



**FOR IMMEDIATE RELEASE**  
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## **DEPARTMENT OF CONSUMER AFFAIRS SECURES NEARLY \$1 MILLION IN CONSUMER RESTITUTION FROM DEBT COLLECTION AGENCY THAT ILLEGALLY COLLECTED ON PAYDAY LOANS**

*In Largest Settlement in Consumer Affairs' History, More Than 4,600 New Yorkers Eligible for Refunds*

*Consumer Affairs Secures \$1.5 Million More in Restitution in First Six Months of Fiscal Year, Up 85 Percent from Last Year*

Department of Consumer Affairs (DCA) Commissioner Julie Menin today announced a record-breaking settlement with National Credit Adjusters (NCA), a debt collection agency formerly licensed by DCA that collected on illegal payday loans from New Yorkers. NCA agreed to pay **\$962,800 in consumer restitution to at least 4,663 New Yorkers, the highest amount of restitution ever secured by DCA through settlement**. NCA must also notify eligible New Yorkers that they are owed money and submit requests to the credit reporting agencies to delete the negative information they provided for those New Yorkers. The agreement requires the company to stop collecting all debts in New York City. NCA is also banned from applying for a debt collection agency license in New York City for at least six years, and is ordered to pay \$350,000 in fines.

“More than half of payday loan borrowers are already struggling with debt and most turn to these high-interest loans in order to make ends meet to pay ordinary expenses and then ultimately find themselves further trapped in a cycle of debt,” said **DCA Commissioner Julie Menin**.

“Fortunately, payday loans, whether made in-person or online, are illegal in New York. Yet some predatory lenders try to evade the law by making loans online and some debt collection agencies, like National Credit Adjusters, still attempt to collect on these illegal loans. With this settlement, we are able to provide thousands of New Yorkers with relief and send a clear message to debt collection agencies and lenders across the country that DCA will not tolerate the collection of illegal payday loan debt from New Yorkers.”

The settlement results from an investigation by DCA and resolves the resulting violations that charged NCA with illegally collecting payday loans from New Yorkers, as well as engaging in unlicensed activity, deceptive practices, and threatening to take legal action that it could not take against consumers. The agreement obligates NCA to pay restitution to New Yorkers whom NCA has identified as having short-term loans with interest rates exceeding New York State’s usury cap of 16 percent. New York is one of 15 states that prohibit high-interest short-term loans, of which payday loans are an egregious example. A payday loan is a short-term, high interest rate loan that comes due on the borrower’s next payday. The annual percentage rates of the online

payday loans that NCA attempted to collect were as high as 782 percent. NCA must close the consumers' accounts, stop collection efforts and cannot re-sell the debts to other collection agencies. It must also seek to delete any negative information it provided to credit reporting agencies and vacate judgments entered against the consumers.

**With this record-breaking settlement, DCA has secured more than \$3.3 million in restitution for consumers in the first six months of the fiscal year, which is 85 percent more than the same period last year.** This increase in restitution is part of DCA's ongoing effort to protect New York's consumers from businesses that flout the rules, engage in predatory behavior or negatively affect the public's health or safety. Settlement agreements like the one with NCA, as well as DCA's efforts to mediate consumer complaints and secure restitution for those who have been taken advantage of, balance DCA's fine reduction efforts, which are aimed at reducing the number and cost of fines for law-abiding businesses that make an honest mistake. DCA's [Small Business Relief Package](#) was announced in July and includes nearly two dozen reforms that will reduce fines on small businesses by \$5 million in fiscal 2015, a reduction of one-third the total revenue collected last fiscal year.

"We congratulate DCA on this important enforcement action, which sends the clear message that payday lenders, and debt collectors that try to collect on illegal payday loans, are not welcome in New York City," said Sarah Ludwig, Co-Director of New Economy Project. "Payday loans not only violate New York's longstanding usury law; they are also designed to ensnare low-income, working people in a nightmarish long-term cycle of debt. Through this action, DCA is fulfilling its mandate to enforce the law on behalf of everyone in our city, and showing it has the backs of low-income New Yorkers."

NCA must notify the consumers it has identified as being eligible for restitution by mail and publish notices in three newspapers. New Yorkers who do not receive a mailing but think they might be eligible should call **855-798-7654**. Refund eligible consumers will receive a Refund Request Form to complete and return to NCA and refunds will be issued 30 days after NCA receives the completed form.

