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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

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

GALAXY MARKETING, INC., and
CHRISTOPHER HODES, Director,

Respondents.

No.: C-13-1379-14-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENTION TO ENTER AN
ORDER TO CEASE AND DESIST, BAN
FROM INDUSTRY, IMPOSE FINE, ORDER
RESTITUTION, AND COLLECT
INVESTIGATION FEE

INTRODUCTION

Pursuant to RCW 31.45.110 and RCW 31.45.200, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 31.45 RCW, the Check Cashers and Sellers Act (Act). After having conducted an investigation pursuant to RCW 31.45.100, and based upon the facts available as of the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Galaxy Marketing, Inc. (Respondent Galaxy) is a Delaware corporation with its principle place of business believed to be located at 1000 North West Street, Suite 1224, Wilmington, Delaware, 19801. Respondent Galaxy has never obtained a license and small loan endorsement under the Act to make loans. Respondent Galaxy is not registered with the Washington State Secretary of State or the Washington State Department of Revenue.

B. Christopher Hodes (Respondent Hodes) is identified as the director of Respondent Galaxy. Respondent Hodes has never obtained a license and small loan endorsement under the Act to make loans.

1 **1.2 Unlicensed Activity.** For the period from at least May 2013 through August 2013,
2 Respondents have conducted business by providing a loan to at least one consumer in Washington
3 State from the internet website www.galaxymktginc.com without being licensed with the Department
4 as a check casher or check seller with a small loan endorsement. The Washington State resident was
5 physically located in Washington State at the time of the loan.

6 **1.3 Unlicensed Locations.** Respondents have operated a website at www.galaxymktginc.com
7 from locations that are not licensed by the Department.

8 **1.4 Unauthorized Advertisements.** Respondents have advertised at www.galaxymktginc.com
9 that they were able to make small loans to Washington consumers when they were not licensed to
10 make such loans.

11 **1.5 Unauthorized Interest or Fees in Excess of Statutory Maximum.** Respondents have
12 charged interest and fees in the aggregate exceeding 15 percent of the first \$500 and 10 percent of the
13 next \$200 of aggregated principal of small loans outstanding at any one time on at least one loan.

14 **1.6 Failure to Comply with the Department's Investigative Authority.** The Department
15 issued a Subpoena Compelling Production of Records and Explanation (Subpoena) to Respondents
16 on or about September 16, 2013. The Subpoena was served on or about September 17, 2013. The
17 Subpoena required, among other things, the production of a list of every loan made to Washington
18 consumers since January 1, 2012, all records related to Washington consumer W.Y., and documents
19 to substantiate any claim that Respondents are exempt from licensure. To date, Respondents have
20 failed to produce these documents.

21 **1.7 On-going Investigation.** The Department's investigation into the alleged violations of the
22 Act by Respondents continues to date.

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1 **II. GROUNDS FOR ENTRY OF ORDER**

2 **2.1 Definition of Check Casher.** Pursuant to RCW 31.45.010(5), a “Check Casher” is defined as
3 an individual, partnership, unincorporated association, or corporation that, for compensation,
4 engages, in whole or in part, in the business of cashing checks, drafts, money orders, or other
5 commercial paper serving the same purpose.

6 **2.2 Definition of Licensee.** Pursuant to RCW 31.45.010(13), a “Licensee” is defined as a check
7 cashier or seller licensed by the director to engage in business in accordance with the Act. "Licensee"
8 also means a check cashier or seller, whether located within or outside of this state, who fails to obtain
9 the license or small loan endorsement required by this Act. For the purpose of the enforcement
10 powers of the Act, including the power to issue cease and desist orders under RCW 31.45.110,
11 “licensee” also means a check cashier or seller who fails to obtain the license required by the Act.

12 **2.3 Definition of Small Loan.** Pursuant to RCW 31.45.010(21), a “Small Loan” is defined as a
13 loan up to the maximum amount and for a period of time up to the maximum term specified in RCW
14 31.45.073.

15 **2.4 Requirement to Obtain a Check Casher or Check Seller License.** Based on the Factual
16 Allegations set forth in Section I above, Respondents are in apparent violation of RCW 31.45.030(1)
17 for engaging in the business of a check cashier and seller without first obtaining a license from the
18 Director.

19 **2.5 Requirement to Obtain a Small Loan Endorsement.** Based on the Factual Allegations set
20 forth in Section I above, Respondents are in apparent violation of RCW 31.45.070(1)(d), RCW
21 31.45.073(1), and RCW 31.45.105(10(d) for engaging in the business of making small loans without
22 first obtaining a small loan endorsement from the Director and for making small loans to any person
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1 physically located in Washington through use of the internet, facsimile, telephone, kiosk, or other
2 means without first obtaining a small loan endorsement.

3 **2.6 Advertising Requirements.** Based on the Factual Allegations set forth in Section I above,
4 Respondents are in apparent violation of RCW 31.45.105(2)(a) for advertising in a manner that is
5 false, misleading, or deceptive, or that omits material information.

