

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA :
v. : ¹⁷⁻⁴⁹¹ CRIMINAL NO. ~~16-130~~
INTERCEPT CORPORATION, :
d/b/a "InterceptEFT" :

ORDER


After reviewing the government's motion to provide alternative victim notification procedures, pursuant to Title 18, United States Code, Section 3771(d)(2), it is hereby

ORDERED

that the government's motion is GRANTED, and the government is hereby authorized to direct victims in the above-captioned case to a case-specific website where all required notices will be posted. The Government will issue a press release informing individuals who believe they may be victims to access the Justice Department website for more information. Victim notification at the corrections stage will be provided through the Bureau of Prisons' website, www.bop.gov.

BY THE COURT:

12/22/17


HONORABLE EDUARDO C. ROBRENO
Judge, United States District Court



U.S. Department of Justice

*United States Attorney
Eastern District of Pennsylvania*

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**NORTH DAKOTA-BASED PAYMENT PROCESSOR PLEADS GUILTY TO
FACILITATING ILLEGAL PAYDAY LENDING ACROSS THE UNITED STATES**

PHILADELPHIA – Intercept Corporation, d/b/a “InterceptEFT” (“Intercept”), a privately held corporation headquartered in Fargo, North Dakota, has pleaded guilty to an Information charging the company with operating an illegal money transmittal business, announced United States Attorney Louis D. Lappen.

Intercept was a “third party payment processor” which processed electronic funds transfers for its clients through the Automated Clearing House (“ACH”) system, an electronic payments network that processed financial transactions without using paper checks. Among Intercept’s clients were numerous business entities that issued, serviced, funded, and collected debt from short-term, high-interest loans, commonly referred to as “payday loans,” because such loans are supposed to be repaid when the borrower received his or her next paycheck or regular income payment. Payday loans are effectively illegal in more than a dozen states, including Pennsylvania, and are highly regulated in many other states.

Various payday loan companies hired Intercept to move large sums of money between the bank accounts of the payday loan companies and their borrowers. These money transfers included the funding of payday loans by the companies to the borrowers, and the collection of loan proceeds from the borrowers to the payday loan companies. Among the payday loan companies that employed Intercept to collect payday loan debt from borrowers who resided in states where such loans were illegal, and in states where there such loans were regulated, were payday companies owned, operated, controlled, and financed by Charles M. Hallinan (recently convicted of illegal payday lending by a federal jury in the Eastern District of Pennsylvania), Scott Tucker (recently convicted of illegal payday lending by a federal jury in the Southern District of New York) and Adrian Rubin (who pleaded guilty to illegal payday lending in the Eastern District of Pennsylvania).

Intercept used the ACH system to transfer funds to and from the bank accounts of borrowers located across the United States, including hundreds of thousands of customers who lived in states that outlawed and/or regulated payday loans. No later than May 2008, Intercept was made specifically aware that one of Intercept’s payday lending clients made a payday loan in violation of Connecticut law. Subsequently, in June 2009, Intercept was again notified that one of its payday lending clients made an illegal payday loan, but this time, the loan was in violation of California law. In 2012, Intercept was instructed by its bank to stop processing payments for payday lending companies for loans made to borrowers in states where such loans were prohibited or restricted. And in August 2012, a payday lending client specifically notified

Intercept's leadership that payday loans were being made in states that outlawed payday lending, including in Pennsylvania. Yet Intercept continued facilitating payday lending operations for its clients in states that outlawed and/or regulated payday loans until at least August 2013.

In total, Intercept processed hundreds of millions of dollars of payments for its payday lending company clients, and earned millions of dollars in profits, as a result of assisting payday lenders in making illegal loans and collecting unlawful debt.

As a result of its criminal conviction, Intercept must pay forfeiture to the United States in the amount of all funds involved in or traceable to the charged offense (and no less than \$500,000), a potential corporate fine of up to \$500,000, and a \$400 corporate assessment.

The case was investigated by the Federal Bureau of Investigation, the Internal Revenue Service, and the U.S. Postal Inspection Service. It is being prosecuted by Assistant United States Attorneys and Mark B. Dubnoff and James Petkun.

An information is an accusation. A defendant is presumed innocent unless and until proven guilty.

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*COPIES OF NEWS MEMOS AND RELATED DOCUMENTS CAN ALSO BE FOUND AT:
[HTTP://www.justice.gov/usao/pae](http://www.justice.gov/usao/pae)*

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO.
v.	:	DATE FILED:
INTERCEPT CORPORATION, d/b/a "InterceptEFT"	:	VIOLATION: 18 U.S.C. § 1960(a) and (b)(1)(C) (operating an illegal money transmission business) Notice of Forfeiture

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times relevant to this indictment:

1. Defendant INTERCEPT CORPORATION, d/b/a "InterceptEFT" ("INTERCEPT") was a business entity incorporated in North Dakota, with its principal place of business in Fargo, North Dakota.

