



### Budget Planning Law Takes Effect

On March 15, 2000 the Governor signed Public Law 560, which had been enacted days earlier by the Legislature as emergency legislation. The new law permits nonprofit debt management providers to do business in this State, once they have registered with the Office of Consumer Credit Regulation and have posted a consumer protection bond.

Four companies have already qualified under the new law to conduct business in Maine:

- Profina Debt Solutions of Orlando, Florida
- Consumer Credit Counseling Services of Maine, Inc. of South Portland, Maine
- Money Management International of Houston, Texas
- Myvesta.org of Rockville, Maryland

Several other companies have agreed to stop doing business in Maine until such time as they are properly registered, including a Massachusetts company which signed an Assurance of Discontinuance and paid investigative costs following a second

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### Privacy Rules Impact Wide Range of Businesses

Federal agencies have issued rules implementing last year's "financial modernization" law (the "Gramm-Leach-Bliley Act"), and one of the surprises is the wide range of companies which will be impacted by the privacy provisions of those rules.

The Federal Trade Commission, one of the agencies participating in the rulemaking process, has adopted an interpretation of the phrase "financial institution" which encompasses collection agencies, loan brokers, travel agents which offer financial products, and colleges which offer educational loans.

Companies subject to the law are required to 1) notify the public as to how personal, private financial information may be gathered and utilized; and 2) provide consumers with the ability to "opt out" of the sharing of that information with non-affiliated companies.

The FTC rule also provides guidance on how companies marketing their products or services over the Internet, should post consumer rights notices on their web pages.

The final version of the FTC rule becomes mandatory July 1, 2001, and may be viewed at the Federal Trade Commission's website at <http://www.ftc.gov/opa/2000/05/glbpress1.htm>.

### States and Congress Take Aim at "Predatory Lending"

Several states, including North Carolina and New York, have taken legislative or rulemaking action to combat so-called "predatory lending."

Although a precise definition of what makes credit "predatory" is unclear, the protections in most measures under discussion around the country are triggered in cases of loans offered at very high interest rates, or offered only after payment of high "points" (prepaid finance charges).

In most proposals, such loans 1) could not contain balloon provisions; 2) would be limited in terms of prepayment penalties; 3) could be offered only after the applicants receive loan counseling; and/or 4) could not be used to refinance in cases in which borrowers received only a small amount of additional cash.

North Carolina also prohibits the selling of prepaid credit insurance with any loan subject to that state's new statute.

On a federal level, members of Congress have helped to publicize the incidence of loans made without regard to the ability of the borrowers to repay the debts. Representative James A. Leach of Iowa held a hearing on Wednesday, May 24, 2000, at which he criticized federal regulators for failing to utilize the tools provided by a 1994 law, the Home Ownership and Equity Protection Act (HOEPA). Representative Leach ruled out recommending passage of additional laws in the near future. In addition, he urged federal regulators not to preempt state laws designed to curb predatory lending.

The loan broker and lending industries have been quick to

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### Canadian Scam Artists Remain Active

Mainers' reputation for honesty among citizens of other states has apparently led Canadian scam artists to claim that their businesses are located here, according to information received by the Office of Consumer Credit Regulation.

A Columbia, Indiana consumer called on April 14 to say that he'd been dealing with the Brampton Group, on "Maine Street" in Biddeford, Maine. He said he'd been approved for a \$21,000 loan at 9% for 10 years. All he had to do was send an \$823.90 "security deposit" to a post office box in Toronto.

We told him that there was no Maine Street in Biddeford, and

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<p><b>Mailing Address</b> Office of Consumer Credit Regulation 35 State House Station Augusta, Maine 04333-0035 Tel (207) 624-8527 Fax (207) 582-7699</p>	<p><b>Inside:</b></p> <p>New Licenses, Registrations. . . . . 2 Quotes, &amp; More Quotes! . . . . . 3, 4 Disclosures Get Complicated. . . . . 7 Special Feature: ATM News. . . . . 8</p>	<p><b>Office Location</b> Gardiner Annex 122 Northern Ave., Gardiner, ME 04345</p> <hr/> <p>World Wide Website <a href="http://www.MaineCreditReg.org">www.MaineCreditReg.org</a></p>
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## New License, Registration Activity: October '99 to March '00

See detailed, updated roster on the web at [www.MaineCreditReg.org](http://www.MaineCreditReg.org)

