

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

ADMINISTRATIVE PROCEEDING

File No. 2016-CFPB-0020

In the Matter of:

PHOENIX TITLE LOANS, LLC

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed the advertising practices of Phoenix Title Loans, LLC (Respondent, as defined below) and has identified the following law violations: Respondent failed to disclose a corresponding annual percentage rate when advertising a periodic interest rate in violation of section 144(c) of the Truth in Lending Act (TILA), 15 U.S.C. § 1664(c), the Consumer Financial Protection Act (CFPA), 12 U.S.C. § 5536(a)(1)(A), and TILA's implementing Regulation Z, 12 C.F.R. § 1026.24(c). Under sections 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 sections 1053 and 1055 of the CFPA and section 108 of TILA. 12 U.S.C. §§ 5563 and 5565, 15 U.S.C. § 1607(a)(6).

II Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated March 6, 2017 (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 sections 1053 and 1055 of the CFPB, 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. “Advertisement” means “a commercial message in any medium that promotes, directly or indirectly, a credit transaction.” 12 C.F.R. § 1026.2(a)(2).
 - b. “Clearly and prominently” means:
 - i. In textual communications (e.g., printed publications or words displayed on the screen of an electronic device), the disclosure must be of a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background on which it appears;
 - ii. In communications disseminated orally or through audible means (e.g., radio or streaming audio), the disclosure must be delivered in a

volume and cadence sufficient for an ordinary consumer to hear and comprehend it;

- iii. In communications disseminated through video means (e.g., television or streaming video), the disclosure must be in writing in a form consistent with subsection (i), and must appear on the screen for a duration sufficient for an ordinary consumer to read and comprehend it;
 - iv. In communications made through interactive media such as the internet, online services, and software, the disclosure must be unavoidable and presented in a form consistent with subsection (i);
 - v. In communications that contain both audio and visual portions, the disclosure must be presented simultaneously in both the audio and visual portions of the communication; and
 - vi. In all instances, the disclosure must be presented before the consumer incurs any financial obligation, in an understandable language and syntax, and with nothing contrary to, inconsistent with, or in mitigation of the disclosures used in any communication with the consumer.
- c. “Effective Date” means the date on which the Consent Order is issued.
 - d. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his/her delegate.
 - e. “Finance Charge” means “the cost of consumer credit as a dollar amount” and “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).

- f. “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.
- g. “Relevant Period” includes the period from July 6, 2016 to October 3, 2016.
- h. “Respondent” means Phoenix Title Loans, LLC and its successors and assigns.
- i. “Service Provider” has the same meaning as defined by 12 U.S.C. § 5481(26).

IV

Bureau Findings and Conclusions

The Bureau finds the following:

- 4. Respondent is a limited liability company formed in Arizona in 2013.
- 5. Respondent is licensed as a sales finance company by the Arizona Department of Financial Institutions.
- 6. Respondent offers, and has been offering during all times relevant to this Consent Order, “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. Respondent 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. Respondent 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).

9. Respondent markets its title loan services on the Internet at the address: <https://phoenixtitleloans.com>.
10. On the “Refinance Auto Title Loan” page of Respondent’s website, Respondent advertised interest rates of 3% and 6%.
11. The “Auto Title Loan Calculator” page of Respondent’s website advertised, “If you decide to take less than half of the cash offer we’ve given you, then we will instantly and automatically lower your interest rate to **5%!**” (emphasis in original).
12. On the “Auto Title Loan Calculator” page of its website, Respondent instructed consumers: “When using the calculator, take your expected interest rate from **Phoenix Title Loans, LLC** and multiply it by 12” (emphasis in original), but did not inform consumers that the calculated number would be an annual percentage rate.
13. No other page within Respondent’s website domain disclosed the annual percentage rate that corresponded to the monthly financing rates advertised throughout the website.
14. Respondent’s Internet advertisement constituted a commercial message in any medium that promotes, directly or indirectly, a credit transaction.
15. Respondent’s Internet advertisement failed to disclose a corresponding annual percentage rate for the advertised monthly rates of finance. The advertisement also failed to use the term “annual percentage rate” or its common abbreviation “APR.”