DCA is also working closely with community advocates, as well as its Financial Empowerment Centers, to distribute notices, identify New Yorkers who may be eligible for restitution and encourage New Yorkers to claim restitution if they have been victims of NCA's collection practices.

As an agency with the mission to empower consumers and businesses and to ensure a fair and vibrant marketplace, DCA has been steadfast in defending and enforcing against payday lending. DCA has advocated on all levels about the predatory nature of payday loans and used its local authority over debt collectors to prevent internet payday lenders from collecting on loans made illegally online. In November 2014, Commissioner Menin wrote a [letter](#) to Richard Cordray, the Director of the Consumer Financial Protection Bureau (CFPB), urging that, as the CFPB considers its regulatory approach to address payday lending and other forms of high-cost credit, they ensure that any rules the agency proposes support existing laws in states like New York that already prohibit usurious loans. Commissioner Menin also delivered [testimony](#) at November's New York State Assembly's Committee on Banks hearing on alternatives to high-cost financial products.

DCA wants New Yorkers to know, there are alternatives to high-cost fringe and often illegal products like payday loans. DCA's Office of Financial Empowerment offers a range of programs and products that help New Yorkers make the most of their money, access safe, affordable financial products, build emergency savings, and boost their incomes by claiming the tax credits to which they are entitled. Last year, DCA also issued a letter to all licensed debt collection agencies reminding them that it is illegal to attempt to collect on payday loans from New Yorkers and has denied license renewals and banned agencies that do collect on payday loans in New York City.

Anyone seeking to collect debts from New Yorkers is required to be licensed by DCA and must include their DCA license number in all letters sent to consumers no matter where the agency is located. DCA currently licenses 1,597 debt collection agencies from 47 states and multiple countries. For five years, complaints about abusive debt collection practices were DCA's top complaint category. Two years ago the industry dropped to second when home improvement contractors became the top complaint in the aftermath of Hurricane Sandy. Last year, DCA received 440 complaints about debt collectors, often about debts they don't actually owe. Consumers can download DCA's [Debt Collection Guide](#), check if a debt collector is licensed and file a complaint online at [nyc.gov/consumers](#) or by calling 311.

*The Department of Consumer Affairs (DCA) licenses, inspects, and educates businesses, mediates complaints, educates consumers, and offers free financial counseling and safe banking products. DCA enforces the Consumer Protection Law, the Paid Sick Leave Law and other related business laws throughout New York City and licenses nearly 80,000 businesses in 55 different industries. Through targeted outreach, partnerships with community and trade organizations, and informational materials, DCA educates consumers and businesses alike about their rights and responsibilities. DCA's Office of Financial Empowerment assists low-income New Yorkers with innovative programs and services to increase access to high-quality, low-cost financial education and counseling, safe and affordable mainstream banking, and access to income-boosting tax credits and savings. For more information, call 311 or visit DCA online at [nyc.gov/consumers](#) or on its social media sites, [Twitter](#), [Facebook](#), [Instagram](#) and [YouTube](#).*

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## TOP 10 THINGS TO KNOW ABOUT DEBT COLLECTION IN NEW YORK CITY

- **All debt collection agencies that seek to collect personal or household debts from New York City residents must have a DCA license no matter where the agency is located.** To verify if a debt collection agency is licensed, call 311 or search DCA's Instant License Check online at [nyc.gov/consumers](#).
- **In New York, a debt collector cannot collect or attempt to collect on a payday loan.** Payday loans are illegal in New York. A payday loan is a high-interest loan borrowed against your next paycheck. To apply for a payday loan, you need to have a checking account and proof of income. In New York State, most payday loans are handled by phone or online. If a

collection agency tries to collect on a payday loan, visit [nyc.gov/consumers](http://nyc.gov/consumers) or contact 311 to file a complaint with DCA.

