ruskin, Deputy Director of the Financial Frauds & Consumer Protection Division, with assistance from Paula Sternberg, Zoe Rasmussen and Jared Elosta.

To view a copy of DFS' consent order with Selling Source (d/b/a MoneyMutual) please visit, link.

Background of DFS Payday Lending Investigation

DFS has taken a series of steps to help stop illegal online payday lending in New York over the course of a multi-year investigation. In February 2013, DFS **issued a warning** to debt collectors that loans with interest rates above the statutory maximums are void and unenforceable, and that collecting on such loans is therefore illegal.

In August 2013, DFS sent cease-and-desist letters to 35 online lenders making usurious loans to New Yorkers, with annual interest rates as high as 1,095 percent. The majority of these companies have ceased business in New York after receiving the letters from the Department. DFS also urged banks and NACHA, which administers the Automated Clearing House (ACH) network, to work with DFS to stop payday lenders from illegally accessing New York customer accounts.

In April 2014, **MasterCard and Visa** agreed with DFS to take a series of steps to help stop this illegal activity over their debit card networks. DFS also sent additional cease-and-desist letters to 20 online lenders making usurious loans to New Yorkers.

Last year, **five banks** – Bank of America, Citibank, JPMorgan Chase, M&T Bank and Valley National Bank – agreed to use a new database created by the State's Department of Financial Services to help identify and stop illegal, online payday lending in New York. The banks will utilize a database containing information on companies that have been subject to actions by DFS based on evidence of illegal payday lending. This tool provides a powerful due diligence resource for financial institutions to protect consumers and help ensure that electronic payment and debit networks are not used to transmit or collect on illegal, online payday loans to New Yorkers.

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