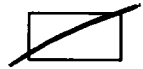


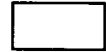
Commissioner of Political Practices  
1205 Eighth Avenue  
Post Office Box 202401  
Helena, MT 59620-2401  
Phone: 406-444-2942  
Fax: 406-444-1643  
www.politicalpractices.mt.gov

FOR OFFICE USE ONLY

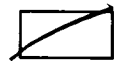
HAND DELIVERED



CERTIFIED MAIL



SIGNED/NOTARIZED



### Campaign Finance and Practices

### Complaint Form (10/09)

Type or print in ink all information on this form except for verification signature

#### Person bringing complaint (Complainant):

Complete Name

Bernard J. Harrington

Complete Mailing Address

4033 Palisades Park Dr  
Billings, MT 59106

Phone Numbers:

Work

(406) 659-9199

Home

(406) 656-6556

#### Person or organization against whom complaint is brought (Respondent):

Complete Name

Rural Dynamics Inc.

Complete Mailing Address

2022 Central Avenue  
Great Falls, MT 59401

Phone Numbers:

Work

(406) 761-8721

Home

(406) 868-9814

**Please complete the second page of this form and describe in detail the facts of the alleged violation.**

#### Verification by oath or affirmation

State of Montana, County of Lewis & Clark County

I, Bernard J. Harrington, being duly sworn, state that the information in this Complaint is complete, true, and correct, to the best of my knowledge and belief.

(SEAL)

Bernard J. Harrington  
Signature of Complainant

Subscribed and sworn to before me this 27<sup>th</sup> day of May, 2010.

Monica Bengert  
Notary Public

My Commission Expires:



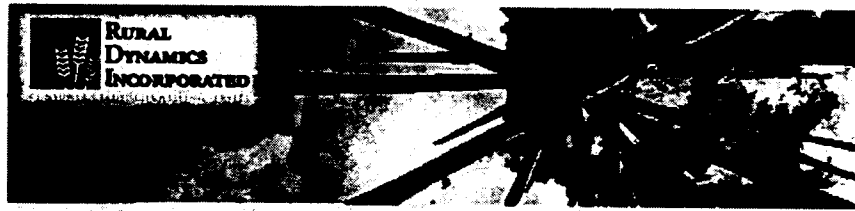
Attachment to Complaint against the Rural Dynamics.

Rural Dynamics is in violation of Mont. Code Ann. § 13-37-225 for failing to include the required “paid for by” disclaimer on its internet publications regarding its involvement in the I-164 400% Interest is Too High Campaign. See the attached printouts of Rural Dynamics’ webpages containing election material absent the statutorily required disclosure. Please also note the first attachment is dated March 19, 2010, and the second attachment is dated May 5, 2010. Each day that these election materials have been available on the internet advocating support of the ballot issue constitutes a separate violation of Montana’s Elections and Campaign Practices chapter. Rural Dynamics may claim that its coverage constitutes an exception to the statutory definition of “contribution”; however, that claim is misplaced because the bona fide news story exception to the definition of “contribution” requires that the story be “distributed through the facilities of any broadcasting station, newspaper, magazine, or other periodical publication of general circulation.” Mont. Code Ann. § 13-1-101(7)(b)(ii). Certainly, this website is not a newspaper, magazine or periodical of general circulation, and these materials are clearly advocating passage of I-164.

As evidenced by press coverage and the length of time that the proponents have been publicly promoting this ballot issue, complainant is under the belief and therefore alleges that if investigation of Rural Dynamics took place, one would find unreported resources have been utilized in support of the ballot issue. The dates on the attached webpage printouts show that Rural Dynamics is also in violation of Mont. Code Ann. §§ 13-37-229; 13-37-230 and ARM 44.10.411, which require reporting of all contributions to a ballot issue and all expenditures made on behalf of a ballot issue. Also, in-kind expenditures must be reported on the day that the expenditure is made, and the filed C-4 reports do not comply with this timing requirement. ARM 44.10.323. See generally In the Matter of the Complaint Against the Montana Chamber of Commerce Regarding Its Activities In Opposition to I-121 And I-125, decided June 2000, regarding failure to timely report in-kind contributions and expenditures.

