

Ga. Soldier Claims He Was Predatory Lending Victim

By *RUSS BYNUM*
SAVANNAH, Ga.

go.com

Army Staff Sgt. Jason Cox says he borrowed \$3,000 for an emergency trip to pick up his daughter. The loan ended up costing him more than \$4,000 in interest, plus a sport utility vehicle the lender seized when he defaulted.

Now the Fort Benning soldier is suing the lender in federal court, contending the interest rate and other terms violated a 2007 law passed by Congress to protect military service members from predatory lending.

Cox's lawyer, former Georgia Gov. Roy Barnes, is trying to persuade a federal judge to grant class-action status because the lender, Atlanta-based Community Loans of America Inc., operates more than 900 stores in 22 U.S. states. Barnes believes numerous soldiers have taken out similar loans, likely without knowing the terms are illegal, though it's not clear how many.

"The rates are so lucrative for those that ignore the law," said Barnes, a Democrat who pushed a statewide crackdown on high-interest payday loans when he was governor from 1999 to 2002. Some in the military are too busy with moves between bases and overseas deployments to bring lawsuits or complain, Barnes said.

Robert Reich, president and CEO of Community Loans of America, did not return phone messages from The Associated Press. The company has yet to respond to the lawsuit in court filings.

Cox said he was unaware of any restrictions aimed at protecting soldiers when he walked into a Community Loans store in July 2010, needing quick cash to drive to Minnesota and pick up his young daughter from his estranged wife. Cox said he needed cash for gas, lodging and food, but concedes it didn't cost \$3,000. He insisted the lender prodded him to borrow that amount at the store in Phenix City, Ala., just across the Georgia state line from Fort Benning.

Cox pawned the title to his 2002 Dodge Durango in exchange for \$3,000. In the coming months, he ended up taking out new loans from the same lender just to keep up with the interest. He paid interest of nearly \$375 per month on total cash loans of \$4,100 — an annual interest rate of 109 percent.

"I was just trading water trying to stay on top of this loan and find ways to pay more on the principle. But when the interest is that high, it's really hard to do," said Cox, a 29-year-old veteran of three tours in Iraq. "For me, \$375 is probably a month's worth of groceries."

Community Loans is in the business of giving car-title loans. Customers take out cash loans, usually no more than a few thousand dollars, by putting up their vehicle's title as collateral. The loans are typically due in a month with annual interest rates as high as 300 percent. If a borrower defaults, the lender can seize and sell the vehicle.

Loan transaction records filed with the lawsuit show Cox was paying interest at more than three times the maximum annual rate of 36 percent allowed under the Military Lending Act. The suit said he

refinanced the loan month-to-month to keep up with the high interest, which is also prohibited under the law.

The loan documents indicate the lender also knew Cox served in the Army. There's a space on the forms that reads "ID TYPE: GA, Military ID."

In August, the lender repossessed Cox's SUV. The soldier said he still owed more than \$4,100, having barely dented the principle after a year of payments.

Regulation of short-term, high-interest loans varies by state. Congress granted special protection to military service members in 2007 after top commanders complained that too many in the rank-and-file were being trapped in loans they couldn't pay off, putting them at risk of losing security clearances and possibly even discipline by court-martial. Military law prohibits service members from defaulting on debt.

Military and consumer advocates said they don't know how many other lawsuits have been filed claiming violations of the Military Lending Act.

There's some evidence the law has worked. The president of the Navy-Marine Corps Relief Society, which gives emergency loans to service members in financial trouble, testified at a Senate hearing Nov. 3 that it now spends far less bailing out those trapped in high-interest loans.

Retired Adm. Steve Abbot said his organization spent \$168,000 this year helping service members settle debt covered by the federal law, compared to \$1.4 million in 2006 — the year before it took effect.

Still, Katie Savant of the National Military Family Association said it's tough to say how well the lending law is being enforced overall because that responsibility has been left to the states.

And some lenders are finding loopholes to exploit in the federal law, offering open-ended credit that lacks a short-term due date. The law specifically applies to loans that require payment within 181 days or less. Also, more service members are getting short-term, high-interest loans online — from lenders outside the U.S. and thus immune from the statute, Savant said.

Chris Kukla of the North Carolina-based Center for Responsible Lending said the military would be better served if the lending restrictions imposed by Congress applied to civilians as well.

"There are lenders still willing to target the military even though the Pentagon and Congress have asked them to back off," Kukla said. "The only way you're really going to be able to protect that group is to have that protection apply across the board."