### Supervised Lenders

Accent Capital Co., LLC, Derby, CT  
 Accubanc Mortgage (2 Offices Licensed)  
 America's Moneyline, Inc., Fort Worth, TX  
 America's Mortgage Company, Minneapolis, MN  
 American Home Loans, Irvine, CA  
 Ameriquest Mortgage Company, South Portland, ME  
 AnyLoan.Com, Irvine, CA  
 Apponline.Com (3 Offices Licensed)  
 Associates Financial Services Company, Inc., North Hampton, NH  
 Auto Refi Financial Services, Inc., Philadelphia, PA  
 BuyersDirect Mortgage Corporation, Clearwater, FL  
 C.M.A. Mortgage, Inc., Pendleton, IN  
 Centex Home Equity, Marlborough, MA  
 Chase Manhattan Mortgage Corporation, Maitland, FL  
 CitiMortgage, Inc., St. Louis, MO  
 CMS Capital Financial Services, Inc., Jackson, MI  
 Conesco Finance Servicing Corp. (5 Offices Licensed)  
 Cooperative Mortgage Services, Inc. (2 Offices Licensed)  
 Creditland Mortgage.Com, Inc. (2 Offices Licensed)  
 Crescent Mortgage Services, Inc., Manchester, NH  
 DeWolfe Mortgage Services, Inc., Portland, ME  
 E-Loan, Inc., Jacksonville, FL  
 EquiCredit (4 Offices Licensed)  
 Equifirst Corporation, Charlotte, NC  
 Evergreen MoneySource Mortgage Company, Bellevue, WA  
 Finance America, LLC (2 Offices Licensed)  
 First Union Mortgage Corporation (2 Offices Licensed)  
 Firsttimeloan.Com, Seattle, WA  
 Freedom Mortgage Corporation, Mt. Laurel, NJ  
 FTM Mortgage Company, Cherry Hill, NJ  
 GN Mortgage Corporation (2 Offices Licensed)  
 Greater Acceptance Mortgage Corp., Orange, CA  
 Greenwich Mortgage Corporation, Providence, RI  
 H&R Block Mortgage Corporation (3 Offices Licensed)  
 Homeland Mortgage Company, Carmel, IN  
 Homespace Services, Inc., Englewood, CO  
 Hunneman Mortgage Corporation, Boston, MA  
 Interbay Funding, LLC (2 Offices Licensed)  
 Interstar Mortgage Corporation, Dallas, TX  
 Irwin Mortgage Corporation, Concord, CA  
 Island Mortgage Network, Inc. (2 Offices Licensed)  
 Land Home Financial Services, Concord, CA  
 LendEver Home Loans (2 Offices Licensed)  
 LoanCity.Com, San Jose, CA  
 Matrix Investment Corporation, Groton, CT  
 MetWest Mortgage Services, Spokane, WA  
 Mortgage Amenities Corp., Swansea, MA  
 MortgageIt, Inc., New York, NY  
 MortgageSave.Com, Mt. Laurel, NJ  
 National City Mortgage Co. (2 Offices Licensed)  
 Nationscredit Financial Services Corporation (2 Offices Licensed)  
 New America Financial, Newark, DE  
 New Century Mortgage Corporation, Irvine, CA  
 North American Mortgage Company (9 Offices Licensed)  
 NovaStar Mortgage, Inc. (3 Offices Licensed)  
 Pacific Shore Funding, Laguna Hills, CA  
 PeopleFirst Finance, LLC, San Diego, CA  
 Premium Payment Plan, Hudson, NY  
 Reliance Mortgage Network (3 Offices Licensed)  
 Sea Breeze Financial Services, Inc., Anaheim, CA

Stepstone Mortgage Company, Inc., Marblehead, MA  
 The Home Mortgage Loan Company, Scarborough, ME  
 The Real Estate Brokers Lending Service, Inc., Salt Lake City, UT  
 Transouth Financial Corporation, Fort Worth, TX  
 Wendover Financial Services Corporation, Greensboro, NC  
 Western Capital Mortgage, Irvine, CA  
 Woodland Capital Corporation, Minneapolis, MN

### Debt Collectors

Credit Bureau Systems of Alabama, Inc. and CBSI, Tuscaloosa, AL  
 Eastern Account System of Connecticut, Inc., Brookfield, CT  
 Education Credit Services, LLC, Las Vegas, NV  
 Great Lakes Collection Bureau, Inc., Parma Heights, OH  
 Harvard Collection Services, Inc., Chicago, IL  
 Key Collection Services, Inc. (2 Offices Licensed)  
 Merchants Recovery Services, Inc., Cypress, CA  
 Midcoast Credit Corp., Lake Worth, FL  
 NCO Financial Systems, Inc. (2 Offices Licensed)  
 North American Capital Corporation (2 Offices Licensed)  
 OSI Collection Services, Inc. (2 Offices Licensed)  
 P & L Incorporated, Lakewood, OH  
 Portfolio Recovery Associates, LLC, Norfolk, VA  
 Schreiber & Associates, P.C., Danvers, MA  
 Southwest Credit Systems, Inc., Carrollton, TX  
 The Westmoreland Agency, Inc., Boise, ID

