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**MANHATTAN U.S. ATTORNEY ANNOUNCES CRIMINAL CHARGES
AGAINST OWNER OF \$161 MILLION FRAUDULENT INTERNET
PAYDAY LENDING ENTERPRISE**

*Defendant Extended Predatory Loans to More Than 620,000 Financially Struggling Americans,
Including Victims Who Never Sought Them*

Preet Bharara, the United States Attorney for the Southern District of New York, Diego Rodriguez, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and Mark Bialek, Inspector General for the Board of Governors of the Federal Reserve System ("Federal Reserve"), announced today the unsealing of an indictment charging RICHARD MOSELEY, SR. with wire fraud and violating the Racketeer Influenced and Corrupt Organizations Act ("RICO") and the Truth in Lending Act ("TILA") for operating a payday lending enterprise that systematically evaded state usury laws in order to charge illegally high interest rates, and for issuing payday loans to consumers who never even sought them. MOSELEY was arrested this morning and will be presented later today in federal court in Kansas City, Missouri. The case has been assigned to U.S. District Judge Edgardo Ramos.

Manhattan U.S. Attorney Preet Bharara stated: "As alleged, Richard Moseley, Sr., extended predatory loans to over six hundred thousand of the most financially vulnerable Americans, charging illegally high interest rates to people struggling just to meet their basic living expenses. Worse, Moseley allegedly also extended loans to many who never even sought them, withdrawing exorbitant 'financing fees' from their bank accounts for loans the borrowers never asked for or authorized. For years, Moseley allegedly hid behind sham offshore corporations and operated through the Internet to try to avoid criminal liability."

FBI Assistant Director-in-Charge Rodriguez stated: "This case is an example of predatory lending at its finest. Claiming more than half a million victims, Moseley, through his enterprise, deceived not only those who unwittingly bought into this sham agreement, but others who never even authorized the origination of the loans they received. Despite their best efforts, innocent people throughout the country were deprived of the opportunity to regain their financial well -

being as a result of this conspiracy. Today, we issue a stop payment on Moseley's fraudulent scheme."

Federal Reserve Inspector General Bialek stated: "Today's indictment sends a clear message that those who engage in fraud to obstruct regulators from carrying out their supervisory responsibilities and deceive unsuspecting consumers will be held accountable for their actions."

According to the allegations contained in the Indictment¹ unsealed today in Manhattan federal court:

Between approximately 2004 and September 2014, MOSELEY owned and operated a group of payday lending businesses (the "Hydra Lenders") that issued and serviced small, short-term, unsecured loans, known as "payday loans," through the Internet to customers across the United States.

For nearly a decade, MOSELEY systematically exploited more than 620,000 financially struggling working people throughout the United States, many of whom were having trouble paying for basic living expenses. MOSELEY, through the Hydra Lenders, targeted and extended loans to these individuals at illegally high interest rates of more than 700%, using deceptive and misleading communications and contracts and in violation of the usury laws of numerous states that were designed to protect residents from such loan sharking and abusive conduct.

In furtherance of the scheme, the Hydra Lenders' loan agreements materially understated the amount the payday loan would cost, the annual percentage rate of the loan, and the total of payments that would be taken from the borrower's bank account. The loan agreements suggested, for example, that the borrower would pay \$30 in interest for \$100 borrowed. In truth and in fact, however, MOSELEY structured the repayment schedule of the loans such that, on the borrower's payday, the Hydra Lenders automatically withdrew the entire interest payment due on the loan, but left the principal balance untouched so that, on the borrower's next payday, the Hydra Lenders could again automatically withdraw an amount equaling the entire interest payment due (and already paid) on the loan. Under MOSELEY's control and oversight, the Hydra Lenders proceeded automatically to withdraw such "finance charges" payday after payday, applying none of the money toward repayment of principal. Indeed, under the terms of the loan agreement, the Hydra Lenders withdrew finance charges from their customers' accounts unless and until consumers took affirmative action to stop the automatic renewal of the loan.