Rural Dynamics filed its C-2 Statement of Organization on April 27, 2010. C-2’s are required by Mont. Code Ann. § 13-37-201 to be filed within 5 days of making “an expenditure or authoriz[ing] another person to make an expenditure on its behalf, whichever occurs first.” The date on the website acknowledging support of the ballot issue dates as far back as March 19, 2010. It is quite possible and highly likely that Rural Dynamics incurred expenses in support of the ballot issue prior to March 19, 2010. This failure to timely file the C-2 is a violation of Montana’s campaign finance laws.

By engaging in political activity, complainant believes that Rural Dynamics may be acting outside the course and scope of nonprofit organizations as allowed under the IRS rules and guidelines regarding political activities of nonprofit organizations.



We provide programs and develop partnerships to help youth, individuals, and families achieve economic independence.

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- Conference Toolkit
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- Bridge to Benefits
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- Board Portal
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Home  
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Montana's Credit Union Network including sites located at: 1st Liberty Federal Credit Union in Conrad, 1st Liberty Federal Credit Union in Cut Bank, Russell County Federal Credit Union in Fairfield, Russell County Federal Credit Union in Fort Benton, Fort Peck Community Federal Credit Union in Glasgow, Bear Paw Credit Union in Havre, Park Side Federal Credit Union in Kalispell; Other partners include: Montana Legal Services Association, The Retired and Senior Volunteer Program (RSVP), The Internal Revenue Service, The Attorney General's Office, Blackfeet Community College, Fort Belknap Community College, Chief Dull Knife Community College, Rocky Mountain College, The Center on Budget and Policy Priorities, Stone Child College, The Great Falls Public Library, Browning Public Schools, The Great Falls Senior Center, The Billings Public Library, Great Falls Weed and Seed, The Montana State Governors Office, Little Big Horn College, Browning Community Development Corporation, Hope Center of Billings, Harvest Church of Billings, The Great Falls Community Recreation Center, Fort Belknap SBDC, Flathead Valley Community College, Northwest Montana Human Resources, Senator Max Baucus, The Montana Department of Revenue, The W. K. Kellogg Foundation, Head Start, Congressman Denny Rahberg, The Montana Community Foundation, Montana HomeOwnership Network, The Montana Association of Counties, Great Falls Public Schools, PPL of Montana, Opportunities, Inc.

**Bridge to Benefits**



We have partnered with the Otto Bremer Foundation and the Children's Defense Fund and have developed an online tool that will allow people to determine their eligibility for services such as school lunches, energy assistance, or food support by answering six simple questions.

**Otto Bremer Foundation, Children's Defense Fund of Minnesota**

**Youth Entrepreneurship Camp**

RDI will hold a youth entrepreneurship camp this June for low-income American Indian children. The camp will help them develop the skills and confidence necessary for them to develop their own businesses along with providing them with the tools and mentoring to support their personal and business development.

**Montana Indian Business Alliance, University of Great Falls, UGF Students in Free Enterprise**

**Alternative to Payday Lending**

We are contracting with the Montana Credit Union Network to provide an alternative to payday loans. Participating credit union will provide affordable payday loans to clients. Those who are repeat borrowers will receive financial literacy classes and credit counseling if necessary.

**Montana Credit Unions for Community Development**

**Native American Credit Counseling**

We are training Native American credit counselors to provide credit counseling in underserved reservation communities. We are in the process of training and mentoring six counselors who will serve the Blackfeet, Northern Cheyenne, and Crow reservations.

**Anti-Predatory Lending Ballot Initiative**

We are part of the coalition of organizations pushing for the passage of the anti-predatory lending initiative that will cap payday lending interest rates at 36%.

Other legislative issues include pushing for a statewide cap on refund anticipation loans, protections for those with mortgages, and providing people with the option to freeze their credit to prevent or halt identity theft.

Working for Equality and Economic Liberation (WEEL), HomeWORD, Montana Department of Justice, Montana Human Rights Network, Montana Legal Services Association, The Mitchell Group, State Employees International Union

**IDA programs**

We are facilitating or funding several IDA programs across the state including the Family Economic Security Program IDA for TANF families in Cascade and Lewis and Clark counties, the NeighborWorks IDA program in Great Falls, and the Chief Dull Knife College IDA program.

**Family Economic Security Council, NeighborWorks, Chief Dull Knife College, First Interstate Bank, Stockman Bank**

**Northern Plains Action Lab**

We are building regional business and nonprofit capacity by connecting volunteer professional consultants to small businesses and nonprofits in rural and reservation communities.