### Credit Services Organizations

ABC Mortgage Company, Yarmouth, ME  
 AL Benner Mobile Homes, Holden, ME  
 Bruce Financial Services, Hebron, ME  
 D & D Financial Group, Inc., Alexandria, IN  
 Arrowhead Mortgage, Warner, NH  
 Empire Equity Group, Inc., Chestnut Ridge, NY  
 Equity America Mortgage Services, Inc., Bangor, ME  
 First California Funding, Manchester, ME  
 Granite State Mortgage Corporation, Salem, NH  
 GT Funding Corporation, Lincoln, RI  
 Maine Mortgage Services, Hampden, ME  
 New Millennium Funding, Yarmouth, ME  
 Novastar Home Mortgage, Inc., Westwood, KS  
 Security Financial Mortgage Corporation, Riverside, CA

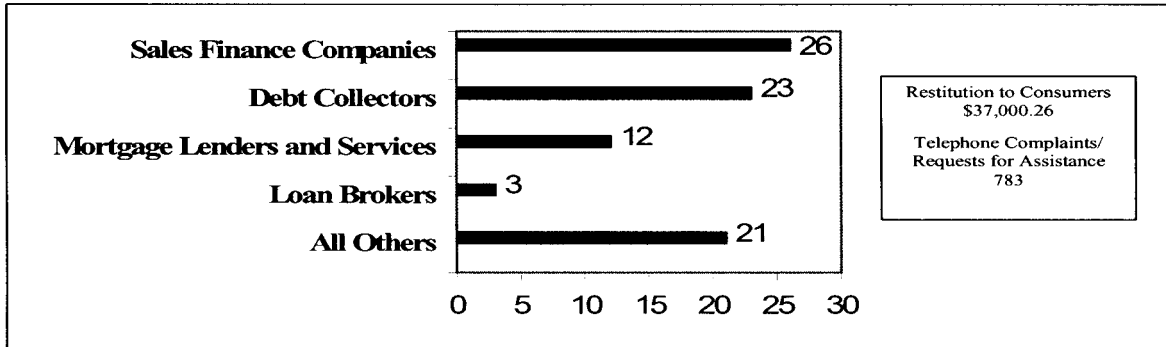
## OFFICE OF CONSUMER CREDIT REGULATION

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**CONSUMER COMPLAINT REPORT**  
**Formal Written Complaints by Business Type**  
**January – March 2000**

*By David G. Stetson, Consumer Outreach Specialist*



## Noteworthy Quotes

“If you don’t pay the \$1,200 balance, we’re going to repo the car and store it in our back lot so long that once we take it to auction, the money will all be used for storage fees, you’ll still owe us \$1,200 and you’ll have no car.”  
 – *Alleged statement of a Missouri auto finance company employee to a Bangor, Maine consumer.*

“I obtained a small claims judgment against my former fiancée after she broke our engagement but did not return the ring. She has paid me back the price of the ring in installments over the past year, but the court order entitles me to interest. What is the interest rate on a small claims court judgment?”  
 – *A bitter, bitter western Maine man.*

“Although the repo company says they just towed the car, I suspect they drove it around some. The seat was moved, there were food wrappers under the seat and the radio was set to a country western station.”  
 – *A suspicious Brewer, Maine consumer.*

“I don’t think \$689 was an unreasonable repossession fee. After all, this was a fully-loaded, 9-ton street sweeper.”  
 – *Response of a tow truck driver when our agency called to question an allegedly excessive repossession fee. In his complaint to our office, the previous owner of the vehicle had conveniently neglected to clarify that his “vehicle” was a piece of heavy duty, commercial equipment.*

“Sell plasma if you have to.”  
 – *Alleged statement of a Minnesota collector to a Biddeford, Maine woman concerning an overdue \$46 department store debt.*

“I hurt my back and couldn’t work. I had to go to the hospital for 11 days. The finance company repossessed my car from the hospital parking lot.”  
 – *A Hudson, Maine resident, telling of his string of bad luck.*

See **More Quotes**, next page!

## No Pay? Car Won’t Start

A former Detroit Lions football star, Mel Farr, is now in the subprime auto financing business in Michigan. He recently began using electronic “on-time devices” which require that borrowers make regular weekly payments on their automobile loans. The mechanism was described in a recent publication of the American Financial Services Association:

The device, placed on the dashboard of a customer’s vehicle, turns red and blinks three times three days before each week’s payment is due. It blinks twice two days before the payment, and once on the day before payment. On Friday, the light remains solid red and beeps. If payment isn’t made by 7:00 PM, the vehicle won’t restart once it is turned off. When payment is made, the customer receives a computer code that’s good for another week.

Farr has installed about 1000 of the devices on financed vehicles. Last fall, however, he experienced a couple of setbacks. In August, two Detroit women filed suit against his company, claiming that the device had shut off their vehicles in freeway traffic. Farr disputes the claim, saying that if the vehicles didn’t

start, it was for mechanical reasons.

