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PRESS RELEASE

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State Senate Passes Legislation to Regulate Unsolicited Loans

BOSTON – **State Senator Anne M. Gobi (D-Spencer)** has announced that the State Senate passed legislation on Thursday 37-0, to protect consumers from unknowingly entering a credit contract and to limit instances of fraud resulting from the mailing of unsolicited and often predatory loans.

Senate Bill 175 “*An Act Relative to Unsolicited Loans*,” co-filed by State Senator Kathleen O’Connor Ives and State Senator Linda Dorcena Forry, regulates the issuing of unsolicited loan instruments to residents by banks, mortgage lenders, or any other institution authorized to do business in the Commonwealth. These loans have been known by other names, including “instant loan checks,” and “live checks.” They most often take the form of a check or other negotiable instrument and feature routing numbers, account numbers, and all the standard features of a regular check. When cashed, the checks activate a high-interest consumer loan.

This legislation prohibits a person or entity from issuing an unsolicited negotiable check, money order, or other instrument that can be used to activate a loan, except in cases where a financial institution advances credit to a customer with whom they have a preexisting relationship. The bill also removes liability for debts incurred if a party other than the addressee fraudulently cashes a loan check.

In the event of such an unauthorized use of an unsolicited loan instrument, the issuing institution will provide the addressee with a written statement releasing the addressee of liability from the debt and will take steps to repair any adverse effect to the addressee’s credit rating as a result of the unauthorized use.

Additionally, anyone who chooses to cash an unsolicited loan check has the right to rescind the credit contract within ten days of cashing the check by notifying the lender and returning the loan amount in full.

"These checks and similar schemes have been appearing more frequently, often targeting the elderly," said **Senator Gobi**. "I am glad to stand in support of this bill, which takes important steps to protect the most vulnerable."

A financial institution that improperly sends an unsolicited loan instrument may face a fine of up to \$5,000 for each violation, and a party that engages in an unauthorized use of a loan check may be punished by up to five years in state prison or be issued a fine of up to \$25,000.

"For working families who are already struggling day in and day out to make ends meet, an unsolicited loan can feel like a life-saver," said **Senate President Stan Rosenberg**. "However, these confusing financial instruments often carry sky-high interests rates which trap unwitting consumers and can lead to a vicious cycle of debt and poverty. I am proud that today, the Massachusetts Senate took action to protect consumers and strongly regulate unsolicited loans."

The bill now moves to the Massachusetts House of Representatives for their consideration.

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