

BEFORE THE SUPERINTENDENT OF BANKING
OF THE STATE OF IOWA

IN THE MATTER OF:)	
)	File No. 2012-NRR -2012-0099
Applications for Nonresident Regulated)	
Loan Company Licenses)	
Of)	DENIAL OF LICENSES
)	
CashCall, Inc.)	
Annaheim CA Branch)	
2125 E. Katella)	
Anaheim, CA 92806,)	
)	
And)	
)	
CashCall, Inc.)	
Las Vegas, NV Branch)	
7125 Pollock Dr.)	
Las Vegas, NV 89119,)	
)	
Applicant.)	

TO THE ABOVE-NAMED APPLICANT:

YOU ARE HEREBY NOTIFIED THAT the Iowa Superintendent of Banking ("Superintendent") decided to deny your applications for nonresident regulated loan company licenses. The denial is based upon the following:

Legal Grounds

Iowa Code section 536.4 (2) provides:

If the superintendent shall determine from such application and from such investigation that the applicant can have reasonable expectancy of a successful lending business at the location of the office for which application is made, and that there is a real need and necessity in that community for additional lending facilities to adequately serve the local people, and that said applicant is one who will command the respect of and confidence from the people in that community; that the financial responsibility, experience, character, and general fitness of the applicant, and the members thereof if the applicant be a partnership or association, and of the offices and directors thereof if the applicant be a corporation, are such as to warrant the belief that the business will be operated lawfully, honestly, fairly, and efficiently within the purposes of this

chapter, and if the superintendent shall find that the applicant has available or actually in use the assets described in section 536.2, the superintendent shall thereupon issue and deliver a license to the applicant to make loans in accordance with the provisions of this chapter at the place of business specified in the said application; if the superintendent shall not so find the superintendent shall not issue such license and the superintendent shall notify the applicant of the denial and return to the applicant the bond and the sum paid by the applicant as a license fee, retaining the investigation fee to cover the costs of investigating the application.

Based on the transcript of evidence and decision and findings described below, the Superintendent has determined that the financial responsibility, experience, character, and general fitness of the Applicant are not such as to warrant the belief that the business will be operated lawfully, honestly, fairly, and efficiently within the purposes of Iowa Code chapter 536.

Therefore the Superintendent hereby DENIES your applications for nonresident regulated loan company licenses.

Written Transcript of Evidence and Decision and Findings

1. CashCall, Inc. ("Applicant") currently holds a nonresidential regulated loan company license issued by the State of Iowa authorizing Applicant to conduct business out of its 1600 S. Douglass Road, Anaheim, California ("Douglass Road") location. Applicant conducts both mortgage lending and small loan lending and servicing activities out of its Douglass Road location.
2. Iowa's Regulated Loan Act requires separate regulated loan company licenses for each place of business where loans are made. Iowa Code § 536.7(1) ("Only one place of business where loans are made shall be maintained under a license. However, the superintendent may issue more than one license to the same licensee upon compliance, for each additional license, with all the provisions of this chapter governing an original issuance of a license.").
3. Applicant submitted an application for a nonresidential regulated loan company license located at 2125 E. Katella, Anaheim, California to the Superintendent on September 25, 2012. This application was submitted in the incorrect format, and Applicant was requested to resubmit the application using the correct format,

which the Applicant did on September 27, 2012. The Superintendent deemed the application as formally submitted on September 27, 2012.

4. Applicant submitted an application for a nonresidential regulated loan company license located at 7125 Pollock Drive, Las Vegas, NV to the Superintendent on September 25, 2012. This application was submitted in the incorrect format, and Applicant was requested to resubmit the application using the correct format, which the Applicant did on September 27, 2012. The Superintendent deemed the application as formally submitted on September 27, 2012.
5. A regulated loan company license authorizes the licensee to make both mortgage loans and supervised loans under the Iowa Consumer Credit Code. Although the business plans submitted with Applicant's applications refer to its mortgage lending plans, a license would also authorize Applicant to make supervised consumer credit loans from the licensed locations.

