



Feb. 4, 2014

## **Vermont wants to be first state to ban “predatory loans” for pensioners**

By Yael Ossowski/Vermont Watchdog

MONTPELIER -- On the trail of scammers, Vermont aims to set up financial guard dogs to sniff out companies offering high-interest predatory loans to elderly pensioners. A proposed state law would put a stop to companies offering seniors quick cash for their monthly pension checks.

"I was approached by AARP over the off-season talking about this becoming one of their fears," said state Sen. Kevin Mullin, R-Rutland, who introduced the bill. "They were talking about the ability of some of these companies to charge 26.3 percent interest, and that doesn't even include the fees and transaction costs."

Senate Bill 223, up for its third read Tuesday in the state's upper chamber, would amend license requirements for state-approved lenders to include companies offering immediate cash in return for pension checks.

"It would declare that they are in fact lenders and they would have to register with the Department of Financial Regulation in Vermont to do these types of transactions and they will be considered as loans," Mullin said.

A story from the New York Times last year highlighted the practice and stories of many retirees who had been slammed with high-interest rates after cashing out their pensions.

Though these loans are completed voluntarily and within current law, the AARP is pushing this "preventative measure" because it's "not in their best interest," said Dave Reville, communications director for AARP Vermont. "It's unconscionable that people would put retirees at risk of financial ruin."

How the pension loans work is relatively simple.

Pensioners agree to forfeit a small allotment of their monthly checks to the lender for a fixed number of months. After this contract is signed, pensioners are given an immediate lump sum of cash, sometimes as much as \$50,000.

Some of the interest rates negotiated in these deals can be as high as 40 percent, the main reason lenders are facing the ire of Vermont regulators.

"We're trying to do a pre-emptive strike so none of our seniors are preyed upon," Mullin told Vermont Watchdog. "We still believe there are legitimate reasons for loans, but we're just trying to keep them regulated."

A cursory search doesn't pull up any Vermont-based pension loan businesses, but reveals a plethora of websites offering immediate cash to consumers, enabling them to sign over their long-term pension funds in exchange for money. "Release money from your pension now," reads an ad for pension-loan.org. "There are lots of great reasons to get a lump sum of cash for your pension," reads the advertisement for pensionloancompanies.com.

New York has subpoenaed several companies engaged in the practice, accusing them of "predatory lending" that's taking advantage of senior citizens and their relatively stable pension plans, according to the New York Times.

Mullin has yet to hear of a case in Vermont, but is joined by the AARP in his quest to make the law a reality in a state with a large number of elderly retirees.

"It's intended to make Vermont the first state in the union to legislatively prohibit a relatively new predatory loan practice," Reville said. "They're predatory in nature and they're being drawn into a transaction that's not in their best interest."

Reville said adding new financial regulation was necessary to protect senior citizens, even if they sought out the loans to get the quick cash.

"They are in fact, being duped," he told Vermont Watchdog. "What motivates a pensioner is obviously different in every case, but we think it's predatory lending."