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Ruben Rosario: Legal battle on over loan to soldier

By Ruben Rosario

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In the world of the loan shark, it's known as the six for five. I lend you, say, \$500, you pay me \$600 at the end of the week or another short time period that we agree on.

Of course, I'm banking you can't pay it off. So I extend you the loan for another short-term period and pile on more interest. In little time, you are taking out another loan just to pay the interest. What started off as \$600 has ballooned out of control. And welching on the debt in this world usually is not only not an option, but also not good for your health.

The feds have a word for that lending practice. It's called racketeering.

Now I offer you the story of a 29-year-old Iraq War veteran from Wisconsin, as alleged in a federal lawsuit filed on his behalf this month.

Last year, U.S. Army Staff Sgt. Jason Cox, stationed at Fort Benning, Ga., needed quick cash to drive to Minnesota to pick up his daughter during a family crisis.

So Cox, a Purple Heart recipient who served three tours in Iraq, went to a Community Loans of America payday and title loan outlet near the military base in Alabama. He borrowed \$3,000 against the title to his 2002 Dodge Durango.

Thus began, according to the lawsuit, a financial freefall not so dissimilar to what I described above.

Unable to pay it off, Cox quickly fell behind and took out loans from the same lender. He was charged over 100 percent APR for each 30-day loan period. He quickly found himself facing \$375 monthly interest on loans exceeding

\$4,500 - a nearly 110 percent annual interest rate.

"I was just treading water trying to stay on top of this loan and find ways to pay more on the principal," Cox told the Associated Press. "But when the interest is that high, it's really hard to do...for me, \$375 is probably a month's worth of groceries."

Cox eventually defaulted. His truck was repossessed on the base in August.

LAW PROTECTS MILITARY

Now, "borrower beware" is as good advice as any out there. If you can't afford to borrow money, don't. But here's the rub. Cox apparently was unaware of a federal law passed four years ago to better protect soldiers from predatory lending practices.

Among other provisions, the Military Lending Act, or MLA, prohibits creditors from charging active-duty armed forces members an annual interest rate of more than 36 percent. It also bans requiring a vehicle title to secure loans.

The legislation was passed after a Department of Defense report concluded that predatory lending "undermined military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer fighting force."

Cox's federal lawsuit against Atlanta-based Community Loans of America Inc. alleges that the creditor knew he was an active-duty soldier and still chose to lend him money in violation of the federal law. Company officials have declined comment on the pending litigation.



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The suit was filed on Cox's behalf by the law firm of Roy Barnes, a former Georgia governor who suspects such violations may be widespread. The suit seeks class-action status because the lending firm operates in 22 states, including Wisconsin, and Puerto Rico.

"Every day we ask the military to fight for our freedom," Barnes said when the suit was filed on Veterans Day. "Now it's time for us to step up to the plate and fight for theirs. Predatory lending against our service members and their families violates all notions of decency and ethics."

RICO VIOLATION?

Now, getting back to the loan shark analogy, it turns out that the suit also accuses Cox's lender of essentially acting like Tony Soprano and his mob family buddies.

The lawsuit contends that the lender, acting as an "enterprise," collected on an improper debt and seized Cox's Durango in violation of the Racketeer Influenced and Corrupt Organizations Act. Better known by its acronym RICO, the law was designed to go after the racketeering activities of Mafia families and other organized-crime syndicates.

"Since the Military Lending Act makes noncompliant title loans 'void from inception,' the activity serving as a RICO violation is the collection of an unlawful debt," explained John Bevis, the lead attorney handling Cox's lawsuit. "But the primary goal of the class-action part of the case is not to recover damages. Rather, it is to force the lender to comply with the requirements of the MLA and change the way they treat service members and their families."

Stay tuned.

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ONLINE

To read the federal lawsuit filed on behalf of U.S. Army Staff Sgt. Jason Cox, go to TwinCities.com.



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