**Financial Literacy**

We are working with OPI on the development of a K-12 multidisciplinary financial literacy curriculum.



User login  
[Login/Register](#)

Montana Office of Public Instruction

Health Care Exploratory

We are exploring the health issues of rural and reservation communities to determine regional needs and help plot a course to healthier communities.

[Email this page](#)



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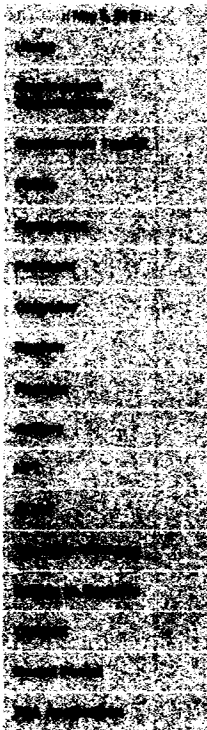
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We have partnered with the Otto Bremer Foundation and the Children's Defense Fund and have developed an online tool that will allow people to determine their eligibility for services such as school lunches, energy assistance, or food support by answering as little as six simple questions.

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**Email this page**



Logo/Partner

State legislatures can require regulation and disclosure on Refund Anticipation Loans and Payday Loans, which are the key to ensuring that consumers are offered fair and appropriate loans. Several states, including New Hampshire, Oregon, Ohio, North Carolina, Arkansas, and D.C. have had success in protecting consumers from debt by regulating the payday, title and refund anticipation loan industry. Increasing awareness around these issues is an important step towards financial health for the communities of the Northern Plains. We must educate our leaders, legislators, neighbors and families about the often devastating effects of predatory lending and efforts to end these practices.

#### For more information about predatory lending in the Northern Plains Region:

Liz Stuewe  
Policy Advisor, Banking and Lending  
Rural Dynamics, Inc.  
lstuewe@ruraldynamics.org  
(406)-454-5719

Paul Andrews  
Director of Public Policy  
Rural Dynamics, Inc.  
pandrews@ruraldynamics.org  
(406)-454-5732



## Predatory Lending in the Northern Plains

Consumers in Montana, Wyoming, North Dakota and South Dakota need access to capital, yet hardworking individuals and families are often charged exorbitant interest rates and fees for small short term loans which then drive them into unmanageable debt. Low to moderate income individuals and families often seek payday loans and refund anticipation loans in desperate situations without the full knowledge of the terms and conditions of these types of predatory loans. In order to create a fair and honest credit market for all consumers, the Northern Plains Initiative and Rural Dynamics, Inc. seek regulations and oversight for lending industries to lessen the negative impact of predatory lending in the region.

## What is predatory lending?

### Pay Day and Title Loans

Payday (also known as deferred deposit loans) and title loans are usually small loans advertised as one time emergency financial assistance to tide a person over until payday. However, research shows borrowers who receive five or more loans a year account for 90 percent of the lenders' business. Due to the nature of the loans and the high interest rates (often over 500%) payday loans create a cycle of debt which is nearly impossible for families to escape<sup>1</sup>. Payday lenders are most often national companies with powerful interest groups who work to keep predatory lending practices legal. Payday and title loans drain millions of dollars out of the Northern Plains every year and have been shown to target both military personnel and minorities. Also, payday lending has a disproportionate effect on Native American communities due to the prevalence of unscrupulous lenders and a lack of banking infrastructure on many of the region's reservations.

1. The Center for Responsible Lending (2008). <http://www.responsiblelending.org/issues/payday>
2. Arkansas Advocates for Children & Families (2005). [http://www.aradvocates.org/\\_images/pdfs/Alternatives2.pdf](http://www.aradvocates.org/_images/pdfs/Alternatives2.pdf)
3. The Center for Responsible Lending (2006) <http://www.responsiblelending.org/policy/congress/page.jsp?itemID=29895875>
4. Consumer Federation of America/National Consumer Law Center. Refund Anticipation Loans:
5. Updated Facts and Figures (2006). <http://www.consumerlaw.org>
6. Consumer Federation of America/National Consumer Law Center. Refund Anticipation Loans: Legislator Info (2007). [http://www.consumerlaw.org/issues/refund\\_anticipation/content/SenateRALtr.pdf](http://www.consumerlaw.org/issues/refund_anticipation/content/SenateRALtr.pdf)
7. North Carolina Consumers After Payday Lending: Attitudes and Experiences with Credit Options. November. (2007) [http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC\\_After\\_Payday.pdf](http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC_After_Payday.pdf)