Fitness of Applicant

6. The experience, character, and general fitness of Applicant do not warrant the belief that the business will be operated lawfully, honestly, fairly, and efficiently within the purposes of Iowa Code chapter 536.
7. The Iowa Division of Banking ("Division") conducted an examination of Applicant's existing Douglass Road location license and found numerous violations of Iowa law, including
 - a. Computing interest earned using a 360-day year rather than a 365-day year as required by the Iowa Consumer Credit Code.
 - b. Charging an interest rate exceeding the maximum rate permitted by Iowa law.
 - c. Assessing late charges that exceed the maximum permitted by Iowa law.
 - d. Charging insufficient funds fees for insufficient funds, which were not included in the finance charge nor specifically permitted by Iowa law as an additional charge.
 - e. Failing to rebate prepaid finance charges upon prepayment as required by Iowa law.
8. Applicant has refused to address and remedy the violations found during the

Division's examination of Applicant. Rather, Applicant's response to the Division's examination findings was to assert an untenable legal theory that the loans in question are not subject to Iowa law.

9. Applicant's business model for non-mortgage loans is based on a theory in which it teams up with another business entity in an attempt to evade application of various state laws, in particular state laws limiting the finance charge on consumer loans. First, Applicant attempted to "rent-a-bank" to evade application of state laws. *See State ex rel. McGraw v. CashCall, Inc. and J. Paul Reddam*, Civ. No. 08-C-1964 (West Va. Kanawha County Cir. September 10, 2102). Currently, applicant attempts to "rent a tribal affiliate" as its shield for making high cost consumer loans that violate Iowa law by partnering with Western Sky, a South Dakota LLC owned by an enrolled member of the Cheyenne River Sioux Tribe.
10. A review of the contractual agreements between Applicant, Applicant's affiliated company (WS Financial) and Western Sky demonstrates that Applicant is the de facto lender in loans purportedly made by Western Sky.
11. The loans made to Iowans that Applicant obtained from Western Sky pursuant to this sham arrangement have interest rates ranging from 89 percent to 169 percent. These interest rates exceed the maximum finance charge allowed on consumer loans made to Iowans. These interest rates also violate the Cheyenne River Sioux Tribe's criminal usury statute.
12. In addition to the excessive interest rates referred to in paragraph 11, the loan agreements contain provisions that are contrary to Iowa law. For example, the loan documents purport to require the borrower to agree that the loan is subject to the laws and jurisdiction of the Cheyenne River Sioux Tribe, a provision contrary to Iowa Code section 537.1202.
13. In addition to Applicant's violation of applicable Iowa laws, Applicant is accused of violating laws applicable to its operation of its business in several other states. Information received by the Superintendent indicates that at least seven other states (Alaska, California, Florida, Kansas, Maryland, Kansas, and West Virginia) have brought actions against Applicant alleging Applicant committed various

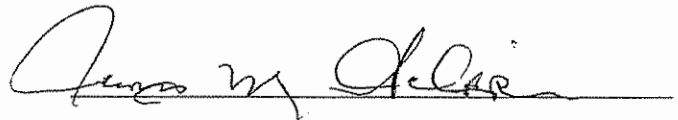
infractions, including but not limited to unfair debt collection practices; charging and/or collecting excessive interest rates; failing to accurately disclose actions brought against it by other states; failing to operate its business honestly, fairly, and within the purpose of the law; failing to comply with directives and subpoenas; and using an unlicensed trade name.

14. The Applicant has demonstrated a disregard for laws applicable to its business operation in Iowa and in other states. This pattern of conduct does not support a finding that Applicant's business "will be operated lawfully, fairly, and efficiently within the purposes of [Iowa Code chapter 536]."

Based on the foregoing reasons, the applications of CashCall, Inc. for an Iowa Nonresident Regulated Loan Company Licenses in Anaheim, California, and Las Vegas, Nevada are hereby **DENIED**.

Dated this 9th day of November, 2012.

James M. Schipper
Superintendent of Banking



Notice of Appeal Rights

You have the right to appeal this Denial of License by requesting a hearing.

A request for a hearing must be submitted in writing to the Superintendent by certified mail, return receipt requested, within thirty (30) days of the date of this Notice of Denial. The written request must be submitted to the Iowa Superintendent of Banking, Finance Division, 200 East Grand Avenue, Suite 300, Des Moines, Iowa 50309-1827. If you request a hearing, the hearing will be a contested case within the meaning of Iowa Code chapter 17A and will be conducted in accordance with Iowa Code chapter 17A and 187 Iowa Administrative Code chapter 11.