

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 CONSUMER SERVICES DIVISION

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation of the Check
6 Cashers and Sellers Act of Washington by:

C-11-006-11-TD01

TEMPORARY ORDER TO
CEASE AND DESIST

7 CHECKMANIA, INC., d/b/a CHECKMATE,
8 CHECKMATE EXPRESS CORPORATION, d/b/a
9 CHECKMATE EXPRESS, SUSAN DENISE
10 BASSFORD, President, and LINDA SUSAN
11 SONDER, Vice President,

Respondents.

12 THE STATE OF WASHINGTON TO: CHECKMANIA, INC., d/b/a CHECKMATE;
13 CHECKMATE EXPRESS CORP., d/b/a CHECKMATE
14 EXPRESS;
15 SUSAN D. BASSFORD, President; and
16 LINDA S. SONDER, Vice President

17 COMES NOW the Director of the Washington State Department of Financial Institutions (Director), by
18 and through his designee Deborah Bortner, Division Director, Division of Consumer Services, and finding that
19 the public is likely to be substantially injured by delay in issuing a cease and desist order, enters this temporary
20 cease and desist order pursuant to chapter 31.45 RCW, the Check Cashers and Sellers Act, based on the
21 following findings:

22 I. FACTUAL FINDINGS

23 1.1 Respondents.

24 A. Respondent Checkmania, Inc., d/b/a Checkmate (Respondent Checkmate) is an active
25 Washington for-profit corporation organized in June 1995. Respondent Checkmate was licensed by the
Department of Financial Institutions (Department) to conduct business as a check casher and seller on or about
October 28, 1996, and has continued to be licensed to date. Respondent Checkmate holds a small loan
endorsement from the Department authorizing the company to make small loans in Washington State.
Respondent Checkmate is a wholly-owned subsidiary of Pacific Rim Capital Alliance Corporation (Pacific
Rim). Both Pacific Rim and Respondent Checkmate have headquarters in Carlsbad, California.

1 Respondent Checkmate is registered to offer small loans through the Internet and from retail stores in four
2 other states: California, Colorado, New Mexico, and Utah. In Washington, Respondent Checkmate is licensed
3 to conduct business from its main location in Tacoma and from approximately 20 branch locations.

4 **B. Respondent Checkmate Express Corporation, d/b/a Checkmate Express (Respondent Checkmate**
5 **Express)** is an active Nevada for-profit corporation organized in April 2002. The corporation was registered as
6 a Washington for-profit corporation in May 2002. Respondent Checkmate Express was licensed by the
7 Department to conduct business as a check casher and seller on or about August 9, 2002, and has continued to
8 be licensed to date. Respondent Checkmate Express holds a small loan endorsement from the Department
9 authorizing the company to make small loans in Washington State. Like Respondent Checkmate, Respondent
10 Checkmate Express is a wholly-owned subsidiary of Pacific Rim Capital Alliance Corporation (Pacific Rim).
11 Respondent Checkmate Express has its headquarters in Carlsbad, California.

12 Respondent Checkmate Express is registered to offer small loans through the Internet and from retail
13 outlets in four other states: California, Colorado, New Mexico, and Utah. In Washington, Respondent
14 Checkmate Express is licensed to conduct business from its main location in Lakewood.

15 **C. Respondent Susan D. Bassford (Respondent Bassford)** is the President of Respondent Checkmate
16 and Respondent Checkmate Express, and is a 50% owner of both companies. Respondent Bassford resides in
17 Las Vegas, Nevada.

18 **D. Respondent Linda S. Sonder (Respondent Sonder)** is the Vice President of Respondent Checkmate
19 and Respondent Checkmate Express, and is a 50% owner of both companies. Respondent Sonder resides in
20 Phoenix, Arizona.

21 **1.2 Statutory Loan Limits.** Effective January 1, 2010, the Check Casher and Seller Act (the Act) was
22 amended to create a statutory limit barring Washington licensees from making small loans to borrowers under
23 certain conditions. Pursuant to RCW 31.45.073, licensees are barred from making small loans to borrowers if
24 the outstanding principal balances of all small loans made by all licensees to a single borrower exceeds seven
25 hundred dollars or thirty percent of the gross monthly income of the borrower, whichever is lower; if the

1 borrower is in default on another small loan until after that loan is paid in full or two years have passed from
2 the origination date of the small loan; or if the new small loan would result in a borrower receiving more than
3 eight small loans from all licensees in any twelve-month period.

4 **1.3 Respondents' Retail Installment Loan Program.** On or about June 1, 2010, Respondents Checkmate,
5 Checkmate Express, Bassford, and Sonder (Respondents) introduced their new Retail Installment Loan
6 Program for Washington residents. Under the program, when statutorily barred from making a small loan to a
7 Washington borrower, Respondents offer an alternative small loan in the form of pre-loaded gift cards, in \$100
8 denominations, issued by local retailers including Safeway, Fred Meyer and Wal-Mart. The borrowers
9 purchase the gift cards from Respondents pursuant to a retail installment contract, agreeing to repay the loan on
10 their next payday. These short-term "program loans," which vary from 14 to 45 days in length, carry a
11 391.11% annual percentage rate (APR). If the borrower rejects an arbitration provision in the contract, the
12 APR jumps to 586.665%.

13 **1.4 Examination.** On January 12, 2011, the Department conducted an on-site examination of Respondents'
14 operations at the Tumwater branch of Respondent Checkmate. The scope of the examination covered
15 compliance with the Act and associated rules. The examination included review and copying of documents
16 relating to the launch of the Retail Installment Loan Program; review and copying of training and marketing
17 materials; and review and copying of the branch's program loan files.

