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Loan Max settles 3 suits out of court

The plaintiffs alleged that the car title lender didn't disclose some terms of the financing adequately.

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Three lawsuits that Virginia plaintiffs filed against car title lender Loan Max won't go to trial - they were settled under secret terms.

The borrowers alleged that Loan Max violated state and federal lending laws by not adequately disclosing the loans' terms, among other infractions.

Consumer advocates were watching the cases, which - had they gone to trial - could have set legal precedents that might have altered the way the lenders do business in Virginia.

Carrie Cantrell, a spokeswoman for the company, didn't comment on the settlements. She previously said Loan Max complied with state and federal laws.

The Georgia-based company is better off settling with the few customers who go to the effort of filing lawsuits, rather than risking a precedent-setting court decision that's not favorable to the business, said Jay Speer, an attorney with the Virginia Poverty Law Center in Richmond.

"If they did go to trial, the car title lenders would be in big trouble," Speer said. "It makes financial sense to cave in."

The lenders offer high-fee, high-interest loans known as motor vehicle equity loans - car title loans - exchange for holding the title to the borrower's automobile. The auto must be completely paid off and owned by the borrower. If the borrower defaults, the lender can take the car away from the borrower and sell it.

Because car title lenders are unregulated in Virginia, no one knows how many there are in the state. An online phone directory recently listed 26 Loan Max locations statewide. Fast Auto & Payday Loans, with two locations listed in Newport News and two in Hampton, had 16 locations in Hampton Roads and 39 statewide.

The lenders said they operated here under the same law that allowed credit card companies to offer revolving credit for any interest rate agreed to by the borrower and lender.

Plaintiffs Janet Ruiz of Harrisonburg and Amilita Opie of Buckingham were charged 30 percent interest a month, which is 360 percent a year. Sandra Young of Richmond signed a contract with Loan Max, saying she would pay an annual percentage rate of 9,850

percent in the first payment period, according to her lawsuit.

The three lawsuits said a 25 percent one-time fee - \$200 for Opie, \$737.50 for Ruiz, \$275 for Young - violated federal law because it was disclosed only in small type, without explaining the amount or purpose.

The suits also alleged that Loan Max couldn't claim to be legitimized by state laws that govern revolving credit - an open line of credit such as that offered by credit card companies.

The law requires firms to offer a 25-day grace period before applying finance charges.

Ruiz borrowed \$2,950 from Loan Max in February 2005. By April 2006, her debt had grown to \$16,000.

Opie gave over the title to her 1993 Ford Explorer in return for an \$800 loan in June 2005.

By September, she couldn't pay her \$1,463 debt, and Loan Max repossessed her car and sold it. She still owed \$413 to Loan Max.

Young paid back more than \$2,700 after borrowing \$1,100, her lawsuit said.

Grant Penrod, Ruiz's lawyer, said he and his client were bound by confidentiality agreements from saying what was in the settlement. He also said the terms of the deal were agreeable to Loan Max and Ruiz.

Opie's lawyers couldn't be reached.

Young's lawyer, Dale Pittman of Petersburg, said he and his client also were bound by their settlement - which has not been finalized - to keep the terms secret.

"Title lending is an awful, awful industry," he said.