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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, COMPLIANCE OFFICE	:	
	:	DOCKET NO. 160044 (BNK-C&D)
v.	:	
ECONOMIC ADVANTAGES	:	
CORPORATION	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Compliance Office, enters into this Consent Agreement and Order (“Order”) with Economic Advantages Corporation (“EAC”) and an affiliated company, New Verity Corp. (NVC). With the exception of the Corrective Actions set forth at paragraph 34 below, which are binding upon EAC and NVC immediately upon their execution of this Order, the terms and conditions of this Order shall take effect upon the adoption of this Order by the Banking and Securities Commission (“Commission”), pursuant to the Department of Banking Code at 71 P.S. §733-1122-A.

After an investigation, the Compliance Office determined that EAC and NVC engaged in unlicensed activity in violation of the Money Transmitter Act, 7 P.S. § 6101 et seq. (“MTA”). The Compliance Office filed a Cease and Desist Order against EAC on August 16, 2016 (“C&D Order”), which EAC appealed, denying wrongdoing. The parties now seek to amicably resolve the pending litigation to save the time and resources that continued litigation would require. Accordingly, and subject to the Commission’s adoption as set forth above, the parties stipulate that the averments set forth herein are true and correct and, intending to be legally bound, agree to the terms of this Order.

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 Compliance Office is primarily responsible for administering and enforcing the MTA for the Department.
3. The principal place of business of both EAC and NVC is 71 Central Street, P.O. Box 332, Woodstock, Vermont 05091-1107.
4. EAC is incorporated in New York.
5. NVC is incorporated in Vermont.
6. Section 2 of the MTA provides that a person engaged in the business of transmitting money with or on behalf of an individual by means of a transmittal instrument for a fee or other consideration must be licensed by the Department. 7 P.S. § 6102.
7. A person includes an individual or organization. 7 P.S. § 6101.
8. A transmittal instrument is "any check, draft, money order, personal money order, debit card, stored value card, electronic transfer or *other method for the payment of money or transmittal of credit...*" 7 P.S. § 6101 (emphasis added).
9. The phrase "method for the payment of money" includes Automatic Clearing House ("ACH") transfers.
10. Exemptions to licensure apply under Section 3 of the MTA. 7 P.S. § 6103.
11. On and after January 3, 2017, the Department has the authority under the MTA to impose orders and issue fines up to \$10,000 for each offense. 7 P.S. § 6116 (as amended by the act of Nov. 3, 2016, P.L. 1002, No. 129).

12. Prior to January 3, 2017, the Department had the authority to impose orders and issue fines up to \$2,000 for each offense. 7 P.S. § 6116.

13. The Department has never licensed either EAC or NVC as a money transmitter.

14. As of September 2016, EAC was registered with Financial Crimes Enforcement Network, Department of the Treasury, (FinCEN) as a money transmitter operating within Pennsylvania.

ALLEGED VIOLATIONS

15. EAC and NVC offered consumers various programs by which EAC and NVC would make ACH payments on their behalf to the consumers' creditors with whom they have outstanding loans for automobiles, mortgages, student loans, and other debts.

16. To enroll in these programs, each consumer completed EAC's or NVC's enrollment and authorization form and submitted it to EAC or NVC.

17. With the enrollment and authorization form, and an accompanying service agreement, the consumer agreed to enroll in EAC's or NVC's programs and pay an application fee and bi-weekly maintenance fees to EAC or NVC.

18. With the arrangement, the consumer authorized a bi-weekly electronic debit of the consumer's bank account that would be accepted by a banking institution chosen by EAC or NVC and forwarded to the consumer's creditor(s).

19. The programs called for an electronic debit of the consumer's designated checking or savings account every two weeks for one half of the consumer's monthly loan payment, plus a maintenance fee.

20. By collecting every two weeks one-half of each consumer's monthly loan payment, EAC or NVC was able to make the equivalent of one extra monthly payment every year.

21. The Compliance Office contends that the enrollment and authorization forms used by EAC and NVC constituted a “transmittal instrument” under the MTA.

22. EAC began offering the bi-weekly payment programs to Pennsylvania consumers in 2008.

23. The application fee ranged from \$399-\$799.

24. The transaction fee ranged from \$1.95-\$4 per transaction.

25. On March 17, 2016, EAC’s counsel provided the Compliance Office with a spreadsheet listing 4,438 Pennsylvania consumers, with 3,555 still being serviced as of that date by the bi-weekly payment programs of EAC and NVC.

26. At some point during the Compliance Office’s investigation, EAC and NVC stopped offering their bi-weekly payment programs to new Pennsylvania consumers.

27. By March 2017, approximately 2,681 Pennsylvania consumers were still paying maintenance fees to EAC or NVC for its bi-weekly payment programs.

28. Since February of 2016, EAC has been making efforts to transfer its Pennsylvania consumers to a licensed entity.

29. In April 2017, EAC and NVC transferred all of its Pennsylvania consumers to an entity that is licensed by the Department as a money transmitter.

30. The Compliance Office contends that, from 2008 through April 2017, EAC engaged in the business of transmitting money by means of a transmittal instrument for a fee by arranging the transfer of loan payments from consumers to their creditor(s), and did so without possessing a money transmitter license granted by the Department.

31. The Compliance Office contends that no exemptions to the licensure requirement under Section 3 of the MTA applied to the activities of EAC and NVC. 7 P.S. § 6103.

