

**UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING

File No. 2017-CFPB- 0013

In the Matter of:

**SECURITY NATIONAL
AUTOMOTIVE ACCEPTANCE
COMPANY, LLC**

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed compliance by Security National Automotive Acceptance Company, LLC (SNAAC, as defined below) with an administrative consent order issued against SNAAC on October 28, 2015 (2015 Consent Order, attached hereto as Exhibit A). The Bureau has found that SNAAC violated the 2015 Consent Order by failing to provide the required consumer redress and failing to submit a redress plan consistent with the 2015 Consent Order. By violating the 2015 Consent Order, SNAAC violated § 1036(a)(1)(A) of the Consumer Financial Protection Act of 2010 (CFPA). *See* 12 U.S.C. §§ 5481(14); 5536(a)(1)(A). Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

**I
Overview**

1. The 2015 Consent Order found that SNAAC, an auto-finance company specializing in lending to members of the United States military, had engaged in unlawful acts and practices relating to its collection of consumer debt,

including the following: (1) SNAAC threatened to contact delinquent borrowers' commanding officers and did in fact contact their commanding officers, disclosing details about borrowers' debts and delinquencies; (2) SNAAC made misleading statements regarding the potential impacts on borrowers' military careers and tax liability if they remained delinquent; and (3) SNAAC made misleading statements regarding its intention to take legal action and its ability to obtain involuntary allotments and garnishments. The 2015 Consent Order required SNAAC to provide \$2,274,855.70 in consumer redress and to submit to the Bureau a comprehensive written plan for providing redress consistent with the 2015 Consent Order.

2. Following a tip from a servicemember's father, the Bureau found that SNAAC had violated the 2015 Consent Order by failing to provide a significant portion of the redress ordered and submitting a redress plan that purported to provide full redress, but that was designed to underpay consumer redress. SNAAC thereby violated § 1036(a)(1)(A) of the CFPA. *See* 12 U.S.C. §§ 5481(14); 5536(a)(1)(A).

II Jurisdiction

3. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

III Stipulation

4. SNAAC has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated April 20, 2017 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, SNAAC has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the findings

of fact or conclusions of law, except that SNAAC admits the facts necessary to establish the Bureau's jurisdiction over it and the subject matter of this action.

IV Definitions

5. The following definitions apply to this Consent Order:
 - a. "Account Balance" means the amount owed by an Affected Consumer to SNAAC.
 - b. "Affected Consumer" has the same meaning as in the 2015 Consent Order, and the 2015 Consent Order's definition is incorporated here by reference.
 - c. "Credit-Redress Consumer" means an Affected Consumer who was entitled to an account credit under the 2015 Consent Order and who has a positive Account Balance as of the Effective Date.
 - d. "Board" means SNAAC's duly elected and acting Board of Directors.
 - e. "Effective Date" means the date on which the Consent Order is issued.
 - f. "Enforcement Director" means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his delegee.
 - g. "Pending-Settlement Consumer" means an Affected Consumer who has entered into a settlement agreement with SNAAC, but has not yet completed payments under that settlement as of the Effective Date.
 - h. "Refund-Redress Consumer" means an Affected Consumer who will receive redress in the form of a cash refund under this Consent Order.

- i. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against SNAAC based on substantially the same facts as described in Section V of this Consent Order.
- j. “Relevant Period” means the period from December 23, 2011 to the Effective Date.
- k. “SNAAC” means Security National Automotive Acceptance Company, LLC and its successors and assigns.

V

Bureau Findings and Conclusions

The Bureau finds the following:

6. During the Relevant Period, SNAAC purchased and serviced retail-installment-sales contracts originated by motor-vehicle dealers. Accordingly, SNAAC offered or provided a consumer-financial product or service and is a “covered person” under the CFPA. *See* 12 U.S.C. § 5481(6)(A), (15)(A)(i) & (x).

Underlying Litigation and 2015 Consent Order

7. On June 17, 2015, the Bureau filed a complaint against SNAAC alleging that it had engaged in unfair, deceptive, and abusive acts and practices in its collection of consumer debt, in violation of the CFPA. 12 U.S.C. §§ 5531, 5536(a)(1)(B). The Bureau and SNAAC ultimately resolved the lawsuit, in part through the 2015 Consent Order.

8. The 2015 Consent Order found that SNAAC had engaged in the unfair, deceptive, and abusive acts and practices alleged in the complaint. Ex. A ¶ 4 (and complaint attached thereto as Ex A). The 2015 Consent Order required SNAAC to pay a \$1 million penalty and to “provide redress, in the form of credits and refunds, to the Affected Consumers in the amount of \$2,274,855.70.” Ex. A

¶ 5. The 2015 Consent Order defined “Affected Consumers” as consumers to whom SNAAC had sent one of several collection letters (which the Bureau found to have contained false or misleading representations) and who thereafter had made one or more payments to SNAAC. *Id.* ¶ 3(a). (Separately, a Stipulated Final Judgment and Order filed in the civil action prohibited SNAAC from engaging in the unfair, deceptive, and abusive acts and practices identified by the Bureau.)

