

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

ADMINISTRATIVE PROCEEDING File  
No. 2020-BCFP- 0016

In the Matter of:

**LOBEL FINANCIAL  
CORPORATION**

**CONSENT ORDER**

The Bureau of Consumer Financial Protection (Bureau) has reviewed the subprime-auto-loan-servicing activities of Lobel Financial Corporation (Respondent, as defined below) and has identified the following violations of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(c), 5536(a): (1) engaging in unfair acts or practices by continuing to bill borrowers for Loss Damage Waiver coverage but then failing to provide such coverage; and (2) engaging in unfair acts or practices by assessing and collecting various fees that borrowers were not contractually obligated to pay under the terms of the Loss Damage Waiver contract. Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order.

**I.**

**Jurisdiction**

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

**II.**

**Stipulation**

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated September 8, 2020 (Stipulation), which is incorporated here by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the Bureau’s issuance of this Consent Order 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 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” include:

- i. the at least 2,919 consumers who, during the Relevant Period, paid Respondent monthly Loss Damage Waiver premiums when they were more than 10 days delinquent but who Respondent did not provide with coverage;
  - ii. the at least 451 consumers who, during the Relevant Period, paid Respondent monthly Loss Damage Waiver premiums when they were more than 10 days delinquent and who submitted claims for either total vehicle loss or repair that Respondent denied; and
  - iii. the at least 607 consumers from whom Respondent collected Loss Damage Waiver claim-related fees that borrowers were not contractually obligated to pay under their agreements with Respondent during the Relevant Period.
- b. “Board” means Respondent’s duly-elected and acting Board of Directors.
- c. “Effective Date” means the date on which the Consent Order is issued.
- d. “Loss Damage Waiver” or “LDW” means the product that Lobel places on borrower accounts for a monthly premium when the borrower has insufficient insurance, and which covers cancellation of

the borrower's debt in the event of a total vehicle loss, or the cost of a repair

- e. "Regional Director" means the Bureau of Consumer Financial Protection's Regional Director for the Office of Supervision's West Region, or his or her delegate.
- 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" means from and including January 1, 2011 through and including July 31, 2019.
- h. "Respondent" means Lobel Financial Corporation and its successors and assigns.

#### **IV.**

#### **Bureau Findings and Conclusions**

The Bureau finds the following:

- 4. Lobel is a California corporation with its principal place of business in Anaheim, California.

5. Lobel indirectly originates and services subprime auto loans by taking assignment of retail-installment-sales contracts that automobile dealers make with borrowers.
6. These activities are “consumer financial products and services” under the CFPA. 12 U.S.C. § 5481(5), 15(A)(i) & (x).
7. Lobel is therefore a “covered person” under the CFPA. 12 U.S.C. § 5481(6).
8. Since 2008, Lobel has used LDW. The LDW product is not an insurance product, though Lobel uses it as a substitute for collateral-protection insurance.
9. The LDW agreement specifies that if at any time the borrower fails to maintain car insurance subject to certain specifications, Lobel will add LDW coverage to the consumer’s account. When Lobel adds LDW coverage, Lobel charges the consumer a monthly premium and, in the event of a repair, Lobel will pay the cost of the repair. In the event of a “total vehicle loss,” Lobel will cancel the borrower’s debt.
10. Lobel charges a \$70 monthly premium, on average, for LDW coverage.

**Findings and Conclusions as to  
Charging Delinquent Consumers for LDW**

11. The LDW agreement allows Lobel to cancel the agreement and suspend coverage if the borrower becomes delinquent on his or her loan by 10 or more days.
12. When consumers became 10 days delinquent on their loans, however, Lobel did not stop charging the monthly premium or otherwise indicate that it was canceling the LDW coverage. Instead, Lobel continued to charge these consumers, even though it no longer provided them with LDW coverage.
13. And when many of these consumers, who had become more than 10 days delinquent on their auto loans, experienced a “total vehicle loss” or needed a repair, Lobel denied their claims and did not cancel their debts or cover their repairs.
14. Since 2012, in the course of administering the LDW product, at least 2,919 consumers paid monthly LDW premiums when they were more than 10 days delinquent, yet Lobel did not provide those consumers with LDW coverage.
15. In addition, since 2012, at least 451 consumers submitted LDW claims for either “total vehicle loss” or repair that Lobel denied as though their coverage had been canceled.