32. The Compliance Office contends that such unlicensed activity constituted multiple violations of Section 2 of the MTA.

RELIEF

33. Fine. Within five (5) business days of EAC's execution of this Order, EAC shall pay a fine in the amount of \$50,000, which will not be cashed unless and until the Commission adopts this Order. Within ninety (90) days of the Commission's adoption of this Order, EAC shall pay a second installment in the amount of \$50,000, to be cashed immediately, for a total fine in the amount of \$100,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed to the Compliance Office, located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

34. Corrective Actions. The following provisions (a. through f.) shall take effect and be binding immediately upon execution by the parties, without regard to whether the Commission adopts this Order:

a. While EAC and NVC represent that they already stopped accepting Pennsylvania consumers into their payment programs, EAC and NVC hereby agree to permanently refrain from marketing the programs to Pennsylvania consumers or operating such programs without first obtaining a money transmitter license from the Department.

b. No later than the date of their execution of this Order, EAC and NVC will be out of the business of operating payment programs for Pennsylvania consumers. Within five (5) business days of their execution of this Order, EAC and NVC shall provide verification to the Compliance Office that all of their Pennsylvania consumers have been transferred to an entity that is licensed by the Department as a money transmitter.

c. Within five (5) business days of their execution of this Order, EAC and NVC shall notify by regular mail or email each Pennsylvania consumer still enrolled in their payment programs as of April 19, 2017, that EAC and NVC have discontinued their payment programs, that their accounts are being transferred to an entity that is licensed by the Department as a money transmitter, and that each Pennsylvania consumer shall have the option of terminating his or her contract and receiving back any accumulated money. The Pennsylvania consumers may not be charged additional fees as a consequence of this transfer, or for any other reason. EAC and NVC shall simultaneously provide to the Compliance Office sample copies of this correspondence, along with a complete list of the names, addresses and telephone numbers of consumers so notified.

d. Immediately upon their execution of this Order, EAC and NVC shall notify their banking partner(s) about the transfer, explaining what EAC and NVC need from the bank(s) to accomplish the wind down of business in an orderly and timely manner (e.g., explain EAC's inability to accept Pennsylvania consumers' funds going forward; request ACH refunds of any dollars to consumers requesting termination of the arrangement). EAC and NVC shall simultaneously provide to the Compliance Office copies of such notifications.

e. No later than the date of their execution of this Order, EAC and NVC shall have notified Pennsylvania vendors that EAC and NVC will no longer be operating the payment programs for Pennsylvania consumers, and shall provide to the Compliance Office copies of such notifications.

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

FURTHER PROVISIONS

35. Effectiveness. The parties agree that, with the exception of the Corrective Actions set forth in paragraph 34 that are to take effect immediately upon execution of this Order by the parties, the terms and conditions of this Order will take effect upon the adoption of this Order by the Commission.

36. Consent. EAC and NVC hereby knowingly, willingly, voluntarily and irrevocably consent to the Corrective Actions set forth above in Paragraph 34 of this Order, agree that they understand all of the terms and conditions contained in this Order, and, subject to the Commission's adoption of this Order, waive any right to hearing or appeal concerning the terms, conditions and the fine set forth in this Order. Further, the parties agree that adoption of this Order by the Commission does not constitute an adjudication under 2 Pa.C.S. § 702.

37. Publication. Upon adoption of this Order by the Commission the Department will publish this Order pursuant to its authority in Section 302.A(5) of the Department of Banking Code. 71 P.S. § 733-302.A(5).

38. Cease and Desist Order. Upon adoption of this Order by the Commission, and payment of the second installment of the fine set forth in paragraph 33 above, the Compliance Office will discontinue the C&D Order currently pending before a hearing officer.

39. Entire Agreement. This Order contains the entire agreement between the Compliance Office and EAC/NVC. This Order may be amended in writing by mutual agreement by the Compliance Office and EAC/NVC.

40. Binding Nature. The Compliance Office and EAC and its affiliates, including NVC, as well as EAC's and NVC's owners, employees, and successors, intend to be and are legally bound by the terms of this Order.

41. Counsel. The parties entered into this Order knowingly and with full opportunity for advice from legal counsel.

42. Other Enforcement Action.

a. The Compliance Office reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against EAC and NVC in the future regarding all matters not resolved by this Order.

b. This Order shall be enforceable by a court of competent jurisdiction within the Commonwealth of Pennsylvania.

43. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

44. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

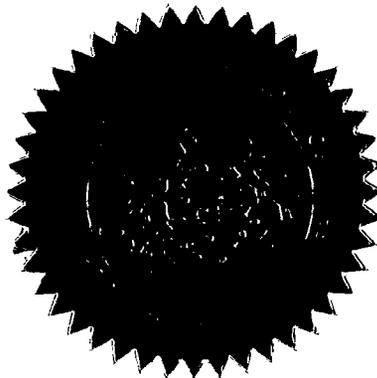
WHEREFORE, in consideration of the foregoing, the Commonwealth of Pennsylvania, Department of Banking and Securities, Compliance Office and Economic Advantages Corporation and New Verity Corp., intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
BANKING AND SECURITIES,
COMPLIANCE OFFICE**

Redacted

James Keiser
Chief, Non-Depository Compliance

Date: May 16, 2016



FOR ECONOMIC ADVANTAGES CORPORATION

Redacted

Lynn Simmons
President

Date: 5/10/17

FOR NEW VERITY CORP.

Redacted

Lynn Simmons
President

Date: 5/10/17