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Two Men Found Guilty of Racketeering Conspiracy in Payday Lending Case

PHILADELPHIA – Charles M. Hallinan, 76, of Villanova, PA, and Wheeler K. Neff, 69, of Wilmington, DE, were found guilty today by a federal jury of two counts of conspiracy to violate the Racketeering Influenced and Corrupt Organizations Act (“RICO”) relating to “payday lending” businesses, one count of conspiracy to commit mail fraud, wire fraud, and money laundering, as well as two counts of mail fraud and three counts of wire fraud announced United States Attorney Louis D. Lappen. Hallinan was also convicted of nine counts of international money laundering.

Hallinan and Neff participated in a conspiracy that violated the usury laws of Pennsylvania and other states and generated more than \$688 million in revenue, between 2008 and 2013, from hundreds of thousands of customers, including residents of Pennsylvania which prohibits such loans. Further, Hallinan and Neff also conspired to defraud nearly 1,400 people, who had sued one of Hallinan’s payday loan companies, into abandoning a lawsuit with damages valued as highly as \$10 million.

Hallinan owned, operated, financed, and/or worked for more than a dozen businesses between 1997 and 2013 that issued and collected debt from small, short-term loans that were commonly known as “payday loans” because the customers were supposed to pay them back with their next paychecks. Pennsylvania and more than a dozen other states have passed laws criminalizing such loans as usurious. Hallinan and Neff conspired to evade such laws by, among other things, paying thousands of dollars each month to three Indian tribes to pretend that they were the actual payday lenders and claim that “tribal sovereign immunity” shielded their conduct from state laws and regulations.

Hallinan and Neff are also helped another payday lender, Adrian Rubin, charged elsewhere, evade state anti-usury laws by entering into sham contracts with an Indian tribe that were designed to give the false impression that the tribe was the true lender.

“Pay day lending exploits those who can least afford it, the most financially vulnerable people in our society,” said United States Attorney Louis D. Lappen. “Hallinan’s companies charged customers exorbitant interest rates -- exceeding 700 percent annually. Today’s conviction shows that we will prosecute predatory payday lenders and pursue significant prison sentences for those who financially exploit the economically disadvantaged.”

“These defendants went to astonishing lengths to skirt state usury laws enacted to protect the public,” said Michael Harpster, Special Agent in Charge of the FBI’s Philadelphia Division. “Their single-minded purpose: to continue draining dry the financially strapped folks who, out of desperation, resort to payday loans. Their greed is galling, their actions are illegal, and their convictions are richly deserved.”

"The role of IRS Criminal Investigation becomes even more important in fraud cases due to the complex financial transactions that can take time to unravel," said Edward Wirth, Acting Special Agent in Charge, Philadelphia Field Office. "Today’s verdict should serve as a reminder that individuals who engage in this type of financial fraud will be held accountable."

Both Hallinan and Neff face a possible advisory sentencing guideline range of at least a decade in prison, forfeiture of illegally obtained assets, three years of supervised release, a possible fine, and a special assessment.

The case was investigated by the Federal Bureau of Investigation, the United States Postal Inspection Service, and Internal Revenue Service Criminal Investigations. It is being prosecuted by Assistant United States Attorneys Mark B. Dubnoff and James Petkun.

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