

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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**DBO Sues Nationwide Biweekly Administration for
Charging Excessive Fees, Unlicensed Activity
*Lawsuit Seeks Restitution, Penalties from Debt Payment Firm***

OAKLAND – The Department of Business Oversight (DBO) today filed a [lawsuit](#) against Nationwide Biweekly Administration (Nationwide) alleging the debt payment firm has charged excessive fees and operated in California without a required license. The DBO is seeking restitution for consumers, civil penalties and disgorgement of money obtained from the alleged unlawful activity.

“For years, Nationwide has charged thousands of California consumers unlawfully high fees and never bothered to obtain the proper license to conduct business in this state,” said DBO Commissioner Jan Lynn Owen. “We’re asking the court to make Nationwide’s victims whole and force the firm to follow the law.”

The DBO filed the lawsuit jointly with the district attorneys of Alameda, Marin and Monterey counties. The complaint was filed in Alameda County Superior Court. The three local prosecutors allege Nationwide, in marketing and selling its debt payment services, violated state laws prohibiting unfair business practices and false advertising.

Nationwide’s business model, as marketed to consumers, is supposed to work like this: The firm contracts with borrowers to make their loan payments for them. Nationwide provides the service for mortgages – the primary focus of the case – car loans, student loans and credit cards. Under the arrangement, Nationwide debits the customer’s account every two weeks in an amount equal to one-half of the required monthly payment on the loan. The firm sends the loan payment to the lender at the end of every month.

The schedule results in 26 debits from the borrower’s account every year. That equals an extra month’s worth of loan payments. The extra amount purportedly is used to pay down the principal, which is supposed to reduce the borrower’s interest cost over the life of the loan. Nationwide calls its most prominent service the “Interest Minimizer Program.”

The California Financial Code requires companies that provide debt payment services such as Nationwide’s to be licensed and regulated as “proraters” by the DBO. The statute defines prorater as a business that gets paid to collect money and distribute it to creditors. Nationwide never has had a prorater license.

The law also sets a \$50 cap on the origination fee proraters can charge. Nationwide charged a “set up” fee equal to one-half of the borrower’s monthly loan payment. That fee often far exceeded the \$50 limit. As an example, the complaint noted a customer with a \$2,000 mortgage payment would pay a set up fee of \$1,000. Nationwide defers collection of this fee until four to six months after the borrower signs up for the service. Despite that delay, the complaint calls Nationwide’s high set up fees a “blatant violation” of the \$50 cap.

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Since 2009, according to the complaint, Nationwide has marketed its services to at least 4.3 million Californians. Anywhere from 10,000 to 25,000 Californians have become customers, the complaint states, and Nationwide collects about \$300 million annually from Californians for distribution to creditors. Customers in this state have paid at least \$10 million in fees to Nationwide, according to the complaint.

The local prosecutors' part of the complaint alleges Nationwide misrepresented how much borrowers would save on interest, how much borrowers would have to pay for the services and the extent of the firm's affiliation with borrowers' lenders.

Consumer can file a complaint against Nationwide at http://www.dbo.ca.gov/Consumers/consumer_services.asp or by calling toll free at 1-866-275-2677.

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