

**APPALACHIAN RESEARCH AND DEFENSE FUND OF KENTUCKY, INC.**

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December 29, 2009

Check Exchange  
805 Eastern Bypass  
Richmond, Kentucky 40475

**RE: Sally Client, 1234 Possum Trot Lane, Richmond, KY 40475**

Dear Check Exchange

We represent Sally Client. Ms. Client is unable to repay the payday loan or check based loan that you have advanced her. Ms Client, therefore, has closed her checking account and intends to make no more payments on the loan.

More importantly, it appears that Check Exchange is violating KRS 286.9-100 (15)'s prohibition against renewals and rollovers. KRS 286.100 (15) states that a *"licensee or its affiliate shall not for a fee renew, rollover, or otherwise consolidate a deferred deposit transaction for a customer."* Merriam-Webster on-line dictionary defines "renew" as "to do again", "to restore to existence" or "to begin again". Ms. Client says that Check Exchange originally loaned her \$300.00, secured by a \$342.94 check to be picked up in one month. The \$342.94 check included the \$300 loan, plus a \$42.94 fee. When the \$342.94 check became due, Check Exchange would have Ms. Client pay \$342.94, and then, suspecting that she lacked sufficient cash to cover necessary monthly expenses, solicit her to write a new \$342.94 check to be picked up two weeks later. In exchange, Check Exchange would return to Ms. Client \$300.00 of the \$342.94 she had just paid. The difference between \$342.94 and \$300.00 is \$42.94, the amount of the 30-day fee.

This scenario fits precisely the definition of "renew" as "to do again", *"to restore to existence" or to "begin again"*. Therefore, Check Exchange appears to be unlawfully renewing the loans. Also the scenario is no different from Ms. Client's paying an additional \$42.94 to rollover the original loan for an additional thirty-days. The writing of a new check does not change the mathematical reality that Ms. Client is simply paying an additional \$42.94 in exchange for more time to pay off the original \$300.00 loan. These procedures appear to violate the express prohibition against *renewals* and *rollovers* at KRS. 286.100(15), quoted above and KRS. 286.100 (12), which states that a "licensee shall not use any device or agreement ... with the

intent to obtain greater charges than are authorized under this section.”

If the transactions I have described are deemed renewals or rollovers of the original loan, they would be outside the protection afforded pay day lenders by KRS Ch 286.9-100 and could be subject to the same claims for Usury, and Consumer Loan Act violations etc. enumerated in *Hamilton v. York*, 987 F. Supp. 953 (E.D. Ky. 1997). See, *White v. Check Holders, Inc.*, 996 S.W.2d 496 (Ky. 1999).

At any time, Ms. Client may file an action against Check Exchange alleging the foregoing violations of law. If you wish to attempt to permanently resolve these claims, you may do so, by a one-time payment of \$1000.00 to Ms. Client, through us. If you wish to negotiate about this matter feel free to contact us. Before any negotiations can begin, however, you must furnish us copies of all Deferred Deposit Agreements and Disclosure Statements that you have made with Ms. Client or furnished to Ms. Client during the past two years. If I do not hear from you by 5:00 p.m. on January 30, 2009, Ms. Client will assume you are not interested in a negotiated settlement. Please contact me and not Ms. Client personally about any of these matters.

Sincerely,

Addison Parker  
Chad B. Hammonds  
Attorneys-At-Law

cc: Sally Client