Redress Plan

9. The 2015 Consent Order required SNAAC to submit a redress plan—that is, “a comprehensive written plan for providing redress consistent with this Consent Order.” Ex. A. ¶ 6. SNAAC submitted a redress plan to the Bureau on or about November 27, 2016 (“Original Redress Plan”). The Bureau reviewed the Original Redress Plan and required SNAAC to make several amendments relating to the updating of consumer addresses and the handling of returned or uncashed refund checks. SNAAC made those amendments and re-submitted its redress plan on or about December 30, 2015 (“Revised Redress Plan”).

10. In both the Original Redress Plan and Revised Redress Plan, SNAAC described how it would provide credits and refunds. Affected Consumers “who have a zero balance” would receive a cash refund equal to 40% of the total payments they had made to SNAAC after receiving one of the identified collection letters. Affected Consumers who did not have a zero balance would “receive a credit to their balance” equal to 40% of post-collection-letter payments. To the extent that the 40% “exceeds the balance,” Affected Consumers would receive the remainder as a cash refund. Affected Consumers “with a balance after application” of the 40% credit would receive an additional credit “to reduce their balance” under the following formula: those “with a balance of \$500 or less will have their balances reduced to \$0.00; and [those] with a balance of more than \$500 will have their balances reduced by [an additional] \$500.”

11. In both redress plans, SNAAC stated that the above formulations would result in the following distribution of redress:
 - a. \$119,426.99 in cash refunds;
 - b. \$1,145,815.14 in credits attributable to the 40% post-collection-letter payments; and
 - c. \$1,010,958.93 in credits attributable to the additional up-to-\$500 credit.

12. Under the Revised Redress Plan, SNAAC was required to provide redress—in the form of refunds and credits—not later than 45 days after the Bureau had provided written notification to SNAAC of its non-objection to the submitted redress plan. The Bureau notified SNAAC of its non-objection to the Revised Redress Plan on January 19, 2016. Accordingly, SNAAC was required to provide all redress required under the 2015 Consent Order and Revised Redress Plan not later than March 4, 2016.

SNAAC’s Failure to Provide Required Redress

13. Following a tip from the father of a servicemember who was one of the Affected Consumers, the Bureau discovered that SNAAC had provided worthless account “credits” to hundreds of Affected Consumers who had settled their accounts in full or whose debts had been discharged in bankruptcy. By issuing worthless “credits” (instead of cash refunds) and counting these “credits” toward the total redress provided, SNAAC avoided paying nearly half of the redress required by the Consent Order.

14. In addition to issuing worthless “credits” to Affected Consumers with settled or discharged accounts, SNAAC did not correctly provide refunds and credits to Affected Consumers who had entered into agreements with SNAAC to settle their accounts, but had not yet completed the settlement—resulting in their receiving worthless “credits” or overpaying on their settlement agreements.

15. In the end, SNAAC failed to provide \$671,219 in required refunds to 872 consumers, constituting more than one third of the Affected Consumers. SNAAC also failed to issue \$372,157 in required credits, caused 52 consumers to overpay \$47,681 in settlement payments, and failed to correctly apply credits to the accounts of approximately 1,000 additional consumers with pending settlements.

16. *“Credits” to Settled-in-Full Accounts.* SNAAC frequently settles delinquent customer accounts for less than the outstanding loan balance. SNAAC and the customer will agree that upon payment of the reduced settlement amount—sometimes as little as 50% or less of the outstanding loan balance—the customer’s account will be settled in full. Once an account is settled in full, the customer owes SNAAC no more money, SNAAC asserts no further financial claim against the customer, and SNAAC engages in no further collection activity against the customer.

17. In numerous instances, SNAAC promised customers that if they agreed to such a settlement and paid the settlement amount, SNAAC would “close” the customer’s account as settled in full “with a zero balance.” In many instances, SNAAC told customers that if they paid the settlement amount, SNAAC would report to the three major credit bureaus that the customers’ accounts had been settled in full with a zero balance, and in many instances SNAAC has in fact done so.

18. Even though SNAAC treats customers with settled-in-full accounts as if they have no further financial obligation, when SNAAC accounted for and administered redress required by the 2015 Consent Order, SNAAC attributed to each settled-in-full account a positive account balance. The balance SNAAC attributed to each account was the amount by which SNAAC had agreed to reduce the loan balance through the settlement. (SNAAC’s recordkeeping system tracked

this amount for various accounting purposes.) In other words, for purposes of determining credits and refunds under the redress plan, SNAAC treated these settled-in-full consumers as if they had never entered into settlements and paid the settlements in full, but instead still owed a balance against which SNAAC could issue a purported account credit.

19. Such “credits” to settled-in-full accounts amounted to no redress at all. Affected Consumers with settled-in-full accounts received no benefit from an account “credit” because they owed SNAAC no more money and could not use such a credit toward any new or existing loan. “Crediting” settled-in-full accounts also required nothing from SNAAC: because no money was owed on these accounts, SNAAC did not forego any future receipts. But by counting these worthless “credits” of settled-in-full accounts toward the total redress provided (instead of paying cash refunds), SNAAC evaded the order to provide \$2,274,855.702 in redress.

20. *“Credits” to Discharged Accounts.* SNAAC also issued worthless account “credits” to Affected Consumers whose debts to SNAAC had been discharged in bankruptcy. SNAAC issued such “credits” even though Affected Consumers with discharged debts no longer owed SNAAC any money on their vehicle loans, even though SNAAC had no legal claim to any unpaid balance, and even though SNAAC had ceased all collections activity on these accounts.