The second setback came on October 22, 1999 when Kathleen Keest, Assistant Attorney General for the State of Iowa, issued an opinion stating that a self-help remedy such as repossession or, in this case, remote electric disconnect, can be utilized only when such action does not constitute a breach of the peace. Keest opined that it would not be difficult to imagine a context in which use of such a device would trigger such a breach:

For example, if a wired car died at a stop sign on a hill in Dubuque in a winter snow, and would not restart because of the device, traffic back ups or fender benders would affect not only the borrower, but other citizens as well. . . . [T]he possibility of a malfunction while the car was in moving traffic could present a safety hazard to the consumer and to others.

Keest also stated her opinion that use of the device could constitute an unfair trade practice under Iowa state statutes.

The Office of Consumer Credit Regulation has not been asked to review any proposals to use such a device in the State of Maine, and no reports of its use have yet surfaced in this State.

## . . . And More Quotes!

“This car was a lemon. The only reason it had a rear window defroster was to keep your hands warm while you were pushing it down the road to the repair shop.”  
 – *“Click and Clack,” the car guys, describing a certain foreign automobile that set “modern day benchmarks for lousy quality,” in the columnists’ “worst cars of the millennium” list; January 14, 2000.*

“My wife opened several credit accounts, then went to Spain with her boyfriend. Now the bills are coming to my house. What can I do?”

– *A midcoast consumer, requesting legal information on the distinctions between individual and joint credit accounts.*

Consumer: “Hello, I am returning a call to a debt collector named Bob Johnson.”

Collection agency receptionist: “You’ll have to wait a minute. They’re all busy.”

– *A consumer’s recent call to a collection agency. It is common for collectors to use assumed names or aliases.*

“The lending guy can’t make up his mind whether to give us a loan. At first, I thought it was a fragment of my imagination, but I checked my calendar and realized that he’s hummed and hawed for more than 6 months!”

– *A vocabulary-challenged, Litchfield, Maine consumer.*

“Times in the banking industry have changed. Gone is the generation of bankers who founded the ‘6-3-3’ system. This meant making loans at 6%, paying depositors 3% and being on the golf course by 3 PM.”

– *Chris Pinkham, President of Maine Association of Community Banks, comparing the lending industry in the 70’s with today’s post-modernization banking, in Maine Community Banker magazine, Winter 2000 issue.*

“Car must be purchased between January 7 and January 31, 2000.”

– *Fine print on auto ad mailed on February 11, 2000. After a call from our office, the dealer extended the offer to March 1st.*

## How to Receive the Maine Creditor Update Electronically

With the help of InforMe, the state’s information systems contractor, we have developed an electronic subscription service, or “Listserve,” for the *Maine Creditor Update*. Subscribers will receive a message each quarter, notifying them of the posting of the most recent newsletter, and providing them with an electronic “hotlink” to the publication, which will be posted on our agency’s homepage.

The process for subscribing, and for unsubscribing, is detailed below:

1. Send an e-mail to the following address:  
[mecreditorupdate-request@lists.state.me.us](mailto:mecreditorupdate-request@lists.state.me.us)
2. Include only one word in the body of your note:  
 subscribe
3. You will receive confirmation back from  
[majordomo@informe.org](mailto:majordomo@informe.org), which is the state service which organizes listserv electronic subscription lists.
4. For each future issue of the newsletter, you will receive a notice that the issue is available, and a direct link to the newsletter in Adobe “PDF” format on our agency’s homepage.
5. For those without an “Adobe” reader, you will be able to download that reader from our homepage.
6. If you ever want to remove your name from the electronic subscription list, just send an e-mail to the address listed in paragraph 1, above, but include only the following word in the body of your note:  
 unsubscribe

We welcome feedback to the Director at [william.n.lund@state.me.us](mailto:william.n.lund@state.me.us) to help us develop and improve this delivery option.

## Student Loan Disclosure Rule Issued

In response to legislation passed in 1999, the Bureau of Banking and the Office of Consumer Credit Regulation recently issued a joint regulation establishing standards for lenders which make student loans using the proceeds of tax exempt state bonds.

In an effort to facilitate secondary market purchases of such loans, the rule permits lenders to disclose the cost of credit utilizing either the principles of the federal Truth-in-Lending Act, or the similar requirements of the Department of Education.

For those lenders offering a discounted loan program, the rule mirrors the statute’s requirement that the lender estimate the percentage of students who are likely to benefit from such a discount, and make that information available upon request.

The rule applies to any bond cap funded student loans made after August 1, 2000. The text of the rule is available at [www.MaineCreditReg.org](http://www.MaineCreditReg.org) under the “See What’s New!” section of our agency’s Website.

## Credit Regulators Now Accept Credit Cards

Companies regulated by the Office of Consumer Credit Regulation can now pay application fees, volume fees or other charges to the agency by VISA or MasterCard, following installation of a modem telephone line and the necessary computer software.

