

FILED

COMMONWEALTH OF PENNSYLVANIA 2016 AUG 16 PM 1:07
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
SECURITIES, COMPLIANCE OFFICE :

PA DEPARTMENT OF
BANKING AND SECURITIES

v. :

DOCKET NO. 16 0044 (BNK-C&D)

ECONOMIC ADVANTAGES :
CORPORATION :

NOTICE TO ANSWER AND REQUEST A HEARING

You, Economic Advantages Corporation, have the right to challenge the attached Order Cease and Desist ("Order") by filing an Answer, in writing, with the Docket Clerk within 30 days of the date of this Order as required by 1 Pa. Code § 35.37. If you do not file an Answer within 30 days, then you will waive your right to a hearing and the Banking and Securities Commission ("Commission") may enter a final order against you.

Your Answer must be in writing. Your Answer must specifically admit or deny the allegations in the Order, set forth the facts you rely upon and state concisely the law you rely upon. General denials of the allegations set forth in the Order are not sufficient; you must support your denials with specific facts. Failure to support your denials with specific facts may cause the Commission to deem the facts in the Order as admitted and to enter a final order against you, without a hearing.

The Answer and any other documents must be filed with the Docket Clerk:

Linnea Freeberg
Docket Clerk
Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

Further, you must serve a copy of the Answer and any other documents on the person who signed the Order by providing a copy to his or her counsel indicated below:

Sharon Williams
Assistant Counsel
Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

Once you file your Answer, you will be notified of pertinent information such as the name of the presiding officer designated by the Commission to hear this matter and, if a hearing is scheduled, the date, time and location of the hearing. You have the right to be represented by an attorney.

All procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa. C.S. §§ 501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§ 31.1.-35.251.

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CEASE AND DESIST ORDER

The Commonwealth of Pennsylvania, Department of Banking and Securities ("Department"), Compliance Office, hereby orders Economic Advantages Corporation ("EAC") to immediately cease and desist from engaging in the money transmitter business in violation of the act of September 2, 1965 (P.L. 490, No. 249), known as the Money Transmitter Act, 7 P.S. §§ 6101 *et seq* ("MTA"). In support of its Order, the Compliance Office states the following:

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the MTA.
2. The Compliance Office is primarily responsible for administering and enforcing the MTA for the Department.
3. The Department has the authority to impose orders and issue fines up to \$2,000 for each offense pursuant to the MTA. 7 P.S. §§ 6113.1, 6114, 6116; *see also* 1 Pa. Code § 35.20.
4. EAC's principal place of business located at 71 Central Street, P.O. Box 332, Woodstock, Vermont 05091-1107.
5. EAC also has a location at 270 Main Street, Suite 2, Port Washington, New York 11050-2753.

6. Lynn Simmons is the owner and president of EAC.
7. EAC is not, and has never been, licensed as a money transmitter by the Department.

Unlicensed Money Transmission

8. Section 2 of the MTA provides that a person engaged in the business of transmitting money by means of a transmittal instrument for a fee or other consideration must be licensed. 7 P.S. § 6102.

9. A person includes an individual or organization. 7 P.S. § 6101.

10. A transmittal instrument is “any check, draft, money order, personal money order or method for the payment of money or transmittal of credit...” 7 P.S. § 6101 (emphasis added).

11. EAC is incorporated in New York.

12. EAC offers consumers a bi-weekly structure to make payments to the consumers’ creditors with whom the consumers have outstanding loans for automobiles, mortgages, student loans, and other debts.

13. EAC charges consumers an enrollment fee to sign up for the service, and a transaction fee each time money is transferred from the consumers’ accounts.

14. The enrollment fee ranges from \$399-\$799.

15. The transaction fee ranges from \$2-\$4 per transaction.

16. It is the Compliance Office’s position that EAC engaged in the business of transmitting money by means of a transmittal instrument for a fee by facilitating the transfer of loan payments from consumers to their creditor(s) on a bi-weekly basis, in violation of the MTA.

17. On or around March 8, 2016, the Compliance Office sent a letter to EAC instructing the company to wind down its operations by April 29, 2016.

18. EAC ignored the Compliance Office’s instructions.

19. In March of 2016, EAC informed the Compliance Office that it intended to transfer its customers to another bi-weekly payment company.

20. The Compliance Office informed EAC that if it chose to move its customers to another company, the transfer had to be to a licensed company.

21. EAC eventually revealed to the Compliance Office the name of the company to which it was planning to transfer its customers.

22. The Compliance Office informed EAC that the company to which it intended to transfer its customers was not licensed by the Department and had not, at that time, applied for a license from the Department.

23. Based on the information provided by EAC to the Compliance Office, EAC has enrolled approximately 4,438 Pennsylvania residents in its program.

