

January 12, 2004

[redacted]

Re: Sale of Consumer Discount Loans to Unlicensed Entity

Dear [redacted]:

This letter responds to your letter to the Pennsylvania Department of Banking (the "Department") in which you request authorization and approval from the Department on behalf of your client, [redacted] (the "Seller"), a licensee under the Consumer Discount Company Act ("CDCA"), 7 P.S. § 6201 *et seq.*, to sell approximately [redacted] of consumer loans (the "Consumer Loans") to [redacted] (the "Buyer"). You have indicated that Buyer is not licensed pursuant to the CDCA.

The Department hereby approves sale of the Consumer Loans to Buyer pursuant to Section 14.I of the CDCA, 7 P.S. § 6214.I, and 10 Pa.Code § 41.6(a), subject to the following conditions. Specifically, as Buyer was advised in a letter from Deputy Chief Counsel David Bleicken dated September 18, 2003, pursuant to regulations promulgated under the CDCA, "[t]he privilege of collecting the charges authorized by the [CDCA] may not be transferred to an unlicensed purchaser." 10 Pa.Code § 41.6(a). Since Buyer is not licensed under the CDCA and is not otherwise authorized by law to collect interest in excess of the general usury limit imposed by the Pennsylvania Loan Interest and Protection Law ("LIPL"), 41 P.S. § 101 *et seq.*, Buyer may only collect the general Pennsylvania usury rate of 6% simple interest *per annum* and may not impose any other charges on the Consumer Loans.

In order to effect the sale of the Consumer Loans, Seller is required to notify the obligor of each Consumer Loan that the Consumer Loan has been sold to Buyer. In addition, Buyer must enter into a written contract with the obligor under each Consumer Loan which states that the Consumer Loan's interest rate will be reduced to 6% simple interest *per annum*.

Finally, since such information did not appear in your letter, Seller is required to provide to the Department a written list of the exact number of Consumer Loans sold to Buyer, and the total outstanding principal balances of each Consumer Loan, in accordance with 10 Pa.Code § 41.6(a).

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The Department's analysis is based upon the facts as stated in this letter. Any change in the facts could result in an amendment or reversal of the Department's position. This letter has been authorized by the appropriate Department personnel and constitutes a duly authorized statement of the Department's position regarding the issues discussed herein. This letter may not be relied upon or construed as constituting legal advice.

Please do not hesitate to contact me if you have any further questions regarding this matter.

Sincerely,

Carter D. Frantz  
Staff Counsel

cc: Cynthia G. Wirt  
Director, Bureau of Licensing and Consumer Services

Timothy J. Blase  
Director, Bureau of Supervision and Enforcement

Donald M. DeBastiani  
Manager, Compliance Division

David H. Bleicken  
Deputy Chief Counsel