21. As with settled-in-full accounts, such “credits” to discharged accounts amounted to no redress at all. Affected Consumers with discharged accounts received no benefit from such “credits,” and SNAAC was not required to forego any future receipts. Again, the issuance of credits to such discharged accounts—and SNAAC’s including such “credits” in the total redress it provided—resulted in SNAAC’s further avoiding its redress obligations under the 2015 Consent Order.

22. *Refunds and “Credits” to Pending-Settlement Accounts.* SNAAC also failed properly to issue refunds and credits to Affected Consumers who were in the process of making payments under settlement agreements with SNAAC. When a consumer is making payments on a settlement, SNAAC refers to the amount owed as a “settlement balance”: the settlement amount minus any payments made on the settlement. For purposes of administering redress, however, SNAAC did not use this settlement balance. Instead, SNAAC used the higher balance the consumer would have owed had SNAAC and the consumer never entered into a settlement agreement. The consequence of SNAAC’s using this higher balance amount was that, in many instances, SNAAC issued credits that exceeded the settlement balance rather than paying a refund for any amount in excess of what the consumer actually owed.

23. In addition, SNAAC did not actually credit the settlement balance, but instead credited the higher non-settlement balance. Because their settlement balances were not properly credited, some Affected Consumers within this group unknowingly overpaid SNAAC to settle their accounts.

Redress Plan’s Inconsistency with the 2015 Consent Order

24. The 2015 Consent Order required SNAAC to submit to the Bureau “a comprehensive written plan for providing redress consistent with this Consent Order.” Ex. A ¶ 6. But neither the Original Redress Plan nor the Revised Redress Plan submitted by SNAAC constituted a plan for providing redress consistent with the 2015 Consent Order. Although both plans purported to provide the full amount of redress ordered, both were designed to underpay consumers.

25. The redress plans overstated the amount of credits that would actually go to Affected Consumers. SNAAC stated in its redress plans that it would provide a total of \$2,276,201.06 in credits and counted that amount toward the total redress it would pay. But a substantial amount of these credits

were the worthless “credits” SNAAC issued to accounts where no money was owed. Both redress plans thus understated the total amount of credits—and therefore the total amount of redress—that SNAAC would provide and ultimately did provide to Affected Consumers.

26. Both redress plans also understated the amount of cash refunds that were due and payable to Affected Consumers with zero balances. SNAAC stated in its redress plans that application of the 40%-of-post-collection-letter-payments formula to zero-balance accounts would result in \$119,426.99 in cash refunds. In fact, application of this formula to *all* zero-balance accounts would have resulted in significantly more than \$119,426.99 in cash refunds. This understatement of cash refunds due and payable to zero-balance accounts, combined with SNAAC’s overstatement of the actual credits to be provided to Affected Consumers, meant that its redress plans were inconsistent with what the 2015 Consent Order required; they were designed to pay far less than the \$2,274,855.70 ordered.

Violations of the CFPA

27. Under § 1036(a)(1)(A) of the CFPA, it is unlawful for a covered person to “commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

28. The 2015 Consent Order is an “order prescribed by the Bureau” and therefore a Federal consumer financial law. *See* 12 U.S.C. § 5481(14).

29. As described in Paragraph 6, SNAAC is a covered person.

30. The 2015 Consent Order required SNAAC to provide \$2,274,855.70 in redress to Affected Consumers.

31. For the reasons described above, SNAAC failed to provide the \$2,274,855.70 in redress required by the 2015 Consent Order.

32. The 2015 Consent Order also required SNAAC to submit “a comprehensive written plan for providing redress consistent with [the 2015] Consent Order.”

33. As described above, SNAAC submitted redress plans that both overstated the amount of actual credits it would provide to Affected Consumers and understated the amount of refunds due and payable to Affected Consumers. As a consequence, both redress plans actually provided for the payment of redress far less than the \$2,274,855.70 required by the 2015 Consent Order. Accordingly, SNAAC submitted plans for providing redress that were inconsistent with the Consent Order.

34. SNAAC’s failure to provide the required redress, its submission of redress plans inconsistent with the 2015 Consent Order, and its attendant failure to submit a redress plan consistent with the 2015 Consent Order constituted acts and omissions in violation of a Federal consumer financial law.

35. Accordingly, SNAAC violated § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

ORDER

VI

Order to Pay Redress

IT IS ORDERED that:

36. A judgment for equitable monetary relief is entered in favor of the Bureau and against SNAAC in the amount of \$1,166,057, which includes:

- a. \$718,900 in refunds payable to the Bureau for distribution to Refund-Redress Consumers;
- b. \$75,000 in redress-administration costs payable to the Bureau; and

- c. \$372,157 in account credits to be issued by SNAAC in equal amounts to all Credit-Redress Consumers.

37. Within 60 days of the Effective Date, SNAAC must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, \$ 793,900, as ordered in Paragraph 36 of this Section.

38. Any funds received by the Bureau in satisfaction of this judgment will be deposited into a fund or funds administered by the Bureau or to the Bureau's agent according to applicable statutes and regulations to be used for redress for injured consumers and attendant expenses for the administration of any such redress.

