

Colorado Attorney General's Office settles lawsuit against lenders for exceeding state interest rate limits on consumer loans

Aug. 18, 2020 (DENVER, Colo.)—Attorney General Phil Weiser today announced that his office has reached a settlement in two precedent-setting lawsuits involving Colorado's right to enforce its interest rate limits on consumer loans to protect residents from predatory lending practices.

Under federal law, certain out-of-state banks can lend in Colorado at interest rates that exceed Colorado's limits. The Attorney General alleged that non-banks Avant and Marlette illegally partnered with two out-of-state banks—WebBank and Cross River Bank, respectively—in a scheme to “rent” those banks' ability to lend above Colorado's rate limits.

Under the settlement, WebBank, Cross River Bank, and all of their non-bank partners, including Avant and Marlette, have agreed to provide Colorado consumers with certain protections to ensure that they are making true banks loans. Additionally, they committed that they will not lend to Colorado consumers at rates above 36% and will provide consumers with other protections required by Colorado law. In addition, non-bank partners will maintain a Colorado lending license.

The companies will pay \$1,050,000 to the State of Colorado for consumer protection efforts consistent with the settlement agreement. Furthermore, the companies will make a \$500,000 contribution to the MoneyWi\$er program, a partnership between the Attorney General's Office and the Colorado Department of Education that supports K-12 financial education in Colorado.

“Protecting consumers from predatory loans is among my top priorities as Attorney General and we take the 36% lending cap very seriously. Many Coloradans are hurting financially due to the economic impact of the COVID-19 pandemic and they are susceptible to unscrupulous lenders who take advantage of them, lending at rates far above what Colorado law permits. This agreement protects Colorado consumers and creates a model for how other lenders can comply with Colorado law and treat consumers fairly,” said Weiser.

Weiser said that securing funding for MoneyWi\$er is also a significant component of this settlement because it will help provide important life skills to young people as they begin planning their financial future.

“The MoneyWi\$er program increases financial literacy, and it helps Coloradans become better educated consumers so that they are able to make wiser financial decisions and be less susceptible to fraud or predatory practices. MoneyWi\$er also arms Colorado's future generations with the essential knowledge and life skills needed to confidently navigate the complex world of consumer finance,” Weiser said.

The cases are *Fulford v. Avant of Colorado, LLC*, Case No. 17CV30377 and *Fulford v. Marlette Funding, LLC*, Case No. 17CV30376, both filed in Denver District Court.

Attorneys in the Consumer Protection Division in the Colorado Department of Law executed the settlement and advised the Attorney General and the Uniform Consumer Credit Code Administrator on the matter.

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