All license and registration application packets (including those available online at [www.MaineCreditReg.org](http://www.MaineCreditReg.org)) now include the “Authorization of Credit Card Payment” form.

This capability is the first step toward the office’s goal of being able to accept both applications and payments on line, according to Lorna Plaisted, the staff member who processes the credit charges.

# Examination Summary October, 1999-March, 2000

by Del Pelton, Principal Examiner

Total Exams (including 134 in-house exams) . . . . . 251

**By Business Type:**

Supervised Lenders. . . . .	83
Debt Collectors . . . . .	70
Auto Dealers . . . . .	39
Leasing Companies. . . . .	35
Retail Merchants . . . . .	08
Sales Finance Companies . . . . .	07
Pawn Shops . . . . .	05
Credit Reporting Agencies . . . . .	02
Rent-to-Own Stores. . . . .	01
Check Cashier. . . . .	01

Total restitution to consumers from examinations: \$2,765.92

**Most Common Violations:**

Auto Dealers: Incomplete truth-in-lending disclosures . .	82
Auto Dealers: No disclosure provided. . . . .	25
Supervised Lenders: Rescission problems. . . . .	22
Leasing Companies: Incomplete disclosures . . . . .	17
Supervised Lenders: Incorrect disclosure statements . . . .	11
Supervised Lenders: No attorney notice provided . . . . .	10
Supervised Lenders: Delay in payment of escrow . . . . .	10
Supervised Lenders: Incomplete and/or incorrect forms. 09	
Debt Collectors: Form problems including immediate demand for payment in initial letter . . . . .	09
Supervised Lenders: Finance charge disclosed incorrectly. 09	

## Budget Planning *continued from page 1*

incidence of unregistered activity.

Debt management service providers are companies which assist consumers who owe debts to a number of creditors. Consumers make payments to the budget planner, which in turn cuts checks to those creditors. Consumers pay a small fee for the service, and creditors (who in many cases are facing the prospect of hiring an expensive collection agency to collect the debts) also remit a percentage of each payment back to the budget planner.

The new Maine law requires the posting of a \$50,000 bond, to ensure that consumer monies are not mishandled or misdirected. Strict requirements govern the budget planners' trust account operations.

The law requires that the consumer and the budget planner enter into a clear, understandable, written contract. Also required are regular reports to the consumer regarding the pay-down of the debts, and the development of a consumer education program. False or misleading advertising is prohibited.

The new statute grants examination and complaint investigation authority to the Office of Consumer Credit Regulation. Violations of the statutes can result in registration suspension, civil action by the administrator, or private civil action by the affected consumer.

Additional information, a registration package and related forms are available at [www.MaineCreditReg.org](http://www.MaineCreditReg.org).

## Interview with Del Pelton, Principal Examiner

*Dolores ("Del") Pelton joined our agency 20 years ago, and has seen many changes during her service to the State.*

**Q.** When did you start work for the Office of Consumer Credit Regulation?

**A.** In 1980, 5 years after passage of the original Maine Consumer Credit Code. I started work as an entry-level field examiner.

**Q.** What was your work experience before you joined the Office of Consumer Credit Regulation?

**A.** Prior to joining the staff at the Office of Consumer Credit Regulation, I worked for 12 years as a branch manager at a small commercial Maine bank.

**Q.** Compare the calculatory tools used when you started, with those in use by your field staff today.

**A.** In 1980 we lugged around huge mechanical adding machines, and computed APRs manually. Today, I supervise Senior Examiners who bring laptops on site. Their computers are equipped with software permitting calculation of interest rates to the thousandths place.

**Q.** Are there differences in how exams are conducted?

**A.** When I began work the exam team traveled all over the state and around New England conducting unannounced exams. We just showed up and informed creditors and lenders that they must open their books and records for review. Although we still have the legal right to conduct surprise exams, we generally only do so during an investigation. For routine exams, we now provide 2 to 4 weeks of advance notice. This practice is especially beneficial to smaller creditors who have an opportunity to prepare their records and have their finance experts on site to answer our questions.

**Q.** Has the workload increased?

**A.** In 1980, we licensed 19 supervised lenders and 29 collection agencies. Today, our roster has grown to 576 lenders and 262 debt collectors.

**Q.** How have you handled this increase?

**A.** Companies with good compliance records are put on an extended, 24-month exam schedule. In addition, many licensees are out of state companies which do limited business in Maine. For these companies, we offer "in-house" exams that are performed at our offices. These exams are efficient, because travel costs are nearly eliminated. We conducted nearly 300 examinations in 1999, and more than one-third of those were done on an "in house" basis.

