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Final Edition

**State payday loan fight a Madigan family affair; And now a client of speaker's son-in-law stands to profit**

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Staff reporters

The effort to crack down on "payday loans" in Illinois claimed a big victory in the Legislature last spring: passage of a state law setting new caps on the high interest rates lenders charge and also expanding the state's tracking system to help ensure that consumers don't end up borrowing more than they can repay.

Making sure it passed were members of the powerful Madigan political clan:

-Illinois Attorney General Lisa Madigan -- who has been battling payday lenders for more than a decade -- had her staff help draft the measure.

-Her father, House Speaker Michael Madigan (D-Chicago), the Illinois Democratic Party chairman, gave his blessing and voted for the bill, which was enacted with overwhelming legislative support and signed into law by Gov. Quinn.

-And lobbyist Jordan Matyas -- who has since married the speaker's daughter Tiffany Madigan -- helped the attorney general's staff write the legislation, which could make millions of dollars for his client, Veritec Solutions, the Jacksonville, Fla., company that the state of Illinois has been using for the past five years to track payday loans.

Now, Veritec will also track other unsecured consumer loans for the state.

Since 2006, Veritec has billed lenders more than $840,000 to track 1.5 million payday loans for Illinois regulators -- 55 cents for each loan it enters into the database for the Illinois Department of Financial and Professional Regulation.

Under the new law, set to take effect March 21, the company expects its business under its state contract to soar, growing by as much as 900 percent, bringing it millions of dollars in new business, according to Veritec's chief executive officer, Thomas Reinheimer.

Payday loans allow people to borrow enough, in a pinch, to make it to their next payday, or as long as the next few months. No collateral is needed, but the interest rates are high -- as much as 1,000 percent a year. Many borrowers get overextended, taking out one loan to repay another.

As a result, state officials have repeatedly passed laws to lower the interest rates that can be charged on short-term loans. But payday lenders have gotten around those measures by lengthening the terms of the loans, so they could continue to charge higher interest rates and not have to report the loans to Veritec.

Borrowers suffered, according to a broad range of consumer groups.

And so did Veritec, which wasn't making as much money off the state tracking program as it expected.

So Veritec hired Matyas in 2008 -- he had worked for Speaker Madigan and helped draft the original payday-loan-tracking law in 2005 -- "to assist our firm with addressing a 'loophole' in the Illinois Payday Loan Reform Act that negatively impacted both the effectiveness of the consumer protections . . . and our revenue," Reinheimer says in an e-mail.

This spring, Matyas began working with his future sister-in-law's staff from the attorney general's office, other state officials, consumer groups and lenders on the new legislation, which:

-Creates two new kinds of short-term consumer loans.

-Sets new caps on interest rates -- for instance, 99 percent on any loans for longer than five months of $4,000 or less.

-Requires these short-term consumer lenders to report all their loans to Veritec so state officials can make sure consumers don't borrow more than 25 percent of their gross monthly income. This provision is why Reinheimer expects his company's business to boom: More loans will have to be reported, so his company will make more money.

Matyas' role in drafting the legislation is detailed in dozens of e-mails the Chicago Sun-Times obtained from Lisa Madigan's office under the Illinois Freedom of Information Act.

Matyas exchanged several e-mails with Brent Adams, secretary of the Department of Financial and Professional Regulation, the state agency that regulates payday loans, as well as with top lawyers in the attorney general's office.

Lisa Madigan says she was unaware of her brother-in-law's role, according to a spokeswoman.

"The attorney general didn't know that Jordan worked for Veritec, and she did not know that her office was in contact with him about the payday loan bill," Robyn Ziegler said.

Michael Madigan "doesn't recall talking to Jordan about this bill," says Steve Brown, the speaker's spokesman, adding, "Jordan wasn't his son-in-law" yet when the speaker voted for the bill.

Matyas married Madigan's daughter, who is a lawyer, on July 3, about two weeks after the governor signed the bill into law.

Says Matyas: "I have never discussed with either the speaker or the attorney general my intent to represent clients who have existing or future plans to hold state contracts. . . . I will continue to represent my clients before various government bodies. As has been my practice, I will strive to avoid any conflicts of interest or even the appearance of a conflict."

Nothing in state law requires officeholders to disclose personal or family relationships with lobbyists. The disclosure form lawmakers now have to fill out asks only about any "close economic association" with lobbyists.

Still, Illinois Senate Minority Leader Christine Radogno (R-Lemont), who voted for the new payday loan reforms, is critical of the Madigans and Matyas.

"It totally stinks," says Radogno. "It's bad enough with the attorney general and the speaker, and now you have the brother-in-law/son-in-law? It makes it all 10 times worse because you have more of the Madigan family directing business in the state of Illinois."

**ONCE A 'MADIGAN MINION,' MATYAS IS NOW FAMILY**

Today, Jordan Matyas is a son-in-law of Illinois House Speaker Michael Madigan. Five years ago, he was a "Madigan minion" -- a widely used nickname that the speaker's staffers have embraced.

For about six months in early 2005, Matyas, a Chicago lawyer, worked as an assistant counsel to Madigan. While there, he worked on payday loan reforms.

After leaving Madigan's staff, Matyas got a job regulating the payday loan industry as director of consumer credit for the Illinois Department of Financial and Professional Regulation, where he helped Veritec Solutions, a state contractor, set up a database to track payday loans.

Matyas left the state payroll in June 2007. Now 32, he's a lawyer and lobbyist whose clients include Veritec, which has three state contracts to monitor high-risk mortgages, payday loans and car title loans.

The state recently gave Veritec a three-year contract extension worth more than $2.9 million to continue operating the Anti-Predatory Lending Database that tracks mortgages.

The other two databases it oversees for the state are funded by the lenders.