

State Representative William Tong
State Senator Robert Duff
Co-Chairs Banking Committee

RE: HB 5419: AAC CASH ADVANCE CONTRACTS

Chairman Tong, Chairman Duff, and members of the committee,

My name is Roger J. Anstey and I am an attorney with a solo practice in Avon, CT.

In 2010 I took the case of a woman who had taken out a cash advance with a company in New York City. The contract was executed by mail with her signing it in Connecticut. This was done at the inception of her cases when she was represented by another attorney.

In January of 2007 the lady had a slip and fall. She suffered injuries to her neck, back, and hand. In March of 2007 she was stopped at a red light and rear ended. She reinjured her neck and back, and injured her leg as well.

On April 26, 2007 she submitted paper work to a New York company for a cash advance of \$2000.00. The money was disbursed on April 30, 2007. The contract called for interest at the rate of **4.99% PER MONTH COMPOUNDED MONTHLY FROM THE DATE OF FUNDING TO THE DATE OF PAYMENT.** In addition, if the case were to be resolved very quickly, then minimum repayment was \$2,975.00. This amount included a \$250.00 application fee and a \$200.00 origination fee. It also calls for arbitration as the sole resolution of any disputes and makes the State of New York the venue. There is nothing in the contract about what happens if the funds recovered do not cover the entire balance due. It does say that if there is no recovery then nothing is due.

On January 11, 2011 the matter was resolved at a pretrial against both parties. During the pretrial a conference call was held between the judge an officer of the company, and me in an effort to get them to compromise the amount they were owed, which was in excess of \$20,000.00. The reason for the compromise was there was not \$20,000.0 left over to pay them, after all other deductions were made, and if we just paid them the balance the client would receive nothing. After a very contentious conversation, which included the judge, they agreed to compromise the lien to \$10,000.00, and forgive the balance they said was due. This left the lady with a little over \$3000.00.

While I realize that not all cash advance companies do business this way, the fact that they are totally unregulated, allows some of them to stretch the boundaries beyond limits that are both just and moral.

With regard to regulation, I would like to see this bill carry the following provisions:

1. require any company doing business in the State of Connecticut to register with the Department of Banking and file a copy of their contract for approval by the Department.
2. Cap the length of time that they can add interest. The injured party has no control over the length of the court docket and when the matter may come to a conclusion. It could be 3 to 5 years before the case comes to trial and interest could accrue for that length of time. I understand the industry best practice is 3 years.
3. Cap the interest rate at a reasonable percentage and do not allow compound interest, only simple interest. (I would recommend the prevailing usury rate at the time the advance is made).
4. Do not allow arbitration as a form of resolution.
5. Require the State of Connecticut to be the venue for any litigation regarding any issue arising from the cash advance contract.
6. Require the company that is making the cash advance to disclose the amount of the pay back, in 6 month intervals, for the length of the cap (See 1 above). If there is no cap, than for a 5 year period. I understand this is also an industry best practice.

Respectfully Submitted,

Roger J. Anstey