

Cash Cow under fire for loan application fee

Written by By Melinda Russell Sun Correspondent
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It seemed like business as usual at Cash Cow July 14. The phones were ringing. Customers and employees were interacting. Deals were being made. But Quick Cash, Inc., doing business as Cash Cow Loan Company, is being sued for reported unfair business practices for loans it made over the past four years, which could potentially include thousands of customers.

In a move to protect his assets, Cash Cow principal owner Tim Delgado filed for Chapter 11 Bankruptcy protection July 6.

Meet the class action attorney

A law firm in Albuquerque, that specializes in suing companies for consumer fraud is targeting Cash Cow. Feferman and Warren handles a wide variety of individual and class action consumer cases throughout New Mexico as well as in Arizona. Their cases mainly consist of

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unfair practices in cash, vehicle and mobile home loans.

Richard Feferman won the 2014 Countryman award for legal services or special contributions to the practice of consumer law that have strengthened and affirmed the rights of low-income people in the United States.

“We’re just trying to get money for our clients.” he said.

He hopes businesses in this area reform their practices.

Milking the ‘Cash Cow’ or customers?

In the 16-page, class-action, lawsuit against Cash Cow, Feferman cites a number of alleged wrong-doings that he said violates both the Truth in Lending Act and the New Mexico Unfair Practices Act, including misstating the nature of the loan, the interest rate of the loan, the schedule of payments, and the security interest.

Caroline Tullie of Ganado, Ariz., is the plaintiff in the complaint filed in U.S. District Court May 23, 2014, which states: “Cash Cow told Ms. Tullie she must refinance all three of Mr. Tullie’s outstanding loans into her own name, or Cash Cow would repossess her 2001 Dodge Ram.”

Tullie’s husband, Nelson Tullie, was the original loan holder, but he passed away in August 2013.

Delgado did not comment about the lawsuit saying it would violate Caroline Tullie’s right to privacy.

The class-action portion of the lawsuit is built around a \$25 fee that Cash Cow previously

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charged for all loan applications. Adding the \$25 to a contract of less than \$2,500 will increase the Annual Percentage Rate by at least 1 percent.

It is anticipated that over 1,000 Cash Cow customers will be impacted by this lawsuit if it is successful. Any customer borrowing money or refinancing a loan within four years of the filing of the lawsuit would be included in the case.

The \$25 fee is labeled an application fee. However, Cash Cow only charged the fee for approved loans. Therefore, it is a cost of the loan, and falls under the Truth In Lending Act explained Nicholas Mattison, an attorney for Feferman and Warren. The purpose of the TILA law is to provide a uniform set of disclosures so shoppers can compare the cost of one loan to another.

After the lawsuit was filed, Delgado filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Under Chapter 11, Delgado will be able to create a plan to pay all creditors over time. The bankruptcy lists debts in excess of \$7 million including back taxes and personal loans. The lawsuit also alleges that Cash Cow knew of the problems with their loan structure because of a previous lawsuit, Laughing v. Quick Cash (Cash Cow), filed against them. When asked if Cash Cow had changed their practices since that lawsuit, Delgado responded, "Mr. Feferman's office has never sued us before."

Mattress-Gate

The Laughing lawsuit was filed in McKinley County District Court by Mattison while he was employed by DNA People's Legal Services in Window Rock January 2012. Feferman's partner, Elizabeth Warren, also worked for DNA in Shiprock before joining the Albuquerque practice.

The Laughing lawsuit alleges Cash Cow, also known as, Quick Cash, sold Lula Laughing, a resident of Navajo, NM, a mattress on credit at a rate of 66.54 percent interest. The lawsuit states the loan was to be paid off in eight installments of \$110 each.

The difference between the payment amounts and the original loan value is \$184.44 which

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calculates to 27 percent interest. Delgado said an interest rate of 68 percent is not a part of his business practice but would not comment specifically on the Laughing case.

As security for the loan, Cash Cow reportedly took interest in Laughing's 2000 Chevy Cavalier. It is alleged that the vehicle was repossessed when Laughing became delinquent on her payments. Reportedly, when she paid off her loan, the vehicle was never returned to her. This case was dismissed. Both parties referred to a confidentiality agreement, declining to reveal the reason for dismissal of the case.

Cash Cow's attorney, Harry Kassakhian said "Quick Cash (Cash Cow) does not want to make any statement that would violate Ms. Laughing's right to privacy. Quick Cash values the dignity and privacy of all of its present and former customers."

Rebuttal

As to the Tullie case, Kassakhian said Cash Cow relied on a software program that did not accurately calculate the interest rate of the loans.

"Since Ms. Tullie filed the lawsuit, Quick Cash stopped charging the \$25 loan fee," he said.

"Anybody can file a lawsuit whether it has merit or not," Kassakhian said.

No court decision has been made regarding the Tullie class action case.

Delgado chose not to answer questions about the lawsuit and the bankruptcy during a face to face interview. He cited a report by NBC, in which he was profiled, "Endless Debt: Native Americans Plagued by High-Interest Loans" as his reason for not trusting interviews. He believes NBC did not portray Cash Cow honestly in their report.

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In his written response, Delgado said, "We will survive! Gallup is our home and we love this community. We opened Cash Cow with the intention to build a better life for us and those around us. A hundred percent of our customers are from Gallup and the surrounding area. We believe that they will support us through this lawsuit. We look forward to bigger and better things in the future."

Delgado and partners employ about 50 people in the Gallup area at Cash Cow Furniture, Cash Cow Auto Sales, Cash Cow Tires and Baskin Robbins.