

# Payday Loans

# Beware Of... Fake Payday Loans

Have you ever come across the following: "You can find \$1,600 (or whatever amount) in your bank account within the next few hours!"

If you have, beware. The people behind this "offer" are some of the worst swindlers in the world. Hundreds of thousands of Americans are victimized annually by this tactic, and the price they pay is heavy. The "Payday Loan" business is a thriving, seven billion dollar industry. Follow us for an inside look at the people behind this scam and the efforts that have been undertaken to stop them.

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LOANS

• Aviva Sternfeld

Con artists who prey on the gullible are proliferating. Though much has been written about these scammers and their scams, they only seem to proliferate. Nevertheless, despite their shrewdness, they are still human and they make their share of mistakes.

Mike Davis is hunting those mistakes.

A professional hacker himself, Davis is the last person swindlers want to start up with. But Davis is not a fraudster. In fact, he uses his hacking skills to help companies develop protective measures against hackers.

Companies shell out huge sums of money to have him pinpoint weaknesses in computer systems and electronic gadgets they sell. Davis often travels around the world to companies who solicit his services, but his favorite place of work is in his private house in Seattle, Washington, where he dissects and analyzes printers, keyboards and telephones.

In addition to his expertise in software programs, Davis is also well versed in chemistry and chemicals. He can infiltrate a client's computer system through various methods. For example, he is capable of creating his own chemical concoctions that he then uses to destroy the surface of tiny microchips, which allows him easy access to the data inside.

Companies pay Davis to think like a criminal. One data center hired him to conduct a security check on their computers. To their utter amazement, Davis proceeded to produce several forged identity cards that yielded him access to the company's parking lot as well as to their various offices, effectively mimicking the attempts of a would-be criminal.

One rainy day, in January 2013, the veteran hacker got a text message asking, "Would you like to receive \$1,600 today? Give us several minutes and the money is yours." The text also included an address.

Davis, who happened to be experiencing an uncharacteristically dull moment, submitted a request for the



A text message aimed at duping people.

loan (under a fictitious name of course) just to see how things would pan out. Within minutes, he was bombarded with additional offers of money.

Davis was soon distracted and forgot about the entire matter. For a while it seemed as if his little experiment was over. Several weeks later, however, Davis received a voicemail message.

The caller identified himself as Jose Garcia, calling from Jackson & Associates, a law firm in Texas. Garcia said he was representing a payday loan company (a payday loan is a loan extended to people who are temporarily short on cash with the assumption that they will repay it as soon as they receive their salary on payday) and informing Davis that he owed the firm hundreds of dollars.

Garcia, who did not know that Davis had never taken a loan, made it clear that failure to repay the money would result in grave legal consequences.

There is actually a law firm under the name of Jackson



Mike Davis is the last person swindlers would want to start up with, since he is an expert hacker himself.

& Associates in Texas. However, when Davis contacted their offices, he was informed that there was no Jose Garcia there. Unfortunately for the scammers, this time they had met their match. Davis was determined to beat the swindlers at their own game.

Furthermore, Davis had a bone to pick with payday loan thieves. He grew up an only child to his widowed mother who had always struggled financially. She died leaving an unpaid mortgage. When Davis went to her house to clean it out and prepare it for sale, he discovered numerous letters from payday loan companies. Apparently, his mother had become entrapped in an impossible cycle by these fraudsters.

## The Payday Loan Industry

The payday loan industry is a thriving business in the United States. They seek out poor working class people who struggle to make a living and frequently find themselves strapped for cash.

Poor neighborhoods are prime targets. The swindlers rent store space in these areas and hang up signs offering short-term loans. Ten million people take out these kinds of loans every year, providing the industry with \$7 billion in profits annually.

People take out payday loans because they need immediate cash to pay for an unexpected expense, such as the replacement of a home appliance, or because a family member suddenly falls ill, etc. But studies show that nearly seven out of ten people take out payday loans to pay for daily necessities. People with low incomes and bad credit often need quick cash to pay the rent or to buy dinner. They often have no choice but to take out a payday loan. The only proof of credit required for a payday loan is a copy of the borrower's payroll stub.

In recent years, the industry has expanded and is no longer confined to street-front stores. Many lenders now try to snag victims through text messages and emails.

All too often, payday loan clients find themselves unable to repay their debt in time. According to one study, nearly three

out of four payday clients are unable to repay the loan within the required 18 days. And that's when the trouble begins. The average interest on a payday loan is 350%, though at times it can climb as high as 4,000%. The original amount owed very quickly balloons to impossible numbers. What's more, the average payday loan client doesn't have just one such loan to pay off, but eight! The loans run on average around \$375, with an added interest of \$520 a year.

However, the ballooning interest rates are only a small part of the struggle. Payday loan companies often use all kinds of pressure tactics to force their clients to pay up. Many include, among their other tactics, falsely claiming money not really owed to them.

For example, in 2010 a man in Florida by the name of Mark Merola got a panicked call from his wife. She told him that she had just gotten off the line with a lawyer that said Merola owed money to a payday loan company, and if he didn't pay up, he would suffer severe consequences.



These companies can be found in poor neighborhoods where they rent out storefronts and feature bright signs offering short term loans.



Attractive signs promising 100% success in obtaining a loan.