

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

**Administrative Proceeding  
File No. 2016-CFPB-0018**

**In the Matter of:**

**Interstate Lending, LLC,**

**Respondent.**

**AMENDED NOTICE OF CHARGES  
SEEKING CIVIL MONETARY  
PENALTIES AND OTHER  
LEGAL AND EQUITABLE  
RELIEF**

The Consumer Financial Protection Bureau (“CFPB or “Bureau”) submits this Notice of Charges against Respondent Interstate Lending, LLC (“Interstate Lending” or “Company”) alleging the Company failed to clearly and conspicuously disclose a corresponding annual percentage rate when advertising a periodic interest rate in violation of the Truth in Lending Act (“TILA”) 15 U.S.C. § 1664(c), the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. § 5536(a)(1)(A), and TILA’s implementing Regulation Z, 12 C.F.R. § 1026.24(c). In support of its Notice of Charges, the Bureau alleges and submits as follows:

**Jurisdiction and Legal Authority**

1. The Bureau has authority over this matter pursuant to sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.
2. Under section 1053 of the CFPA, the Bureau may bring an adjudication proceeding to enforce compliance with TILA, Regulation Z, and section 1036(a)(1) of the CFPA. 12 U.S.C. § 5563(a).

3. Under section 1055 of the CFPA, the Bureau has jurisdiction to grant any appropriate legal or equitable relief with respect to a violation of federal consumer financial law, including the TILA and Regulation Z, and the CFPA violations alleged in this Notice of Charges. 12 U.S.C. §§ 5511(c)(4), 5512(a), 5563, 5565.

### **Respondent**

4. Interstate Lending is a limited liability company formed in Arizona in 2005.

5. The Company is licensed as a sales finance company by the Arizona Department of Financial Institutions.

6. The Company advertised, and has been advertising during all times relevant to this Notice of Charges, “closed-end credit” in the form of vehicle title loans to “consumers” as those terms are defined in Regulation Z, 12 C.F.R. § 1026.2(a)(10) & (11).

7. Interstate Lending is a “person” within the meaning of TILA and Regulation Z because it is a limited liability company. 15 U.S.C. § 1602(e), 12 C.F.R § 1026.2(a)(22).

8. Interstate Lending is a “covered person” under the CFPA because it is a limited liability company that engages in offering and providing vehicle title loans, which are “consumer financial products or services” under the CFPA. 12 U.S.C. §§ 5481(5), (6), (15)(A)(i), (19).

### **The CFPA**

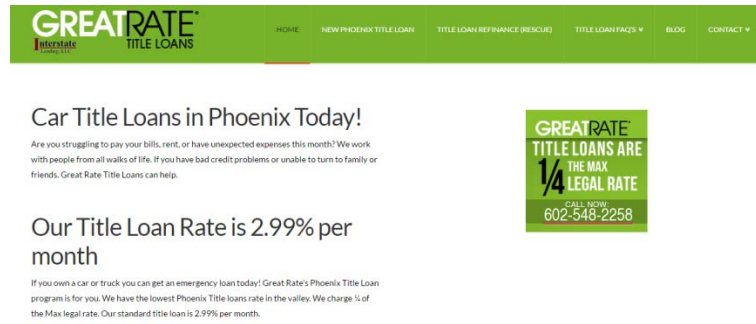
9. Section 1036(a)(1)(A) of the CFPA prohibits covered persons from offering or providing to a consumer “any financial product or service not in conformity with Federal consumer financial law,” or otherwise committing “any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

### **TILA and Regulation Z**

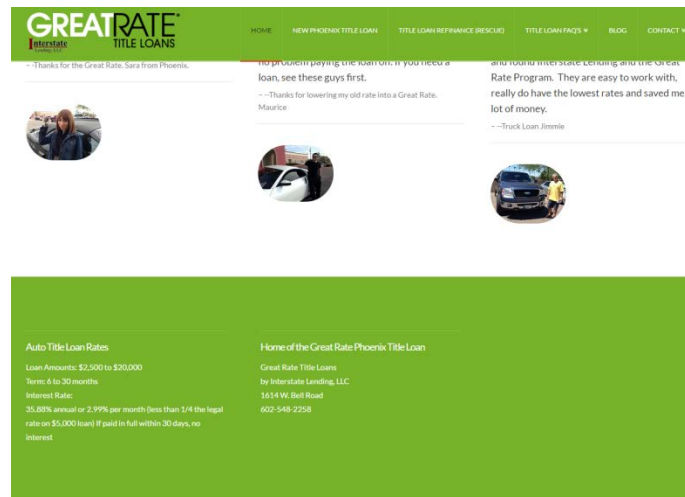
10. TILA's implementing regulation, Regulation Z, requires that when an advertisement for closed end credit "states a rate of finance charge, it shall state the rate as an 'annual percentage rate,' using that term." 12 C.F.R. § 1026.24(c); *see also* 15 U.S.C. § 1664(c).
11. Regulation Z further requires that all required disclosures in advertisements "be made clearly and conspicuously." 12 C.F.R. § 1026.24(b).
12. Regulation Z defines "advertisement" as "a commercial message in any medium that promotes, directly or indirectly, a credit transaction." 12 C.F.R. § 1026.2(a)(2).
13. Regulation Z defines "finance charge" as "the cost of consumer credit as a dollar amount." The finance charge "includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit." 12 C.F.R. § 1026.4(a).
14. Regulation Z also sets forth detailed requirements that creditors must follow when calculating the annual percentage rate. 12 C.F.R. § 1026.22.