24. This Order addresses unlicensed activity through August of 2016.

RELIEF

25. Fine. Within 30 days of the Effective Date of this Order, as defined below, EAC shall pay the Department a fine in the amount of \$443,800. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Compliance Office located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

26. Corrective Action.

a. Wind Down

i. Upon the effective date of this Order, EAC shall cease and desist from offering any new services to Pennsylvania residents until such time it may become properly licensed.

ii. Within 30 days of the effective date of this Order, EAC will wind down its payment program with all enrolled Pennsylvania consumers and should not be in possession of any Pennsylvania consumers' funds by the end of that time period. The wind down shall include:

A. Within 15 days of the effective date of this Order, EAC will provide to the Compliance Office a complete list of all active and inactive Pennsylvania consumers enrolled in EAC's payment program. The list shall include each consumer's name, address, email address, telephone number, and identifying information for each creditor receiving payment from the consumer, the creditor's account number, the amount being paid, the balance(s) on the loan(s) and payment due date(s).

B. Within 15 days of the effective date of this Order, EAC will provide to the Compliance Office a copy of the correspondence from EAC to its banking partners explaining the wind down and what EAC needs from the bank to accomplish the wind down of business in an orderly and timely manner (i.e., explain EAC's inability to accept Pennsylvania consumers' funds going forward; request ACH refunds of any dollars to consumers, etc.).

C. Within 15 days of the effective date of this Order, EAC will provide to the Compliance Office a copy of written correspondence sent by U.S. mail to Pennsylvania consumers enrolled in EAC's program informing them that EAC is discontinuing service effective immediately; that any funds that have not been forwarded to creditors are being returned by ACH or

paper check, and that the consumer is responsible for making all future payments to creditors directly.

D. Within 15 days of the effective date of this Order, EAC will provide to the Compliance Office a copy of a second correspondence sent by email to Pennsylvania consumers informing them that EAC is discontinuing service effective immediately; that any funds are being returned to the consumers via ACH or paper check; and that the consumer is responsible for making all future payments to creditors directly.

E. Within 30 days of the effective date of this Order, EAC will provide to the Compliance Office a copy of the correspondence terminating contracts with Pennsylvania vendors.

F. Within 45 days of the effective date of this Order, EAC will provide to the Compliance Office a list of the dates that ACH or paper check refunds are to be provided to affected Pennsylvania consumers.

iii. If EAC winds down its business, the company shall refund the enrollment fees of any consumer who began the program after August 27, 2015.

A. Provide a list of consumers who enrolled with EAC after August 27, 2015 including consumer's name, address, email address (if available), enrollment fee amount, amount of refund, and date of refund.

b. Transfer of Consumers

i. EAC has the option to transfer its enrolled Pennsylvania consumers to a licensed money transmitter or another entity that is in compliance with the MTA. The transfer must occur within 30 days from the effective date of this Order

such that EAC will not be in possession of any Pennsylvania consumers' funds by the end of that time period.

A. EAC will provide the Compliance Office with the name of the licensee or other entity that is in compliance with the MTA prior to the transfer.

B. If EAC chooses to transfer its customers to a licensed money transmitter or other entity that is in compliance with the MTA, it will provide the Compliance Office with a copy of the letter it sends to its enrolled Pennsylvania consumers explaining the transfer and providing consumers with the option to terminate their contract.

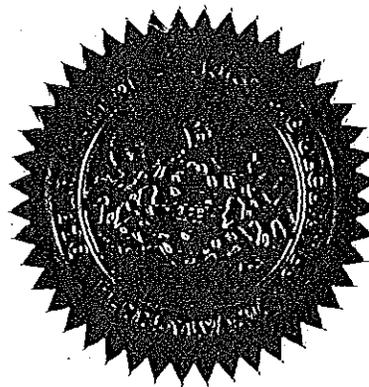
c. All documentation should be provided to Theresa Jones at thejones@pa.gov.

WHEREFORE, because EAC engaged in the business of transmitting money for a fee when it was not licensed to do so, the Compliance Office, under the authority cited above, hereby imposes this cease and desist order.

IT IS SO ORDERED.

Redacted

Ryan Walsh, Director
Department of Banking and Securities
Compliance Office



Date: August 16, 2016

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **Cease and Desist Order** upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code §§ 33.35 and 33.36:

BY CERTIFIED AND FIRST CLASS MAIL

Economic Advantages Corporation
71 Central Street
P.O. Box 332
Woodstock, VT 05091-1107

Economic Advantages Corporation
c/o Donald Rave, Jr.
11 The Plaza
Locust Valley, NY 11560

Dated this 16th day of August, 2016

Redacted

Sharon M. Williams
Assistant Counsel
Attorney I.D. #: 207545
FOR: Commonwealth of Pennsylvania
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, PA 17101
(717) 787-1471