2. Defendant INTERCEPT was a "third party payment processor" which processed electronic funds transfers for its clients through the Automated Clearing House ("ACH") system, which was an electronic payments network that processed financial transactions, such as credits and debits, without using paper checks.

Intercept's Payday Loan Clients

3. Among the clients of defendant INTERCEPT were numerous business entities that issued, serviced, funded, and collected debt from small, short-term, high-interest loans, commonly referred to as "payday loans" because they were supposed to be repaid when

the borrower received his or her next paycheck or regular income payment, such as a social security check (the “payday loan companies”).

4. These payday loan companies hired defendant INTERCEPT to move large sums of money between the bank accounts of the payday loan companies, and the bank accounts of the payday loan companies’ borrowers.

5. These money transfers included the funding of the payday loans from the companies to the borrowers, and the collection of loan proceeds from the borrowers to the payday loan companies.

6. The payday loan companies typically charged fees of approximately \$30 for every \$100 borrowed, which translated to annual percentage rates of interest of approximately 780 percent, given the short-term nature of the loans. Such loans were illegal in more than a dozen states, including Pennsylvania, because of those states’ usury laws and interest rate caps (the “Prohibited Payday Loan States”).

7. For example, in Pennsylvania, the maximum interest rate permissible on most personal loans of less than \$50,000 was 6 percent per year, although licensed lenders could charge up to approximately 24 percent annual interest on loans of up to \$25,000. Pennsylvania law also defined “criminal usury” as the collection of interest, fees, and other charges associated with a loan at a rate in excess of 36 percent per year.

8. Many other states permitted some payday lending if the lenders obtained licenses from the states and complied with regulations that often limited the number of payday loans that could be made to particular borrowers and the terms of those payday loans (the “Regulated Payday Loan States”).

9. Multiple payday loan companies employed defendant INTERCEPT to use the ACH system to transfer funds to and from the bank accounts of borrowers located across the United States, including hundreds of thousands of customers who lived in the Prohibited Payday Loan States or the Regulated Payday Loan States.

10. The overwhelming majority of these funds transfers required interstate wire transmissions that affected interstate commerce.

11. Among the payday loan companies that employed defendant INTERCEPT to collect payday loan debt from borrowers who lived in the Prohibited Payday Loan States and the Regulated Payday Loan States were companies owned, operated, controlled, and financed by Charles M. Hallinan, Adrian Rubin, and Scott Tucker, all of whom have been charged elsewhere.

12. The payday loan companies owned, operated, controlled, and financed by Charles M. Hallinan (the "Hallinan Payday Loan Companies") included the following:

- a. TC Services Corp., d/b/a "Telecash" and "Tele-Ca\$h" and formerly known as "Tele-Ca\$h" and "RAC" ("TC Services");
- b. CRA Services, d/b/a "Cashnet" ("CRA Services");
- c. Main Street Services Corp. d/b/a "Easy Cash" ("Main Street");
- d. Tahoe Financial Advisors, d/b/a "Axxcess Cash" ("Tahoe");
- e. National Money Service, Inc., a/k/a "NMS, Inc.," which did business under multiple trade names ("NMS");
- f. First East, Inc., d/b/a "Xtra Cash," d/b/a "Fast Funding First East," d/b/a "Payday Loan Direct" ("First East");
- g. Cheyenne Servicing Corp. ("Cheyenne");

- h. CR Services Corp. (“CR Services”);
- i. Apex 1 Processing, Inc., d/b/a “Paycheck Today,” “Cash Advance Network,” and “Instant Cash USA” (“Apex 1 Processing”);
- j. Cash Advance Network, Inc. (“CANI”);
- k. Instant Cash, USA, Inc. (“ICU”);
- l. Fifth Avenue Financial, Inc., d/b/a “My Next Paycheck” (“Fifth Avenue”);
- m. Palmetto Financial, Inc., d/b/a “My Payday Advance” (“Palmetto”);
- n. Sabal Financial, Inc., d/b/a “Your Fast Payday” (“Sabal”);
- o. Tribal Lending Enterprises, Division A (“TLE-A”);
- p. Micro Loan Management, Division A (“MLM-A”);
- q. Sequoia Tribal Enterprises (“STE”); and
- r. Sequoia Tribal Management Services (“STMS”).