18 **A. Loans.** In November and December 2010, the Tumwater branch made more than 50 program loans to
19 borrowers. A Lacey branch manager assisting during the examination estimated that 60% of the program loans
20 at her branch were made to borrowers who had already received eight small loans from all licensees in a
21 twelve-month period, and that another 30% of the program loans at her branch were made to borrowers who
22 had small loans from a competitor that were in default.

23 **B. Reporting.** Respondents do not report program loans on the data base reporting system, which was
24 established in part to prevent licensees from making more than eight loans to any one borrower in any twelve-
25 month period and to prevent licensees from making a loan to a borrower who is in default on a small loan.

1 **III. AUTHORITY TO ISSUE TEMPORARY ORDER TO CEASE AND DESIST**

2 Pursuant to RCW 31.45.120, whenever the Director determines that a violation of the Act or rules, or
3 their continuation, is likely to cause substantial injury to the public, the Director may issue a temporary order
4 requiring the licensee to cease and desist from the violation or practice. The order becomes effective upon
5 service upon the licensee, and remains effective unless set aside, limited, or suspended by a court under
6 RCW 31.45.130 pending the completion of the administrative proceedings and until such time as the Director
7 dismisses the charges, or until the effective date of a permanent cease and desist order issued against the
8 licensee under RCW 31.45.110.

9 **IV. ORDER**

10 Based on the above Factual Findings, Grounds for Entry of Order, and Authority to Issue Temporary
11 Order to Cease and Desist, and pursuant to RCW 31.45.120 and RCW 31.45.110, the Director determines the
12 acts and conduct of Respondents, and the continuation of such conduct, is likely to cause substantial injury to
13 the public. Therefore, the Director ORDERS that:

- 14 **4.1** Respondents Checkmania Inc., d/b/a Checkmate, Checkmate Express Corporation, d/b/a Checkmate
15 Express, Susan D. Bassford, and Linda S. Sonder, shall each immediately cease and desist from offering
or selling the Retail Installment Loan Program to Washington borrowers.
- 16 **4.2** Respondents Checkmania Inc., d/b/a Checkmate, Checkmate Express Corporation, d/b/a Checkmate
17 Express, Susan D. Bassford, and Linda S. Sonder, shall each immediately cease and desist from making
small loans to Washington borrowers that exceed the statutory loan limits set forth in RCW 31.45.073.
- 18 **4.3** This order shall take effect immediately upon service and shall remain effective unless set aside, limited,
19 or suspended by a court under RCW 31.45.130 pending the completion of the administrative proceedings
and until such time as the Director dismisses the charges, or until the effective date of a permanent cease
and desist order issued against the licensee under RCW 31.45.110.

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1 NOTICE

2 PURSUANT TO CHAPTER 31.45 RCW, YOU ARE ENTITLED TO A HEARING TO DETERMINE
3 WHETHER THIS ORDER SHALL BECOME PERMANENT. IF YOU DESIRE A HEARING, THEN YOU
4 MUST COMPLETE AND RETURN THE ATTACHED APPLICATION FOR ADJUDICATIVE HEARING.
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6 FAILURE TO COMPLETE AND RETURN THE APPLICATION FOR ADJUDICATIVE
7 HEARING SO THAT IT IS RECEIVED BY THE DEPARTMENT WITHIN 20 DAYS OF THE DATE
8 THAT THIS ORDER WAS SERVED ON YOU WILL CONSTITUTE A DEFAULT, AND WILL
9 RESULT IN THE LOSS OF YOUR RIGHT TO A HEARING.
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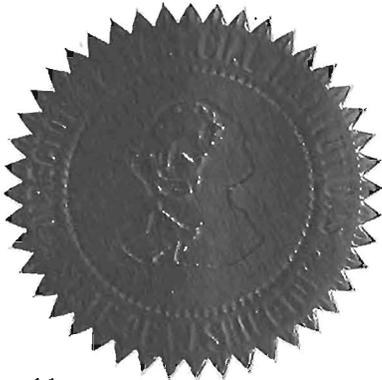
11 SERVICE ON YOU IS DEFINED AS POSTING IN THE U.S. MAIL, POSTAGE PREPAID, TO YOUR
12 LAST KNOWN ADDRESS, A COPY OF THIS TEMPORARY CEASE AND DESIST ORDER, NOTICE OF
13 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING, AND APPLICATION FOR
14 ADJUDICATIVE HEARING. BE ADVISED THAT DEFAULT WILL RESULT IN THIS TEMPORARY
15 ORDER TO CEASE AND DESIST BECOMING PERMANENT ON THE 21ST DAY FOLLOWING
16 SERVICE OF THIS ORDER UPON YOU.
17

18 PURSUANT TO RCW 31.45.130, WITHIN TEN DAYS AFTER YOU HAVE BEEN SERVED WITH
19 THIS TEMPORARY CEASE AND DESIST ORDER, YOU MAY APPLY TO THE SUPERIOR COURT IN
20 THE COUNTY OF YOUR PRINCIPAL PLACE OF BUSINESS FOR AN INJUNCTION SETTING ASIDE,
21 LIMITING, OR SUSPENDING THIS ORDER PENDING THE COMPLETION OF THE ADMINISTRATIVE
22 PROCEEDINGS PURSUANT TO THIS NOTICE.
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1 DATED this 19th day of January, 2011.



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DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:


ANTHONY W. CARTER
Enforcement Attorney

Approved by:


JAMES R. BRUSSELBACK
Enforcement Chief