39. If the Bureau determines, in its sole discretion, that redress to consumers is wholly or partially impracticable or if funds remain after redress is completed, the Bureau will deposit any remaining funds in the United States Treasury as disgorgement. SNAAC will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

IT IS FURTHER ORDERED that:

40. Within 30 days of the Effective Date, SNAAC must submit to the Enforcement Director for review and non-objection a comprehensive written plan for (a) providing \$372,157 in account credits to Credit-Redress Consumers as specified in Paragraph 36 and (b) ensuring that Pending-Settlement Consumers receive the benefit of credits issued under the 2015 Consent Order and do not overpay their settlements, consistent with this Consent Order, including timeframes and deadlines for implementation and completion (Account-Credits Redress Plan). The Enforcement Director will have the discretion to make a determination of non-objection to the Account-Credits

Redress Plan or direct SNAAC to revise it. If the Enforcement Director directs SNAAC to revise the Account-Credits Redress Plan, SNAAC must make the revisions and resubmit the Account-Credits Redress Plan to the Enforcement Director within 15 days. After receiving notification that the Enforcement Director has made a determination of non-objection to the Account-Credits Redress Plan, SNAAC must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Account-Credits Redress Plan.

41. The Account-Credits Redress Plan must identify the Credit-Redress Consumers and provide any necessary descriptions and formulas for determining the account credit each will receive. The Account-Credits Redress Plan must also describe the steps SNAAC will take to ensure that Pending-Settlement Consumers receive the benefit of credits issued under the 2015 Consent Order (through application of credits to consumers' settlement balances), do not overpay their settlements, and are refunded any overpayments not refunded through this Order.

42. The Account-Credits Redress Plan must also contain the following:
- a. any steps necessary to amend or stop payment arrangements previously entered into for payments no longer necessary after the credits required by this Order;
 - b. the furnishing of information to all consumer reporting agencies regarding the balance adjustments required by the Order; and
 - c. a report to be prepared by an internal auditor or third party documenting completion of the account-credit redress.

43. SNAAC may not condition the receipt of a refund, provision of an account credit, or correction of an existing account credit under this Order on a consumer's waiving any right.

VII

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

44. Under § 1055(c) of the CFPB, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section V of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), SNAAC must pay a civil money penalty of \$1,250,000 to the Bureau.

45. Within 60 days of the Effective Date, SNAAC must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

46. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPB, 12 U.S.C. § 5497(d).

47. SNAAC must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, SNAAC may not:

- a. claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
- b. seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

48. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, SNAAC may not argue that it is entitled to, nor may it benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid

in this action (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, SNAAC must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the United States Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

VIII

Additional Monetary Provisions

IT IS FURTHER ORDERED that:

49. In the event of any default on SNAAC's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

50. SNAAC must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to SNAAC.

51. Under 31 U.S.C. § 7701, SNAAC, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

52. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, SNAAC must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that SNAAC paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

IX

Reporting Requirements

IT IS FURTHER ORDERED that:

53. SNAAC must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against SNAAC; or a change in SNAAC's name or address. SNAAC must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

X

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

54. Within 30 days of the Effective Date, SNAAC must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.

55. SNAAC must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

XI
Recordkeeping

IT IS FURTHER ORDERED that

56. SNAAC must create, for at least 5 years from the Effective Date, the following business records:
- a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau; and
 - b. all documents and records pertaining to the Account-Credits Redress Plan, described in Section VI above.
57. SNAAC must retain the documents identified in this Section for at least 5 years.
58. SNAAC must make the documents identified in this Section available to the Bureau upon the Bureau's request.

XII
Notices

IT IS FURTHER ORDERED that:

59. Unless otherwise directed in writing by the Bureau, SNAAC must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re Security National Automotive Acceptance Company, LLC*, File No. 2017-CFPB-0013," and send them either:

- a. by overnight courier (not the U.S. Postal Service), as follows:

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1625 Eye Street, N.W.
Washington D.C. 20006; or

- b. by first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552

XIII

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

60. SNAAC must cooperate fully to help the Bureau determine the identity and location of each Credit-Redress, Refund-Redress, and Pending-Settlement Consumer, and the amount of credit or refund payable to each. Within 30 days of the Effective Date, SNAAC must identify and provide in Excel or .csv format for each Credit-Redress, Refund-Redress Consumer, and Pending-Settlement Consumer:

- a. full name and all other available identifying information, including but not limited to social security number and date of birth if available;
- b. last-known contact information, including addresses, telephone numbers, and email addresses;
- c. whether the consumer is a Credit-Redress, Refund-Redress Consumer, or Pending-Settlement Consumer;
- d. if a Credit-Redress Consumer, the amount of credit to be made;
- e. if a Refund-Redress Consumer, the amount of refund due; and

- f. if a Pending-Settlement Consumer, in addition to any credit to be made or refund due, the settlement balance as of the date the Account-Credits Redress Plan is submitted.

61. SNAAC must identify and provide the above information that is in their or their agents' possession or control and must cooperate in the transfer and, if necessary, the clarification of said information so that it is usable by the Bureau.

XIV

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor SNAAC's compliance with this Consent Order:

62. Within 14 days of receipt of a written request from the Bureau, SNAAC must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

63. SNAAC must permit Bureau representatives to interview any employee or other person affiliated with SNAAC who has agreed to such an interview. The person interviewed may have counsel present.

64. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 U.S.C. § 5562 and 12 C.F.R. § 1080.6 or other compulsory process.

65. For the duration of the Order in whole or in part, SNAAC agrees to be subject to the Bureau's supervisory authority under 12 U.S.C. § 5514. Consistent with 12 C.F.R. § 1091.111, SNAAC may not petition for termination of supervision under 12 C.F.R. § 1091.113.