*We provide programs and develop partnerships to help youth, individuals, and families achieve economic independence.*

According to a Center for Responsible Lending focus group of individuals from varied backgrounds who utilized payday loans, 79% were getting calls demanding money from creditors, 61% had credit card debt they could not pay, and 82% could not keep up with the monthly rent or utilities at the time they applied for these loans.<sup>2</sup> These statistics demonstrate the urgent and stressful situation many borrowers face when they seek payday loans, making them more vulnerable to predatory lending practices.

In 2006, The United States Congress and the Department of Defense worked together to cap pay day lending interest rates for military members at 36% APR<sup>3</sup>; acknowledging that the high interest rates charged by pay day lenders are unfair and a threat to American families.

### Refund Anticipation Loans

A RAL works in the following way: A tax preparer will offer a loan for the amount of an anticipated refund to their client. There are no out of pocket expenses for the filer and they receive a check within a day or two. The IRS is directed to deposit the corresponding refund into an account set up by the tax preparer. If the refund amount is less than anticipated or if the deposit is delayed, the filer is responsible and must pay the difference.

The effective annual interest rate (APR) for a RAL can range from about 40% (for a loan of \$9,999) to over 700% (for a loan of \$200). Coupled with administrative fees, RALs can cost about 70% to over 1,800% APR. Approximately 12.38 million taxpayers received RALs in the 2004 tax filing season (for tax year 2003), paying a total of \$1.24 billion in loan fees, plus \$360 million in administrative fees. The tax-return industry and its lead bankers have built their growth strategies around RALs; more than a third of Jackson Hewitt's revenue comes from arranging these loans, and the company says the quick-cash offers are crucial in attracting its customers.<sup>4</sup> Refund Anticipation Loans unfairly target low income Americans.

The Earned Income Tax Credit (EITC) is a federal anti-poverty program, intended to help working poor families. EITC recipients are disproportionately represented in the ranks of those who get RALs. Over half of the nearly 10 million taxpayers who received RALs in 2005 were EITC recipients, yet EITC recipients make up just 17% of the taxpayer population.<sup>5</sup>

### Do regulations and disclosure requirements hurt individuals and families in need of credit?

No. In 2006, after North Carolina banned payday lending practices in the state the Commissioner of Banks requested a study to evaluate the household credit market without payday lending and researchers concluded that the absence of payday lending has had no significant impact on the availability of credit for households. In fact, more than twice as many former payday borrowers reported that the absence of payday lending has had a positive rather than negative effect on their household and most experienced no difference at all.<sup>6</sup>

The Center for Responsible Lending cites several loan alternatives including, payment plan with creditors, advances from employers, consumer credit counseling, emergency assistance programs, credit union loans, cash advances on credit cards, military loans, and small consumer loans. These alternatives offer critical support to consumers without trapping them in debt. Rural Dynamics, Inc. has partnered with Montana Credit Unions for Community Development to offer consumers products similar to payday loans with longer payback periods and reasonable interest rates not exceeding 18%. The credit unions participating have reported success with the loan program and low default rates. This shows that predatory lending is an unnecessary burden on our communities.

## Predatory Lending on the Northern Plains

### The Cost of Pay Day Lending by State

State	Cost of payday lending
Montana	\$8 million
South Dakota	\$87 million
North Dakota	\$6 million
Wyoming	\$10 million

[www.responsiblelending.org/pdfs/rr012-Financial\\_Quicksand-1106.pdf](http://www.responsiblelending.org/pdfs/rr012-Financial_Quicksand-1106.pdf)

### Average Loan Amount and APR by State

State	Average Loan Amount	APR
Montana	\$232	521%
South Dakota	\$338	417%
North Dakota	\$261	502%
Wyoming	\$325	521%

[www.responsiblelending.org/pdfs/rr012-Financial\\_Quicksand-1106.pdf](http://www.responsiblelending.org/pdfs/rr012-Financial_Quicksand-1106.pdf)

community :: accountability :: respect :: capacity :: hope

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:: March 18, 2010 ::

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