### **Allegations Regarding Non-Compliant Advertisements**

15. Until September 21, 2016, Interstate Lending marketed its services on the Internet at the address <http://greatratetitleloans.com>.
16. On the homepage of the Company's website, in large letters, the Company advertised, "Our Title Loan Rate is 2.99% per month!"



17. At the bottom of the page, in small print, the website included the following information regarding interest rates: “Interest Rate: 35.99% annual or 2.99% per month (less than 1/4 the legal rate on \$5,000 loan) If paid in full within 30 days, no interest.”



18. The “annual” interest rate displayed on the website homepage was simply the monthly rate multiplied by 12. The actual annual percentage rate charged on the loans, as disclosed in the Company’s loan contracts, was higher because it included additional fees and charges not included in the annual rate displayed on the homepage of the website.

19. The Company’s Internet advertisement constitutes a commercial message in any medium that promotes, directly or indirectly, a credit transaction.

20. The Company’s Internet advertisement failed to clearly and conspicuously disclose a corresponding annual percentage rate for the advertised rate of 2.99% and also failed to use the term “annual percentage rate” or its common abbreviation “APR.”

21. No other page within the <http://greatratetitleloans.com> website domain disclosed the annual percentage rate that corresponded to the 2.99% financing rate advertised on the website homepage.

22. The “Title Loan Analysis” page of the <http://greatratetitleloans.com> domain contained a comparison of a hypothetical \$5,000 loan from Interstate to a \$5,000 loan from a hypothetical competitor, but the APR on the Company’s loans varied depending on the size and duration of the loan so the example rate was not an accurate disclosure of the corresponding annual percentage rate for the 2.99% monthly rate advertised on the website homepage.

The screenshot shows the 'Title Loan Analysis' page on the Great Rate Title Loans website. The page features a comparison table between 'GREAT RATE by Interstate Lending' and 'Our Competitors (at max legal rate)'. To the right of the table are two promotional banners. The top banner offers to 'pay down principal and interest with no balloon payment' and includes the phone number 602-548-2258. The bottom banner states 'GREAT RATE TITLE LOANS ARE 1/4 THE MAX LEGAL RATE' and also includes the phone number 602-548-2258.

	GREAT RATE by Interstate Lending	Our Competitors (at max legal rate)
Monthly Interest	2.99%	13.00%
Annual Interest	35.88%	156.00%
Loan Amount	\$5,000	\$5,000
Discount of 10%	\$500	\$0
Cash to Borrower	\$4,500	\$5,000
Total Financed	\$5,000	\$5,000
Monthly Payment	\$363.23 amortized	\$650.00 interest only
Term	18 Months	18 Months
Total Interest Charged	\$1,538.14* APR: 51.21%	\$11,700.00
	*If paid in full within 30 days of loan date -- Pay 0 interest with Great Rate	
Total Paid	\$6,538.15	\$16,700.00

23. The advertisement was displayed continuously on the Company’s website from at least July 6, 2016 until September 21, 2016.

## **Violations of Law**

### **Count One: Violation of TILA and Regulation Z, Failure to State the Annual Percentage Rate in Advertising**

24. The allegations in paragraphs 1 – 23 are incorporated by reference.
25. From at least July 6, 2016 to September 21, 2016, Interstate Lending advertised a monthly interest rate of 2.99% on its website without clearly and conspicuously advertising a corresponding annual percentage rate and without using the term “annual percentage rate” in violation of 15 U.S.C. § 1664(c) and 12 C.F.R. § 1026.24.

### **Count Two: Violation of the CFPA, Failure to State the Annual Percentage Rate in Advertising**

26. The allegations in paragraphs 1 – 23 are incorporated by reference.
27. The failure to clearly and conspicuously disclose the annual percentage rate when advertising a rate of a finance charge in advertising is a violation of both TILA and Regulation Z.
28. The Company’s failure to comply with the advertising requirements of TILA and Regulation Z constitutes a violation of section 1036(a)(1)(A) of the CFPA, 12 U.S.C. §§ 5536(a)(1)(A).

## **Demand for Relief**

Wherefore, as permitted by 12 U.S.C. § 5565, the Bureau seeks a final order:

- a. permanently enjoining Interstate Lending, LLC from committing future violations of the Truth in Lending Act, 15 U.S.C. § 1601, et seq., Regulation Z, 12 C.F.R. § 1026, et seq., the Consumer Financial Protection Act, 12 U.S.C. § 5536, or any provision of “Federal consumer financial law” as defined by 12 U.S.C. § 5481(14);

- b. awarding other appropriate injunctive relief against Interstate Lending, LLC;
- c. awarding civil money penalties against Interstate Lending, LLC;
- d. awarding costs against Interstate Lending, LLC; and
- e. awarding additional relief as deemed just and proper.

**Proceeding Time and Place**

Pursuant to 12 C.F.R. § 1081.203(d), the time and place of the administrative proceeding in the above-captioned action shall be determined by the hearing officer in the scheduling order.

**Time to Answer**

The answer must be filed and served within 10 days of service of this Amended Notice of Charges, in accordance with 12 C.F.R. § 1081.202(a).

December 14, 2016

Respectfully submitted,

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