XV

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

66. SNAAC may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.

67. The Enforcement Director may, in his discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if he determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XVI

Administrative Provisions

68. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against SNAAC, except as described in Paragraph 69.

69. The Bureau releases and discharges SNAAC from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section V of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

70. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

71. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by SNAAC. If such action is dismissed or the relevant adjudicative body rules that SNAAC did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

72. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

73. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve SNAAC wherever SNAAC may be found and SNAAC may not contest that court's personal jurisdiction over it.

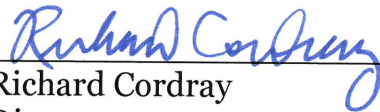
74. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties regarding the practices described in Section V of this Consent Order. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order

or the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

75. Nothing in this Consent Order shall modify or supersede the 2015 Consent Order or the Stipulated Final Judgment and Order in *Consumer Financial Protection Bureau v. Security National Automotive Acceptance Company, LLC*, Civil Action No. 1:15-cv-401-WOB (S.D. Ohio, filed Oct. 26, 2015).

76. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing SNAAC, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 24th day of April, 2017.



Richard Cordray
Director
Consumer Financial Protection Bureau

EXHIBIT A

**UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING

File No. 2015-CFPB-0027

In the Matter of:

**SECURITY NATIONAL
AUTOMOTIVE ACCEPTANCE
COMPANY, LLC**

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed the debt-collection practices of Security National Automotive Acceptance Company, LLC (SNAAC or Respondent, as defined below), an auto-finance company specializing in extending credit to members of the United States military through the acquisition of retail installment sales contracts originated by motor vehicle dealers. The Bureau has found that Respondent engaged in the following law violations in its collection of consumer debt, including in the Collection Letters (defined below): Respondent threatened to contact delinquent consumers' commanding officers and did in fact contact their commanding officers, disclosing details about consumers' debts and delinquencies; Respondent made misleading statements regarding the potential impacts on consumers' military careers and tax liability if they remained delinquent; and Respondent made misleading statements regarding its intention to take legal action and its ability to obtain involuntary allotments and garnishments.

This conduct was unfair, deceptive, and abusive in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531, 5536. Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I

Jurisdiction

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565.

II

Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated 10/20/2015 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

III

Definitions

3. The following definitions apply to this Consent Order:
- a. “Affected Consumers” means the consumers to whom Respondent sent a Collection Letter and who thereafter made one or more payments to Respondent.
 - b. “Board” means Respondent’s duly elected and acting Board of Directors.
 - c. “Collection Letter” means form collection letters RECC108,

RECC114, RECC118, RECC137, and RECC138 sent by Respondent during the Relevant Period.

- d. “Command” means a commanding officer or chain of command.
- e. “Complaint” means the civil complaint in *Consumer Financial Protection Bureau v. Security National Automotive Acceptance Company, LLC*, No. 1:15-cv-401 (S.D. Ohio filed June 17, 2015), attached to this Consent Order as Exhibit A.
- f. “Effective Date” means the date on which the Consent Order is issued.
- g. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his delegee.
- h. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.
- i. “Relevant Period” means the period from December 23, 2011 to the Effective Date.
- j. “Respondent” means Security National Automotive Acceptance Company, LLC (also referred to as SNAAC) and its successors and assigns.
- k. “Stipulated Final Judgment” means the Stipulated Final Judgment and Order filed on 10/26/2015 in *Consumer Financial Protection Bureau v. Security National Automotive Acceptance Company, LLC*, No. 1:15-cv-401 (S.D. Ohio).

IV

Bureau Findings and Conclusions

4. The Bureau finds the facts as alleged in the Complaint, which is incorporated herein by reference and attached as Exhibit A. Based on those facts and for the reasons stated in the Complaint, the Bureau concludes that Respondent is a “covered person” under the CFPA, 12 U.S.C. § 5481(6)(A), (15)(A)(i) & (x), and that Respondent committed unfair, deceptive, and abusive acts and practices in violation of §§ 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B), as charged in Counts I through V of the Complaint.

ORDER

V

Order to Provide Redress

IT IS ORDERED that:

5. Respondent shall provide redress, in the form of credits and refunds, to the Affected Consumers in the amount of \$2,274,855.70.

6. Within 30 days of the Effective Date, Respondent must submit to the Enforcement Director for review and non-objection a comprehensive written plan for providing redress consistent with this Consent Order (Redress Plan), including timeframes and deadlines for implementation and completion. The Enforcement Director will have the discretion to make a determination of non-objection to the Redress Plan or direct the Respondent to revise it to be consistent with this Consent Order. If the Enforcement Director directs the Respondent to revise the Redress Plan, the Respondent must make the revisions and resubmit the Redress Plan to the Enforcement Director within 15 days. After receiving notification that the Enforcement Director has made a determination of

non-objection to the Redress Plan, the Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

7. The Redress Plan must identify the Affected Consumers and provide any necessary descriptions and formulas for determining the amounts of credits or refunds they will receive.

8. The Redress Plan must also contain the following:

- a. notices to be sent to Affected Consumers informing them of the credit or refund resulting from the Order;
- b. any steps necessary to amend or stop payment arrangements previously entered into for payments no longer necessary after the credits required by this Order;
- c. provide for the furnishing of information to all consumer reporting agencies regarding the balance adjustments resulting from the redress required by the Order; and
- d. a report to be prepared by an internal auditor or third party documenting completion of redress, including any funds that Respondent was not able to return to Affected Consumers.

