



# Consumer Alert!



## Payday Loans from Tribal Lenders

The Massachusetts Division of Banks Strongly Advises Consumers to Avoid Payday Loans with Predatory Terms, Including From Tribal Lenders

### ***What is a Tribal Lender?***

Tribal Lenders are lending companies which are created under the laws of Native American Tribes. These companies are not licensed in Massachusetts and may offer short-term “payday” loans over the internet that typically charge triple-digit annual percentage rates and often high upfront fees to just obtain the loan—recent examples from Massachusetts residents include APRs reaching 700% with \$500 due at signing. Repayment of the full amount along with any fees charged by the payday lender is usually due within 14 days. If a borrower does not have the ability to repay the full amount within the required time frame, the payday loan can be rolled or refinanced for an additional period of time and for an additional fee. Because of the high cost of the loans, many payday lenders automatically refinance the loan which can trap the consumer in an endless cycle of debt.



### ***Massachusetts Law and Your Protection***

Under Massachusetts Law, no lender can lend a consumer funds less than \$6,000 unless they are licensed as a small loan lender by the Division of Banks. Those lenders that operate as a licensed small loan lender are required to comply with the Massachusetts Small Loan Law (Massachusetts General Laws chapter 140, section 96) and the Small Loan Rate Order. Under the Small Loan Rate order, a small loan company cannot charge an annual percentage rate of more than 23% or fees greater than \$20.



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## ***What has the Division Done?***

The Division has issued hundreds of cease letters to payday lenders operating in Massachusetts and continues to do so. Some of these companies have either complied by no longer offering these high rate loans to Massachusetts consumers or have gone out of business. However, many have continued to advertise these predatory loans, including the following:

- Birch Lending
- Clean Air Lending
- Evergreen Services
- Minto Money
- Spotloan
- WithU Loans



## ***Alternatives to Tribal Lenders?***

Because payday loans can become prohibitively expensive, consumers should do their research before taking out a loan. Know who you are borrowing from and what the costs are (upfront fees, APR, late fees). Know your rights as a Massachusetts borrower and whether the lender ought to be licensed in MA and under the 23% APR rate cap. Explore other options including:

- Contact your local bank or credit union to see if they offer short-term loans.
- Request a cash advance on a credit card. Typically the cost will be less than for a payday loan.
- Ask your employer for an advance on your paycheck.
- Find out if you can delay paying a non-interest bill, such as a utility bill and make payment arrangements with the utility company.
- Ask your creditor for more time to pay your bills or a modification to your terms and what they will charge for this service – a late charge, an additional finance charge or a higher interest rate.
- If you ultimately seek to obtain a small loan, ensure the lender is properly licensed by the Division of Banks by going to [www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org).

## ***Need Help or More Information?***

Consumers who have a complaint or concern with a payday lender may contact the Division's Consumer Hotline at 1-800-495-BANK (2265), ext. 61501 or file a complaint with the Division. A complaint form may be found on the Division's website at [www.mass.gov/dob](http://www.mass.gov/dob).