## ASK THE DIRECTOR

### Rent to Own and Bankruptcy

**Q:** I am a rent-to-own dealer, and one of my customers has filed for bankruptcy. Can I go pick up the merchandise?

**A:** No. Call your own attorney for advice on whether or how to proceed. When a consumer files for bankruptcy, a strong legal hold called an "automatic stay" is activated, preventing collection measures from being taken against any property, or property rights, of the debtor. Although title of the rented goods remains with your store, keep in mind that the consumer has been slowly earning the right to own the goods by making regular payments. If the consumer defaults, that consumer may have the right to cure the default, or pay off the item. A bankruptcy court could well determine that the possessory interest in the rented item is "property" of the consumer which is part of the bankruptcy estate.

### Debt Collectors, and Sales of Names

**Q:** I am a debt collector. Can I sell names of debtors to a loan company so that the consumers can benefit from receiving information about possible sources of credit?

**A:** No, for several reasons. First, Maine law [32 MRSA, Chapter 109-A, Section 11013(3)(M)] prohibits a debt collector from referring or recommending any source of credit to debtors.

Second, the names are not your property. A collection agency serves as an agent for a creditor, and it is unlikely that the information has been entrusted to your agency with the understanding that you would resell portions of that information. As the agent for the creditor or lender, the same privacy rules apply to your agency that applied to the original creditor or lender.

Finally, you should ask your attorney to provide information regarding the requirements applicable to collection agencies under the new federal Gramm-Leach-Bliley Act, and the regulations implementing the law which have been issued by the Federal Trade Commission. Under the final draft of the rule, which becomes mandatory July 1, 2001, a collection agency may be considered a "financial institution" and debtors may qualify as "customers." This means that collectors may have to disclose to consumers the ways in which their names and other personal financial information could be used, and provide an ability on the part of debtors to "opt out" of the sharing of that information.

### Predatory Lending continued from page 1

criticize any proposals to limit the range of loan products available to consumers. Writing in a recent issue of *National Mortgage Broker* magazine, one columnist, a lawyer who represents lenders, wrote that "prepayment penalties can be an attractive provision to consumers" because they permit the offering of lower interest rate credit to consumers. The columnist also defended balloon notes under the same theory.

Maine regulators have seen very few instances of extremely high rate or high fee loans being made in this State, and are not aware whether Legislative proposals on predatory lending are being developed at this time.

## Mandatory Arbitration Clauses in the News

In recent months, mandatory arbitration clauses have remained in the news at the judicial, Congressional and industry levels:

- The U.S. Supreme Court is scheduled to hear arguments in the case of *Greentree Financial Corp. v. Randolph*, No. 99-1235, which involves the issue of whether an arbitration clause takes precedence over other federal laws, such as the Truth-in-Lending Act, and the Equal Credit Opportunity Act.
- In Congress, the Senate Judiciary Committee's Administrative Oversight Subcommittee held a hearing March 1, 2000 regarding mandatory arbitration. A consumer rights attorney from California, Patricia Sturtevant, questioned the fairness of mandatory arbitration clauses which require consumers to waive their right to a jury trial. Industry spokesman Eric Mogilnicki presented an opposing view, testifying that "a ban on arbitration would limit choices available to consumers."
- MBNA, a national credit card issuer with calling and service centers in Maine, recently implemented mandatory arbitration clauses in its credit card contracts, but, in what may be a first for the industry, provided consumers with the ability to "opt out" of the requirements of the new provision if the consumers responded promptly upon receiving notice of the proposed change in terms.

### Canadian Scam Artists continued from page 1

that we had received similar calls from Nebraska, Missouri, Massachusetts, Minnesota and several other states.

When contacted, newspapers in those states agreed to discontinue the classified ads which solicited business for the Brampton Group. However, for some consumers this action came too late, as their funds had already been sent to Canada by courier service.

Our office's investigator called the number listed in the ad, and spoke with an individual who said his name was Marty Welsh. "Welsh" claimed to be in an office on Maine Street in Biddeford (although he mispronounced the city's name as "Biddÿford"). When our investigator indicated that he didn't think Biddeford had a Maine Street, he was put on hold for 10 minutes. A secretary then came on the line, and reported that "Welsh" couldn't talk because he was on the phone and had a customer in his office. Our call was not returned.

Our subsequent call to Toronto confirmed that the "Delta Funding" address given as the source lender was simply the first in a series of mail drops. According to Canadian officials, Toronto has 4 detectives working full time to deal with the estimated 200 advance fee loan scams currently operating in that city.

Here in Maine, this state's newspapers have generally agreed to require that a company produce a state license or registration number prior to publishing lender or loan broker advertisements, thereby helping to save Maine consumers from falling victim to these scam operations.

# Credit Card Disclosures Get Complicated

Ten years ago, Congress amended the Truth-in-Lending Act to require that the terms and conditions of a credit card plan be disclosed to applicants through use of a chart or table.

The Federal Reserve Board, which implements the law through its Regulation Z, supplied a model form for credit card issuers to follow.

Reprinted at right is that model form, included as Appendix G-10 (A) to the federal regulation.