9. After completing the Redress Plan, if the amount of the unclaimed or uncredited redress provided to Affected Consumers is less than \$2,274,855.70, within 30 days of the completion of the Redress Plan, Respondent must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, the unclaimed or uncredited amounts that were to be refunded or credited to Affected Consumers under this Consent Order.

10. The Bureau may use these unclaimed or uncredited amounts to provide additional redress to Affected Consumers. If the Bureau determines, in

its sole discretion, that additional redress to Affected Consumers is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this paragraph.

11. Respondent may not condition the provision of any redress to any Affected Consumer under this Order on that Affected Consumer waiving any right.

VI

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

12. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$1,000,000 to the Bureau.

13. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

14. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

15. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

- a. claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or

- b. seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

16. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

VII

Additional Monetary Provisions

IT IS FURTHER ORDERED that:

17. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

18. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

19. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used

for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

20. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

VIII

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

21. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.

22. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

IX

Recordkeeping

IT IS FURTHER ORDERED that

23. Respondent must create, for at least 5 years from the Effective Date, the following business records:

- a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau; and
 - b. all documents and records pertaining to the Redress Plan, described in Section V above.
24. Respondent must retain the documents identified in this Section for at least 5 years.
25. Respondent must make the documents identified in this Section available to the Bureau upon the Bureau's request.

X

Notices

IT IS FURTHER ORDERED that:

26. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re Security National Automotive Acceptance Company, LLC*, File No. 2015-CFPB-0027," and send them either:

- a. by overnight courier (not the U.S. Postal Service), as follows:
Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1625 Eye Street, N.W.
Washington D.C. 20006; or
- b. by first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:
Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552

XI

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Consent Order:

27. Within 30 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

28. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

29. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 U.S.C. § 5526 and 12 C.F.R. § 1080.6 or other compulsory process.

30. For the duration of the Order in whole or in part, Respondent agrees to be subject to the Bureau's supervisory authority under 12 U.S.C. § 5514. Consistent with 12 C.F.R. § 1091.111, Respondent may not petition for termination of supervision under 12 C.F.R. § 1091.113.

XII

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

31. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.

32. The Enforcement Director may, in his discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XIII

Administrative Provisions

33. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

34. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

35. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

36. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this

Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

37. This Consent Order and the accompanying Stipulation – together with the Stipulated Final Judgment – contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order, the accompanying Stipulation, and the Stipulated Final Judgment. This Consent Order, the accompanying Stipulation, and the Stipulated Final Judgment supersede any prior oral or written communications, discussions, or understandings.

38. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 27th day of October, 2015.



Richard Cordray
Director
Consumer Financial Protection Bureau

EXHIBIT A

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION**

CONSUMER FINANCIAL
PROTECTION BUREAU,

Plaintiff

v.

SECURITY NATIONAL
AUTOMOTIVE ACCEPTANCE
COMPANY, LLC, an Ohio limited liability
company,

Defendant.

Civil Action No. 1:15-cv-401

COMPLAINT

Electronically Filed

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The Consumer Financial Protection Bureau (the “Bureau”) brings this action against Security National Automotive Acceptance Company, LLC (“SNAAC”) and alleges as follows:

INTRODUCTION

1. Defendant SNAAC is an auto-finance company specializing in lending to members of the United States military. SNAAC has engaged in unlawful acts and practices in its collection of consumer debt. SNAAC has threatened to contact delinquent borrowers’ commanding officers and has in fact contacted commanding officers, disclosing details about borrowers’ debts and delinquencies; SNAAC has made misleading statements regarding the potential impacts on borrowers’ military careers and tax liability if they remained delinquent; and SNAAC has made misleading statements regarding its intention to take legal action and its ability to obtain involuntary allotments and garnishments. This conduct is unfair, deceptive,

and abusive in violation of the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5531, 5536.

JURISDICTION AND VENUE

2. This Court has subject-matter jurisdiction over this action because it presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345; 12 U.S.C. § 5565.

3. Venue is proper because Defendant is located, resides, and does business in this District. 12 U.S.C. § 5564(f).

PARTIES

4. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer-financial products and services under “Federal consumer financial laws.” 12 U.S.C. § 5491(a). The Bureau is authorized to commence civil actions by its own attorneys to address violations of Federal consumer financial laws, including the prohibition on covered persons from engaging in any unfair, deceptive, or abusive act or practice under the CFPA, 12 U.S.C. §§ 5564(a)-(b), 5531, 5536.

5. SNAAC is an Ohio limited-liability company headquartered in Mason, Ohio. SNAAC purchases and services retail-installment-sales contracts originated by motor vehicle dealers – primarily in the sale of used vehicles. It conducts business in approximately 30 states. SNAAC lends principally to current and retired members of the United States military, although it also lends to some civilians. (SNAAC’s borrowers will be referred to collectively as “servicemembers.”)

6. At all times between July 21, 2011 and the present, SNAAC has collected millions of dollars in consumer debt from thousands of servicemembers arising from retail-installment-sales contracts. Accordingly, SNAAC has offered or

provided a consumer-financial product or service and is a “covered person” under the CFPA. 12 U.S.C. § 5481(6)(A), (15)(A)(i) & (x).