- **A debt collector cannot contact anyone other than you (not your employer, family, friends and neighbors) about the debt or discuss it with them.** A collector can only contact someone other than the consumer to locate the consumer.
- **A debt collection agency may not make false statements or threaten you.** A debt collector cannot threaten to arrest you, report the consumer to immigration authorities or claim they are marshals or sheriffs. They also cannot threaten to have you evicted, take or garnish your wages, take the money from your bank account, or take your personal belongings without first obtaining a judgment against you in court.
- **Debt collectors cannot call too early, too late or too often.** In New York City, debt collectors cannot call you before 8 a.m. or after 9 p.m. They also cannot call you more than twice a week if the collector has made contact with you.
- **Debt collectors cannot lie about the amount owed.** A debt collection agency cannot claim the debt owed is greater than it is or claim a consumer owes the debt when they do not.
- **A debt collection agency must tell you if the statute of limitations for collecting the debt has expired.**
- **Beware of debt collection companies or companies working with debt collection companies that offer you a credit card if you repay, in part or in full, an old debt that may have expired.** Companies may use terms like “Fresh Start Program” or “Balance Transfer Program” to describe offers to transfer your old debt to a new credit card account after you make a certain number of payments. *If you accept the credit card offer and start making payments, the debt collection agency’s time limit (statute of limitations) for suing you to collect this debt will restart.* The company offering the credit card may not tell you that this is a consequence of getting the credit card.
- **It is illegal for a debt collection agency to use “caller ID spoofing.”** Some debt collection agencies are using spoofed (or faked) phone numbers to disguise their identities on caller ID. For example, a debt collector may use the number of a relative or government agency to get you to answer the phone. If you get a “spoofed” call from a debt collection agency, visit [nyc.gov/consumers](http://nyc.gov/consumers) or contact 311 to file a complaint with DCA.
- **Protect your money.** If a debt collection agency is unlicensed, fails to give you information required by law, or unlawfully threatens or harasses you, call 311 or visit [nyc.gov/consumers](http://nyc.gov/consumers) to file a complaint with the Department of Consumer Affairs.

## WHAT TO DO IF A DEBT COLLECTION AGENCY CONTACTS YOU...

- **Don’t ignore a collector.**

- **Check that the debt collection agency is licensed.** Debt collection agencies must include their DCA license number in all letters sent to you. To verify if a debt collection agency is licensed, call 311 or search DCA's Instant License Check online at [nyc.gov/consumers](http://nyc.gov/consumers).
- **Check that the debt collection agency provided required information.** By law, debt collection agencies must provide the following information in all communications to you:
  - the name of the debt collection agency
  - the name of the original creditor
  - the amount of the debt and any fees
  - a call-back number to a phone that is answered by a live person
  - the name of the live person answering the phone. If your call is routed from the agency's main telephone line, the live person qualified to handle your questions must answer the call within 60 seconds.
  - information about your right to dispute the debt
- **Always request that the debt collector send you written verification of the original debt even if you recognize the debt.** Verification must include:
  - a document from the original creditor that shows you made the purchase and owe the debt
  - a copy of the final account statement from the original creditor
  - a document that lists:
    - the total principal amount you owe (The principal may be either the original amount borrowed OR the part of the amount borrowed that remains unpaid minus any charges or fees.)
    - each additional charge or fee you owe that separately lists:
      - \* the total for each charge or fee and the date each was incurred
      - \* description of why you must pay the additional charge or fee

Once you request verification, a debt collection agency may not contact you to collect the debt until it sends you verification. Do not be pressured into making any payments until you have received verification of the original debt.

- **Confirm if you owe the debt by checking your credit report.**
- **Check how old the debt is.** If the statute of limitations on the debt is expired, the collector must disclose this information to you, along with information about your legal rights. The statute of limitations is the period of time that a creditor or collector can sue you in court to collect the debt.

## **TIPS ABOUT PAYDAY LOANS**

Consumer payday loans are illegal in New York. A payday loan is a high-interest loan borrowed against your next paycheck. In New York State, most payday loans are handled by phone or online. In order to apply for a payday loan, a borrower generally needs to have a checking account and proof of income.

If you receive an offer for a payday loan, please report it to the New York State Department of Financial Services by calling 1-877-BANK-NYS (2265-697) or visiting [dfs.ny.gov](http://dfs.ny.gov). If you are in need of cash, here are some alternatives to consider:

- Learn more about Human Resources Administration (HRA) emergency assistance programs, including cash assistance, medical assistance, food stamps, and job opportunities. Call 311 or visit [nyc.gov/hra](http://nyc.gov/hra) to learn more about public assistance.
- Look into a small loan from a credit union or bank. These loans usually have lower interest rates than a payday loan. Be sure to shop around to find the best offer for you.
- Inquire about an advance from your employer.
- Ask family or friends for a small loan.
- A cash advance is sometimes available from your credit card provider. It may have a higher interest rate than a credit union or bank loan, but it's a lot cheaper than a payday loan. Be sure to compare all costs.
- Consider free, one-on-one, professional financial counseling. Call 311 to make an appointment at one of the City's Financial Empowerment Centers for visit [nyc.gov/ProtectYourMoney](http://nyc.gov/ProtectYourMoney) for more information.

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