6 **2.7 Requirement of Statutory Maximum Interest or Fees on Small Loans.** Based on the
7 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
8 31.45.073(5) for charging interest or fees in the aggregate exceeding 15 percent of the first \$500 of
9 principal and 10 percent of the next \$200 of principal of the small loans.

10 **2.8 Requirement to Comply with the Department's Investigative Authority.** Based on the
11 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
12 31.45.100 and RCW 31.45.110(1)(k) for failing to comply with the Director's investigative authority
13 and for failing, upon demand by the Director or the Director's designee, to disclose any information
14 within his or her knowledge to, or to produce any document, book, or record in his or her possession
15 for inspection of, the Director or Director's designee.

16 III. AUTHORITY TO IMPOSE SANCTIONS

17 **3.1 Authority to Issue Cease and Desist Order.** Pursuant to RCW 31.45.110(2)(b), the Director
18 may order a licensee to cease and desist from practices in violation of the Act or practices that
19 constitute unsafe and unsound financial practices.

20 **3.2 Authority to Remove and Ban From Industry.** Pursuant to RCW 31.45.110(2)(e), the
21 Director may ban from participation in the conduct of the affairs of any licensee any director, officer,
22 sole proprietor, partner, controlling person, or employee of a licensee that is violating or has violated
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1 the Act including rules and orders, or commits any act or engages in conduct that demonstrates
2 incompetence or untrustworthiness, or is a source of injury or loss to the public.

3 **3.3 Authority to Impose Fine.** Pursuant to RCW 31.45.110(2)(c), the Director may impose a
4 fine, not to exceed one hundred dollars per day for each day's violation of the Act, on any licensee or
5 applicant, or any director, officer, sole proprietor, partner, controlling person, or employee of a
6 licensee or applicant, that is violating or has violated the Act including rules and orders, or commits
7 any act or engages in conduct that demonstrates incompetence or untrustworthiness, or is a source of
8 injury or loss to the public.

9 **3.4 Authority to Order Restitution.** Pursuant to RCW 31.45.110(2)(d), the Director may order
10 restitution to borrowers damaged by the licensee's violation of this chapter

11 **3.5 Authority to Collect an Investigation Fee.** Pursuant to RCW 31.45.050(1), RCW
12 31.45.100, WAC 208-630-360, WAC 208-630-370, and WAC 208-630-380, the Director shall collect
13 from the licensee the actual cost of an examination or investigation of the business, books, accounts,
14 records, files, or other information of a licensee or person who the Director has reason to believe is
15 engaging in the business governed by the Act. The investigation charge will be calculated at the rate
16 of sixty-nine dollars (\$69) per hour that each staff person devoted to the investigation, plus actual
17 expenses.

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1 **IV. NOTICE OF INTENTION TO ENTER ORDER**

2 Respondents' violations of the provisions of chapter 31.45 RCW and chapter 208-630 WAC,
3 as set forth in the above Factual Allegations and Grounds for Entry of Order, constitute a basis for the
4 entry of an Order under RCW 31.45.110 and RCW 31.45.200. Therefore, it is the Director's
5 intention to ORDER that:

- 6 **4.1** Respondents Galaxy Marketing, Inc. and Christopher Hodes cease and desist from
7 offering and making small loans without a proper license from the Department;
- 8 **4.2** Respondents Galaxy Marketing, Inc. and Christopher Hodes be banned from
9 participation in the conduct of the affairs of any check casher and check casher with a
10 small loan endorsement or check seller subject to licensure by the Director, in any
11 manner, for a period of five (5) years;
- 12 **4.3** Respondents Galaxy Marketing, Inc. and Christopher Hodes jointly and severally pay
13 a fine of \$18,000;
- 14 **4.4** Respondents Galaxy Marketing, Inc. and Christopher Hodes jointly and severally pay
15 restitution to all affected Washington borrowers who paid interest or fees in an amount
16 to be determined at hearing; and
- 17 **4.5** Respondents Galaxy Marketing, Inc. and Christopher Hodes jointly and severally pay
18 an investigation fee. As of the date of this Statement of Charges, the investigative fee
19 totals \$2,766.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges and Notice of Intention to Enter an Order To Cease And Desist,
3 Ban From Industry, Impose Fine, Order Restitution, and Collect Investigation Fee (Statement of
4 Charges) is entered pursuant to the provisions of RCW 31.45.110 and RCW 31.45.200, and is subject
5 to the provisions of chapter 34.05 RCW (The Administrative Procedure Act). Respondents may
6 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
7 AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

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9 Dated this 25th day of February, 2014.



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11 DEBORAH BORTNER
12 Director
13 Division of Consumer Services
14 Department of Financial Institutions

15 Presented by:



16
17 BARBARA PENTTILA
18 Financial Legal Examiner

19 Approved by:



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21 CHARLES E. CLARK
22 Enforcement Chief