



STATE OF MICHIGAN

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ATTORNEY GENERAL

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# **Schuette, Flood Net \$2.2 Million for Michigan Consumers in Western Sky and CashCall Settlement Involving High-Interest Loans**

*Settlement to resolve allegations of companies making unlicensed loans at illegally high interest rates of up to 169% with APRs over 350%*

**LANSING** – Michigan Attorney General Bill Schuette’s Corporate Oversight Division and Michigan Department of Insurance and Financial Services (DIFS) Director Ann Flood today announced they have negotiated a \$2.2 million settlement with South Dakota-based Western Sky Financial, LLC and California-based CashCall, Inc. The settlement resolves allegations of unlicensed loans made to approximately 17,500 Michigan consumers bearing illegally high interest rates. The settlement will automatically reduce the interest rate on all loans owned by Western Sky and CashCall to Michigan’s legal rate of 7%. Additional relief will be available for consumers who file a valid claim.

“We will not tolerate any businesses attempting to skirt the rules at the expense of Michigan consumers trying to make ends meet,” said Schuette. “This settlement is a victory for the thousands of Michigan consumers who took out Western Sky loans and serves as a warning to only do business with licensed entities. I am grateful for the joint efforts and hard work by the Department of Insurance and Financial Services and my staff that secured this settlement providing significant relief for Michigan consumers.”

“Western Sky’s actions were illegal and unacceptable,” said DIFS Director Ann Flood. “The staff of the Department of Insurance and Financial Services, together with the Department of Attorney General, did an outstanding job on behalf of Michigan consumers.”

Western Sky assigned the loans it made to Michigan consumers to CashCall, Inc., which serviced and collected the loans directly or through its affiliates. Interest rates charged on Western Sky’s internet-based loans

ranged from 89% to 169%, exceeding both the 7% interest rate legally permitted for unlicensed lenders and the 25% interest rate legally permitted for licensed lenders. Western Sky also charged processing fees of up to \$500 on numerous loans, exceeding the \$300 cap allowed for licensed lenders. As a result of these high fees and interest rates, a consumer who borrowed \$1,000 from Western Sky would have to repay over \$4,000 during the loan's two-year term, representing an annual percentage rate (APR) of nearly 200%. Other Western Sky loans with a six-month repayment term carried an APR of over 350%.

In July 2013, DIFS commenced a [cease and desist action](#) under the Regulatory Loan Act against Western Sky to stop the company from making unlicensed and high-interest loans to Michigan consumers. That proceeding led to intensive negotiations resulting in this settlement. In September 2013, Western Sky discontinued any new lending in Michigan.

### **Settlement Terms**

Under the settlement negotiated by DIFS and Schuette's Corporate Oversight Division, Western Sky, CashCall, and their subsidiaries agree to the following:

- Cease and desist from making loans of any kind to Michigan residents unless the loans are fully compliant with Michigan law, including any applicable licensing requirements.
- Cease and desist from making any negative credit reports to credit bureaus, and within 14 days of the settlement request the removal of all pre-existing credit reports made by Western Sky, CashCall, or their subsidiaries, with respect to any Western Sky loans made to Michigan residents.
- Within 45 days of the settlement, permanently reduce the interest rate on all Western Sky loans still owned by Western Sky or CashCall to 7% annually on the loan's then-outstanding balance of principal. This relief is automatic and does not require Michigan consumers to file a claim. However, these loans may still be collected at their current monthly payment amount until the outstanding loan balance (including unpaid principal, accrued but unpaid interest, and future interest on principal at 7%) is paid in full.
- Establish a \$2.2 million settlement fund to be distributed pro rata to all Michigan consumers with Western Sky loans who file a valid claim and have repaid to Western Sky or CashCall more than their loan proceeds plus 7% interest annually. In addition, consumers who meet these criteria will have their loan recorded as paid-in-full, if the loan is still owned by Western Sky or CashCall.
- For Michigan consumers who file a valid claim and have repaid less on their Western Sky loan than the loan proceeds plus 7% interest annually, Western Sky and CashCall will: (a) adjust the loan balance to the difference between the loan proceeds minus all payments made; and (b) permanently reduce the interest rate on this adjusted balance going forward to 7% annually, if the loan is still owned by Western Sky or CashCall.

- Permanently cease and desist from selling or assigning Western Sky loans made to Michigan residents to any unaffiliated third-party, and provide information to DIFS and the Attorney General about any companies to which these loans have already been assigned.

#### **How to Submit a Claim**

Dahl Administration, LLC is the Claim Fund Administrator that will conduct the claim process and administer Michigan's \$2.2 million settlement fund. By July 20, 2015, anyone who took out a Western Sky loan while a Michigan resident should receive a notice in the mail from the Claim Fund Administrator explaining the process for filing a claim. Consumers not receiving notice through the U.S. Postal Service should contact the Fund Administrator at 1-866-336-5756 or visit [www.MIWesternSkySettlement.com](http://www.MIWesternSkySettlement.com).

The deadline to file a claim is September 18, 2015. Schuette and Flood urge all Michigan residents who took out Western Sky loans to check their mail for this notice, and to carefully consider filing a claim in order to take advantage of the additional relief that may be available.

#### **Where to Go for Additional Information**

Residents who took out Western Sky loans are encouraged to call the Fund Administrator at the following toll-free number and to visit the following website if they have questions about the settlement: 1-866-336-5756 and [www.MIWesternSkySettlement.com](http://www.MIWesternSkySettlement.com).

For further information, please visit the DIFS website at [www.michigan.gov/difs](http://www.michigan.gov/difs)

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