13. The payday loan companies owned, operated, controlled, and financed by Adrian Rubin (the “Rubin Payday Loan Companies”) included the following:

- a. CRA Services
- b. Global Pay Day Loan (“Global”); and
- c. First National Services, LLC (“FNS”); and
- d. Tribal Business Ventures (“TBV”)

14. The payday loan companies owned, operated, controlled, and financed by Scott Tucker (the “Tucker Payday Loan Companies”), included the following:

- a. Ameriloan, f/k/a Cash Advance (“Ameriloan”);

- b. One Click Cash, f/k/a Preferred Cash Loans (“OCC”);
- c. United Cash Loans;
- d. US FastCash;
- e. 500 FastCash;
- f. Advantage Cash Services;
- g. Star Cash Processing; and
- h. AMG Services, Inc., f/k/a/ CLK Management, f/k/a National Money Service, Inc. (“AMG”).

Intercept’s Operation of an Illegal Money Transmittal Business

15. In the 1990’s, defendant INTERCEPT began processing payments for payday lenders, including but not limited to Charles M. Hallinan, Adrian Rubin, and Scott Tucker. Defendant INTERCEPT’s staff and management had direct contact with Hallinan, Rubin, and Tucker over the years.

16. No later than in or about May 2008, defendant INTERCEPT was made specifically aware, through a consumer complaint, that one of defendant INTERCEPT’s payday lending company clients made a payday loan that was in violation of Connecticut law. Defendant INTERCEPT’s President, a 50% shareholder in the company, personally responded to, and resolved, this consumer’s complaint. Defendant INTERCEPT continued assisting payday lenders in making payday loans in Connecticut, and in other Prohibited Payday Loan States and Regulated Payday Loan States, for years.

17. In or about June 2009, defendant INTERCEPT received another consumer complaint informing defendant INTERCEPT that one of its payday lending company clients

made a payday loan that was in violation of California law. An employee of defendant INTERCEPT then sent an email to the payday lending company client, asking why that payday lending company client was not “following the limits” of California law. The employee of defendant INTERCEPT later sent an email to defendant INTERCEPT’s President noting, in part, that the payday lending company client had not responded to the email inquiry asking why California law was been followed. Defendant INTERCEPT continued assisting payday lenders in making payday loans in California, and in other Prohibited Payday Loan States and Regulated Payday Loan States, for years.

18. In or about September 2011, in response to a news report, an employee of defendant INTERCEPT specifically addressed the unlawfulness of defendant INTERCEPT’s practices with defendant INTERCEPT’s leadership. Defendant INTERCEPT continued assisting payday lenders in making payday loans in Prohibited Payday Loan States and Regulated Payday Loan States, for years.

19. In or about early 2012, defendant INTERCEPT was instructed by its bank to stop processing payments for payday lending companies for loans made to borrowers in states where such loans were prohibited or restricted. Defendant INTERCEPT continued assisting payday lenders in making payday loans in Prohibited Payday Loan States and Regulated Payday Loan States.

20. In or about February 2012, an employee of defendant INTERCEPT sent an email to a payday lending company client attaching a state-by-state survey of laws prohibiting and/or restricting payday lending, and notifying the payday lending company client that defendant INTERCEPT’s bank wanted to know the location of the payday lending company’s

borrowers as “a monitoring tool [the bank] use[s] to monitor people who reside in a state where the loans are illegal.”

21. In or about August 2012, Charles M. Hallinan sent an email to defendant INTERCEPT’s president acknowledging that Hallinan’s payday lending companies were making payday loans in several states that prohibited payday lending, including Pennsylvania.

22. Intercept continued to process payments for payday lending companies until at least August 2013.

23. In total, defendant INTERCEPT processed hundreds of millions of dollars of payments for payday lending companies, and earned millions of dollars in profits as a result of assisting payday lending companies in making illegal loans and collecting unlawful debt.

24. From in or about 2008 through in or about August 2013, in the Eastern District of Pennsylvania, the District of North Dakota, and elsewhere, defendant

**INTERCEPT CORPORATION,
d/b/a “InterceptEFT”**

knowingly conducted, controlled, managed, supervised, directed, and owned all or part of an unlicensed money transmitting business, as defined by statute, in that defendant INTERCEPT, whose business affected interstate and foreign commerce in some manner or degree, and whose business involved the transportation and transmission of funds that defendant INTERCEPT knew were derived from a criminal offense and were intended to be used to promote and support unlawful activity, that activity being the issuance of illegal loans and the collection of unlawful debt, in violation of state consumer protection laws, lending laws, usury laws, and interest rate caps.

In violation of Title 18, United States Code, Section 1960(a), (b)(1)(C).

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violation of Title 18, United States Code, Sections 1960(a), (b)(1)(C) as set forth in this information, defendant

**INTERCEPT CORPORATION
d/b/a "InterceptEFT"**

shall forfeit to the United States of America any property, real or personal, involved in such offense, or any property traceable to such property.

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b) incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982(a)(1).

Peter F Schenk for

LOUIS D. LAPPEN
ACTING UNITED STATES ATTORNEY