In developing the form, it is unlikely that the Federal Reserve Board could have anticipated just how complicated credit card pricing would become over the subsequent decade. As an example, reprinted below is a recent disclosure table from an application for Chase Manhattan Bank USA, NA Platinum MasterCard.

Other credit cards have developed additional methods of pricing which may prove confusing to some consumers. For example, Providian Bank offers a credit card with a seemingly low initial interest rate. However, the bank charges a 3% fee if a balance transferred to the Providian card is subsequently transferred to another lender's card within the first year. In addition, according to the industry newsletter *CardTrak*, Providian discloses that it may raise the card's APR to 23.3% "if a card holder increases total unsecured debt by more than \$5000 without sufficient income." A single late fee within the first 6 months causes an increase in the APR, and a second late payment in a year results in a 23.3% APR.

Federal law requires that the credit card disclosure chart be "clear and conspicuous" and "prominently located." However, in recent years the Federal Reserve Board has seen more and more examples of tiny print, and charts printed inobtrusively on the backs of applications. In response, the Fed's last month proposed new regulations setting standards for type size and location of disclosures. More details on this new proposal will appear in the next issue the *Maine Creditor Update*.

## Federal regulators who developed this sample form in 1989 . . .

<b>Annual percentage rate for purchases</b>	_____ %
<b>Variable rate information</b>	Your annual percentage rate may vary. The rate is determined by ( <i>explanation</i> ):
<b>Grace period for repayment of balances for purchases</b>	You have [ ___ days ] [ until _____ ] [ not less than ___ days ] [ between ___ and ___ days ] [ ___ days on average ] to repay your balance [ for purchases ] before a finance charge on purchases will be imposed.  [ You have no grace period in which to repay your balance for purchases before a finance charge will be imposed. ]
<b>Method of computing the balance for purchases</b>	
<b>Annual fees</b>	[[ Annual ] [ Membership ] fee: \$ _____ per year [[ type of fee ] : \$ _____ per year [[ type of fee ] : \$ _____ ]
<b>Minimum finance charge</b>	\$ _____
<b>Transaction fee for purchases</b>	[ \$ _____ ] [ ___ % of _____ ]
<b>Transaction fee for cash advances, and fees for paying late or exceeding the credit limit</b>	Transaction fee for cash advances: [ \$ _____ ] [ ___ % of _____ ] Late payment fee: [ \$ _____ ] [ ___ % of _____ ] Over-the-credit-limit fee: \$ _____

## . . . could not have anticipated how complex credit card fee descriptions have become a decade later.

### SUMMARY OF TERMS:

Annual Percentage Rate for Purchases	Variable Rate Information	Grace Period for Repayment of the Balance for Purchases	Method of Computing the Balance for Purchases	Annual Fee	Minimum Finance Charge for Purchases	Transaction Fee for Purchases
<p><u>Preferred Pricing</u>†</p> <p>For Platinum MasterCard and Standard MasterCard your Annual Percentage Rate may vary. The rate, determined monthly, is 1.65% plus the Prime Rate as published in <i>The Wall Street Journal</i>.</p> <p><u>Non-Preferred Pricing</u>†</p> <p>Your Annual Percentage Rate may vary. The Tier 1 rate, determined monthly, is up to 12.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. The Tier 2 rate, determined monthly, is up to 14.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. Tier 2 rate will not be lower than 19.8%.</p> <p><u>Preferred Pricing For Standard MasterCard with Alternate Pricing</u>†††</p> <p>Your Annual Percentage Rate is fixed at 10.4% for the first 6 months your Account is open.††† Thereafter, your APR may vary. The rate, determined monthly, is 11.49% plus the Prime Rate as published in <i>The Wall Street Journal</i>.</p> <p><u>Non-Preferred Pricing For Standard MasterCard with Alternate Pricing</u>†††</p> <p>Your Annual Percentage Rate may vary. The rate, determined monthly, is up to 14.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. This rate will not be lower than 19.8%.</p>	<p><u>Preferred Pricing</u>†</p> <p>For Platinum MasterCard and Standard MasterCard your Annual Percentage Rate may vary. The rate, determined monthly, is 1.65% plus the Prime Rate as published in <i>The Wall Street Journal</i>.</p> <p><u>Non-Preferred Pricing</u>†</p> <p>Your Annual Percentage Rate may vary. The Tier 1 rate, determined monthly, is up to 12.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. The Tier 2 rate, determined monthly, is up to 14.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. Tier 2 rate will not be lower than 19.8%.</p> <p><u>Preferred Pricing For Standard MasterCard with Alternate Pricing</u>†††</p> <p>Your Annual Percentage Rate is fixed at 10.4% for the first 6 months your Account is open.††† Thereafter, your APR may vary. The rate, determined monthly, is 11.49% plus the Prime Rate as published in <i>The Wall Street Journal</i>.</p> <p><u>Non-Preferred Pricing For Standard MasterCard with Alternate Pricing</u>†††</p> <p>Your Annual Percentage Rate may vary. The rate, determined monthly, is up to 14.99% plus the Prime Rate as published in <i>The Wall Street Journal</i>. This rate will not be lower than 19.8%.</p>	<p>Not less than 22 days</p>	<p>Average Daily Balance (including new purchases)</p>	<p>None</p>	<p>\$ 50 (if a finance charge is imposed)</p>	<p>None</p>