FACTUAL BACKGROUND

Threatened and Actual Contacts with Commanding Officers and Representations Regarding Impacts of Delinquency on Servicemembers’ Military Careers

7. On many occasions in telephone and written collection communications with servicemembers, SNAAC collectors have said that they would contact servicemembers’ commanding officers or chains of command (collectively “command”)* about the servicemembers’ debts and delinquencies. In numerous such communications, SNAAC collectors have said that they would inform command that the servicemembers were in violation of the Uniform Code of Military Justice (“UCMJ”), a Department of Defense instruction, standard, or regulation (collectively “DoDI”), or military regulations, and that the servicemembers consequently could be subject to proceedings or discipline under the UCMJ (collectively “UCMJ action”) for indebtedness.

8. On many occasions, SNAAC collectors have contacted servicemembers’ commands by telephone and in writing, disclosing details of the servicemembers’ debts and delinquencies and requesting assistance in bringing the accounts current. In numerous such communications, SNAAC collectors have characterized delinquencies as violations of a DoDI or military regulations and have said that the servicemembers were subject to UCMJ action.

9. In many instances, SNAAC collectors have contacted commanding officers on multiple occasions regarding a single account and have escalated contacts up the chain of command. On numerous occasions, after servicemembers had

* “Command” as used herein will also include civilian employers of SNAAC borrowers.

requested that SNAAC cease contacts with command, SNAAC has continued such contacts.

10. In telephone and written communications, SNAAC collectors have on many occasions told servicemembers and their commands not only that servicemembers' delinquencies could result in UCMJ action, but also that those delinquencies could have a number of adverse impacts on the servicemembers' military careers, including demotion, loss of promotion, discharge, denial of re-enlistment, loss of security clearance, or re-assignment. In many instances, consequences described by SNAAC collectors were exaggerated: they were extremely unlikely to occur or could not occur as a result of servicemembers' consumer-debt delinquencies.

11. The above-described communications with servicemembers and their commands caused or were likely to cause servicemembers to suffer substantial injury.

Contract Addendum Purporting to Authorize Contacts with Command

12. Since at least July 21, 2011, servicemembers who obtained financing through SNAAC have been required to sign a contract addendum entitled, "Addendum to Retail Installment Contract and Security Agreement (Includes an Arbitration Clause)." Buried in the addendum is a provision purporting to give SNAAC permission to contact the borrower's "employer/commanding officer" to assist in collecting in the event of default and for other purposes.

13. Many servicemembers were unaware that among the documents they signed when purchasing their vehicle was a contract addendum containing such a provision. Even if they had read the language, servicemembers had no ability to bargain or negotiate the provision out of the contract addendum. And even if servicemembers signed the addendum knowing that it contained such a provision, they could not reasonably have anticipated the nature and frequency of the

threatened and actual contacts with command to which they would be subject upon default.

Representations Regarding Intent to File Collection Action

14. On many occasions, SNAAC has stated to servicemembers that it intended to file collection actions when, at the time SNAAC made the statement, it had not determined whether to take such action. Under company policy, SNAAC does not file a collection action unless an account meets multiple internal criteria. Only after a SNAAC representative has researched the account and found that it meets all of the criteria and after one or more other SNAAC personnel has independently reviewed the account for compliance with the internal criteria does SNAAC make a determination regarding whether to take legal action.

15. In many instances, SNAAC has nevertheless represented to servicemembers – both directly and through communications with their commands – that it intended to file suit before completing the required internal research and review.

Misrepresentations Regarding Other Consequences of Delinquency

16. In numerous collection communications, SNAAC has made the following misrepresentations:

- a. SNAAC has misleadingly suggested that it could immediately commence an involuntary allotment or wage garnishment – without first obtaining a judgment;
- b. SNAAC has misleadingly suggested that failure to pay a deficiency judgment could result in the servicemember being held in contempt of court or subject to court-ordered penalties, when such consequences were extremely remote or impossible; and
- c. SNAAC has misleadingly suggested that servicemembers could be taxed on all or a portion of an unpaid balance when SNAAC had not

satisfied the Internal Revenue Service's criteria for reporting the servicemembers' debts as being discharged and thereby taxable.

COUNT I

(Violation of the CFPA – Unfair Acts or Practices – Threatened and Actual Contact with Command)

17. The allegations in paragraphs 1-16 are incorporated here by reference.

18. An act or practice is unfair under the CFPA if it causes or is likely to cause substantial injury to consumers that is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

19. Since July 21, 2011, in communications with consumers for the purpose of collecting debt, SNAAC has threatened to contact command regarding the debt and delinquency; has threatened to notify command that the consumer is in violation of the UCMJ, DoDI, and military regulations and is subject to potential UCMJ action; and has represented that the consumer could suffer damage to his or her military career for failing to pay the debt. In communications with command for the purpose of collecting on credit contracts, SNAAC has disclosed details of consumers' debts and delinquencies, has characterized the delinquencies as violations of the DoDI and military regulations subjecting the consumer to potential UCMJ action, and has described negative consequences to the consumers' military careers that allegedly could result from their indebtedness.

20. SNAAC's conduct caused or was likely to cause substantial injury to consumers that was not outweighed by any countervailing benefits.