16. The advertisement was displayed continuously on Respondent's website throughout the Relevant Period.
17. Respondent's failure to express its finance charge as an annual percentage rate on its Internet advertisement is in violation of TILA and Regulation Z, which require 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).
18. Respondent'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).

ORDER

V

Conduct Provisions

IT IS ORDERED, under sections 1053 and 1055 of the CFPA, that:

19. Respondent and its members, officers, agents, servants, employees and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate section 144(c) of TILA, 15 U.S.C. § 1664(c), TILA's implementing Regulation Z, 12 C.F.R. § 1026.24(c), or section 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A). Respondent and its members, officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, shall permanently cease and desist from advertising a rate of a finance charge other than an annual percentage rate unless it is a simple annual rate or periodic rate that is applied

to an unpaid balance stated in conjunction with, but not more conspicuously than, the annual percentage rate in accordance with TILA and Regulation Z. 12 C.F.R. § 1026.24(c); *see also* 15 U.S.C. § 1664(c).

20. Respondent and its members, officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate any other provisions of TILA, 15 U.S.C. §§ 1601 *et seq.*, or its implementing Regulation Z, 12 C.F.R. pt. 1026.

VI

Compliance Plan

21. Within 30 days of the Effective Date, Respondent must submit to the Enforcement Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that Respondent's title lending practices comply with all applicable Federal consumer financial laws and the terms of this Consent Order (Compliance Plan). The Compliance Plan must include, at a minimum:
 - a. Detailed steps for addressing each action required by this Consent Order; and
 - b. Specific timeframes and deadlines for implementation of those steps.
22. The Enforcement Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct Respondent to revise it. If the Enforcement Director directs Respondent to revise the Compliance Plan, Respondent must make the revisions and resubmit the Compliance Plan to the Enforcement Director within 30 days.
23. After receiving notification that the Enforcement Director has made a determination of non-objection to the Compliance Plan, Respondent must

implement and adhere to the steps, requirements, deadlines, and timeframes outlined in the Compliance Plan.

VII

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

24. Under section 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 \$40,000 to the Bureau.
25. 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.
26. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
27. 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.

28. 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.
29. 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.
30. 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.
31. 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.
32. 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 Reporting Requirements

IT IS FURTHER ORDERED that:

33. Respondent 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 Respondent; or a change in Respondent's name or address. Respondent 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.
34. Within 7 days of the Effective Date, Respondent must designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent;
35. Respondent must report any change in the information required to be submitted under Paragraph 33 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.
36. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Enforcement Director an accurate

written compliance progress report (Compliance Report), which, at a minimum:

- a. Describes in detail the manner and form in which Respondent has complied with this Consent Order; and
- b. Attaches a copy of each Order Acknowledgment obtained under Section IX, unless previously submitted to the Bureau.

IX

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

37. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its 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.
38. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section VIII, any future members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.
39. 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.

X
Notices

IT IS FURTHER ORDERED that:

40. 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 Phoenix Title Loans, LLC* File No. 2016-CFPB-0020,” 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:

41. Within 14 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.

42. For purposes of this Section, the Bureau may communicate directly with Respondent, unless Respondent retains counsel related to these communications.
43. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XII

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

44. 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.
45. The Enforcement Director may, in his/her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he/she determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XIII

Administrative Provisions


46. 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 Respondent, except as described in Paragraph 47.

47. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV 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.
48. All pending motions are hereby denied as moot.
49. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 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.
50. 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.

51. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
52. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
53. 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 section 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.
54. This Consent Order and the accompanying Stipulation 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 and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
55. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its members, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this ¹⁷ day of March, 2017.



Richard Cordray
Director
Consumer Financial Protection Bureau