† Preferred Pricing Annual Percentage Rate for Platinum MasterCard or Standard MasterCard for Cash Advances is the Prime Rate as published in *The Wall Street Journal* plus 11.55% (currently 20.3%). †† Preferred Pricing Annual Percentage Rate for Standard MasterCard with Alternate Pricing for Cash Advances is the Prime Rate as published in *The Wall Street Journal* plus 11.55% (currently 20.3%). ††† To keep the Preferred Pricing rate, you must make at least the required minimum payments when due on your Account and on all other loans or accounts with us and your other creditors, the credit limit on your Account cannot be exceeded, and any payment on your Account cannot be returned unpaid. The Tier 2 Non-Preferred Pricing rates may apply if you do not meet all of these conditions to keep the Preferred Pricing rate. The Tier 1 Non-Preferred Pricing rates may apply after Tier 2 Non-Preferred Pricing rates have been applied to your Account, or if you do not make at least the required minimum payments when due on your Account. Changes in Preferred or Non-Preferred rates will take effect from your last Statement Closing Date.  
†† The Introductory rate from this offer will be maintained as long as you make at least the required minimum payments on your Account when due. Otherwise, the regular Preferred Pricing rate will take effect from your last Statement Closing Date.  
††† The regular Preferred Pricing rate will be maintained as long as you make at least the required minimum payments when due on your Account and on all other loans or accounts with us and your other creditors, the credit limit on your Account is not exceeded, and any payment on your Account is not returned unpaid. Otherwise, the Non-Preferred Pricing rate will take effect from your last Statement Closing Date.  
Other fees may apply.

**Maine Creditor Update; Issue #39**  
**May 2000**

**Office of Consumer Credit Regulation**  
**35 State House Station**  
**Augusta, Maine 04333-0035**

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## ATM News

### ***ATM Registration Process Proceeding Smoothly***

More than 360 non-bank ATMs are currently registered with the Office of Consumer Credit Regulation, permitting consumers and store owners to obtain assistance or information regarding the operation of the terminals.

On several occasions, consumers have contacted our agency to report that they had received no money from machines, despite a receipt to the contrary, or that they had received two debits against their accounts for a single transaction. Using information on file, our office was able to direct those consumers to the appropriate servicing agent, and the claims were quickly resolved.

In addition to receiving calls from consumers, our agency has also heard from store owners in whose establishments malfunctioning ATMs had been placed under leasing agreements. In these cases, the agency was also able to assist in tracking down the suppliers of the machines for resolution of the problems.

Upon registration, each ATM operator receives a yellow sticker, which must be prominently posted on each terminal. The decal contains the toll-free number of the servicing company for the machine, and also informs consumers or store owners how to contact the Office of Consumer Credit Regulation if complaints are not promptly resolved by the servicing company.

### ***ATMs Getting Competition from POS Terminals, Study Says***

When consumers bring their groceries to the counters at Shop'N Save or Shaws and present their debit cards for payment, they are often given the option of increasing the amount of the debit in order to get cash back.

Although the net effect is the same as if those consumers had used an ATM, no fees are charged for the withdrawal.

One recent study, reported in the credit card newsletter *Card-Flash*, concludes that the growing use of the "point of sale" (POS) terminals, combined with a negative consumer reaction to ATM fees, means that ATM growth may level off as the retail use of debit cards increases.

The study, conducted by PULSE and Dove Consulting, predicts that ATM use may increase by only about 1.3% annually. On-line debit volume, by comparison, has grown an average of 68% per year for the past 5 years.

### ***ATM Thieves Did Not Plan Ahead***

In a January 12 story, the Associated Press reported that thieves in Ogden, Utah used a stolen backhoe to uproot an ATM terminal at a credit union. The thieves then towed the ATM down the street and into a field behind an elementary school.

However, the thieves could not figure out how to use the heavy equipment to open the ATM machine. Although the backhoe and the ATM were severely damaged, the unit remained unopened and no money was missing.

### ***Company Devises Method of Discouraging "Brute Force" ATM Attacks***

NCR Company, a maker of ATM terminals, announced in February that it has developed a system to negate the effectiveness of a physical attack on an ATM.

If a thief smashes an ATM terminal, attempts to cut into it or detonates an explosion nearby, internal sensing devices automatically spray all the cash inside with indelible, colored ink.

Similar to the exploding dye packets sometimes given to bank robbers, this process makes the money worthless to the crooks, although it remains redeemable by the Federal Reserve System despite the presence of the permanent discoloration.

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