21. Many consumers were unaware of the contractual language purporting to authorize SNAAC to contact their command. Even if they had been aware of the provision, they had no opportunity to bargain for its removal, and they could not reasonably have anticipated the nature and frequency of threatened and actual contacts with command to which they could be subject upon default. In numerous

instances, SNAAC continued to contact command after consumers requested a cessation of such contacts.

22. Accordingly, SNAAC committed unfair acts or practices in violation of 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

COUNT II
(Violation of the CFPA – Abusive Acts or Practices – Threatened and Actual Contact with Command)

23. The allegations in paragraphs 1-16 are incorporated here by reference.

24. An act or practice is abusive under the CFPA if it takes unreasonable advantage of consumer's inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

25. Since July 21, 2011, SNAAC has taken unreasonable advantage of consumers' inability to protect their interests in connection with their selection of SNAAC to finance vehicle purchases and SNAAC's collection of debt arising from such financing.

26. At the time they selected SNAAC to finance their purchases, many consumers did not know that upon default, they would be subject to the threatened and actual contacts with command described above. Many consumers were not aware of the contractual language purporting to authorize such contacts. Even if they had been aware of the provision, they had no opportunity to bargain for its removal, and they could not have anticipated the nature and frequency of threatened and actual contacts with command to which they could be subject upon default.

27. Once consumers defaulted, they became subject to the repeated threats to contact and actual contacts with command described above. In numerous instances, SNAAC continued to contact command after consumers had requested a cessation of such contacts.

28. SNAAC took unreasonable advantage of consumers' inability to protect their interests, leveraging consumers' military status in its collection of debt.

Through exaggerated claims regarding the potential impacts of a delinquency on consumers' military careers, threats to inform command about delinquencies and notify command of alleged military violations, as well as actual contacts with command in which SNAAC asserted that consumers had committed such violations and were therefore subject to discipline, SNAAC brought enormous pressures to bear on servicemember borrowers that would not be available in the collection of debt from civilian borrowers. Consumers who became delinquent on vehicle loans found themselves subject to coercive debt-collection tactics against which they could not have protected themselves, either at the time of contracting or after becoming delinquent.

29. Accordingly, SNAAC committed abusive acts or practices in violation of sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

COUNT III
(Violation of the CFPA – Deceptive Acts or Practices – Intent to Sue)

30. The allegations in paragraphs 1-16 are incorporated here by reference.

31. An act or practice is deceptive under the CFPA if there is a misrepresentation or omission of information that is likely to mislead consumers acting reasonably under the circumstances and that information is material to consumers.

32. Since July 21, 2011, in numerous instances in connection with the collection or attempt to collect debt from consumers, SNAAC has represented, directly or indirectly, expressly or by implication, that it intended to take legal action against the consumers.

33. In truth and in fact, in numerous instances, SNAAC did not intend to take such action against consumers at the time SNAAC made the statement.

34. Such representations were material and likely to mislead consumers acting reasonably under the circumstances.

35. Accordingly, SNAAC committed deceptive acts or practices in violation of 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

COUNT IV
(Violation of the CFPA – Deceptive Acts or Practices – Impacts on Military Careers)

36. The allegations in paragraphs 1-16 are incorporated here by reference.

37. Since July 21, 2011, in numerous instances in connection with the collection or attempt to collect debt from consumers, SNAAC has represented, directly or indirectly, expressly or by implication, that a consumer's failure to pay a debt could result in UCMJ action and have a number of adverse career consequences.

38. In truth and in fact, in numerous instances, it was extremely unlikely that the described consequences would occur.

39. Such representations were material and likely to mislead consumers acting reasonably under the circumstances.

40. Accordingly, SNAAC committed deceptive acts or practices in violation of 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

COUNT V
(Violation of the CFPA – Deceptive Acts or Practices – Other Consequences of Delinquency)

41. The allegations in paragraphs 1-16 are incorporated here by reference.

42. Since July 21, 2011, in numerous instances in connection with the collection or attempt to collect debt from consumers, SNAAC has represented, directly or indirectly, expressly or by implication, that:

- a. SNAAC could immediately commence an involuntary allotment or wage garnishment – without first obtaining a judgment;
- b. a consumer's failure to pay a deficiency judgment could result in the consumer's being held in contempt of court or subject to court-ordered penalties; and

c. a consumer's failure to pay a delinquent debt could result in all or a portion of the unpaid balance to be taxed.

43. In in truth and in fact, in numerous instances, such consequences would not or could not occur.

44. Such representations were material and likely to mislead consumers acting reasonably under the circumstances.

45. Accordingly, SNAAC committed deceptive acts or practices in violation of 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

DEMAND FOR RELIEF

The Bureau requests that the Court:

- a. permanently enjoin Defendant from committing future violations of the CFPA;
- b. award damages or other monetary relief against Defendant;
- c. order Defendant to pay redress to consumers harmed by its unlawful conduct;
- d. order disgorgement of ill-gotten revenue against Defendant;
- e. impose civil money penalties against Defendant;
- f. order Defendant to pay the Bureau's costs incurred in connection with prosecuting this action; and
- g. award additional relief as the Court may determine to be just and proper.

Dated: June 17, 2015

Respectfully submitted,

Anthony Alexis
Enforcement Director
Jeffrey Paul Ehrlich
Deputy Enforcement Director
John C. Wells
Assistant Litigation Deputy
/s/ Maxwell S. Peltz
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