Through the Hydra Lenders, MOSELEY also extended numerous payday "loans" to victims across the country who did not even want the loans or authorize the issuance of the loans, but instead had merely submitted their personal and bank account information in order to inquire about the possibility of obtaining a payday loan. MOSELEY then automatically withdrew the Hydra Lenders' usurious "financing fees" directly from the financially struggling victims' bank accounts on a bi-weekly basis. Although hundreds of victims, over a period of years, lodged complaints that they had never approved or even been aware of the issuance of the loans, the Hydra Lenders, at MOSELEY's direction, continued to issue loans to consumers without

¹ As the introductory phrase signifies, the entirety of the text of the Indictment, and the description of the Indictment set forth herein, constitute only allegations, and every fact described should be treated as an allegation.

confirming that the consumers in fact wanted the loans that they received or had reviewed and approved the loan terms.

Throughout their existence, the Hydra Lenders were the subject of complaints from customers across the country, numerous state regulators, and consumer protection groups, about the Hydra Lenders' deceptive and misleading practices in issuing usurious and fraudulent loans. Beginning in approximately 2006, in an attempt to avoid civil and criminal liability for his conduct, and to enable the Hydra Lenders to extend usurious loans contrary to state laws, MOSELEY created the sham appearance that the Hydra Lenders were located overseas. MOSELEY nominally incorporated the Hydra Lenders first in Nevis, and later in New Zealand, and claimed that the Hydra Lenders could not be sued or subject to state enforcement actions because they were beyond the jurisdiction of every state in the United States. In truth and in fact, the entirety of MOSELEY's lending business, including all bank accounts from which loans were originated, all communications with consumers, and all employees, were located at MOSELEY's corporate office in Kansas City, Missouri. The Hydra Lenders' purported "offshore" operation consisted of little more than a service that forwarded mail from addresses in Nevis or New Zealand to the Kansas City, Missouri, office.

In furtherance of the scheme, MOSELEY falsely told his attorneys that the Hydra Lenders maintained physical offices and employees in Nevis and New Zealand and that the decision whether to extend loans to particular consumers was made by employees of the Hydra Lenders in Nevis and New Zealand. As MOSELEY knew, at no time did the Hydra Lenders have any employees involved in the lending business in Nevis or New Zealand, and at all times the decision whether to underwrite loans was made by employees under MOSELEY's direction in Kansas City, Missouri. To defeat state complaints and inquiries, MOSELEY directed his attorneys at an outside law firm to submit correspondence to state Attorneys General which (unbeknownst to MOSELEY's attorneys) falsely stated that the Hydra Lenders originated loans "exclusively" from their offices overseas and had no physical presence anywhere in the United States. In reliance on this materially false and misleading correspondence, many state Attorneys General and regulators closed their investigations on the apparent basis that they lacked jurisdiction over the Hydra Lenders and that the Hydra Lenders had no presence or operations in the United States.

From approximately November 2006 through approximately August 2014, the Hydra Lenders generated approximately \$161 million in revenues. MOSELEY spent millions of dollars he obtained from victims on, among other things, vacation homes in Colorado and Mexico, luxury automobiles, and country club membership dues.

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MOSELEY, 68, of Kansas City, Missouri, is charged with one count of conspiracy to collect unlawful debts in violation of RICO, one count of collecting unlawful debts in violation of RICO, one count of conspiracy to commit wire fraud, and one count of wire fraud, each of which carries a maximum term of 20 years in prison; and one count of violating TILA, which carries a maximum term of one year in prison. The maximum potential sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant will be determined by the judge.

Mr. Bharara praised the investigative work of the FBI and the Federal Reserve Office of the Inspector General. Mr. Bharara also thanked the Consumer Financial Protection Bureau (the “CFPB”), which referred the case, for its assistance in the investigation. In a civil enforcement action filed by the CFPB against MOSELEY in the United States District Court for the Western District of Missouri, proceeds that MOSELEY obtained as a result of his fraudulent conduct have been restrained.

Mr. Bharara noted that the investigation remains ongoing.

If you believe you were a victim of this crime, including a victim entitled to restitution, and you wish to provide information to law enforcement and/or receive notice of future developments in the case or additional information, please contact the Victim/Witness Unit at the United States Attorney’s Office for the Southern District of New York, at (866) 874-8900. For additional information, go to:

<http://www.usdoj.gov/usao/nys/victimwitness.html>

The prosecution of this case is being handled by the Office’s Complex Frauds and Cybercrime Unit. Assistant United States Attorney Edward A. Imperatore is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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