16. Lobel improperly denied at least 261 additional consumers' LDW claims and improperly furnished information to the consumer-reporting agencies indicating that these consumers have outstanding debts totaling at least \$1,744,902.53, as a portion of the debts should not have been charged to the consumers under the LDW agreement.
17. These acts and practices violated the CFPA, 12 U.S.C. §§ 5531(c), 5536(a).

**Findings and Conclusions as to  
Charging Consumers Fees in Excess of \$500**

18. The LDW agreement states that when Lobel declares that a vehicle is a total loss, the borrower must pay the following fees and charges: the first \$500 in damages per loss occurrence; all past-due payments; interest in arrears through the date of loss; all past-due LDW fees; all late charges; all legal or collection or repossession fees; impound fees; storage or towing costs exceeding \$150 related to the damage occurrence; and lost-salvage fees resulting from a lien sale or other event where Lobel cannot recover the salvage value of the damaged motor vehicle.
19. Yet, in numerous instances, Lobel assessed and collected two additional fees not listed in the LDW agreement: (1) the vehicle's salvage value (even if the borrower did not wish to retain the vehicle for salvage) and (2) monthly loan payments from the time the LDW claim was approved and Lobel declared

the vehicle a total loss until the debt was canceled (a process that took Lobel, on average, 3 months to complete).

20. Since at least 2011, Lobel assessed and collected LDW claim-related fees that borrowers were not contractually obligated to pay under their agreements with Lobel.
21. In total, at least 607 consumers paid \$352,895 in excessive fees during this period.
22. These acts and practices violated the CFPA, 12 U.S.C. §§ 5531(c), 5536(a).

## V.

### **Prohibited Conduct**

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

23. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, in connection with the origination and servicing of auto loans, are permanently restrained and enjoined from:
  - a. failing to provide consumers with LDW coverage, collateral protection insurance, or similar products or services for which Respondent has charged consumers; or
  - b. charging consumers fees that are not authorized by its LDW contracts.



## VI.

### Role of the Board

**IT IS FURTHER ORDERED** that:

24. The Board must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order before their submission to the Bureau.
25. Although this Consent Order requires Respondent to submit certain documents to the Regional Director for review or non-objection, the Board will have the ultimate responsibility for Respondent's proper and sound management and for ensuring that Respondent complies with the laws that the Bureau enforces, including Federal consumer financial laws and this Consent Order.
26. Whenever this Consent Order requires the Board to perform or ensure Respondent's adherence to certain obligations, the Board must:
  - a. authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;
  - b. require timely reporting by management to the Board on the status of compliance obligations; and

- c. require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.

## **VII.**

### **Order to Pay Redress**

**IT IS FURTHER ORDERED** that:

27. Within 10 days of the Effective Date, Respondent must reserve or deposit \$1,345,224 into a segregated deposit account for the purpose of providing redress to Affected Consumers as required by this Section.
28. 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). The Enforcement Director will have the discretion to non-object to the Redress Plan or to direct Respondent to revise it. If the Enforcement Director directs Respondent to revise the Redress Plan, Respondent must revise and resubmit the Redress Plan to the Enforcement Director within 15 days. After receiving notification that the Enforcement Director has no objection to the Redress Plan, Respondent must implement and adhere to the

steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

29. The Redress Plan must:
  - a. provide the form, e.g., certified or bank check, in which the required redress shall be provided to the Affected Consumers;
  - b. provide the method that will be used to deliver redress to the Affected Consumers and to ensure the redress was received; and
  - c. provide the procedure that will be used to request that Consumer Reporting Agencies (CRAs) to which Respondent furnished inaccurate information about Affected Consumers, correct or update the inaccurate information in accordance with 15 U.S.C. § 1681s-2(a)(2). Where Respondent cannot furnish a correction or update, Respondent will request that the CRAs to which it furnished the information delete the tradeline.
  
30. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than \$1,345,224, 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 difference between the amount of redress provided to Affected Consumers and \$1,345,224.

31. The Bureau may use these remaining funds to pay additional redress to Affected Consumers. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress is completed, the money will not revert to Respondent. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.
32. Respondent may not condition the payment of any redress to any Affected Consumer under this Consent Order on that Affected Consumer waiving any right.

## **VIII.**

### **Order to Pay Civil Money Penalty**

**IT IS FURTHER ORDERED** that:

33. 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 by taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay the Bureau a \$100,000 civil money penalty.

34. 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.
35. The civil money penalty paid under this Consent Order will be deposited in the Bureau's Civil Penalty Fund, as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
36. Respondent, for all purposes, must treat the civil money penalty paid under this Consent Order as a penalty paid to the government. 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, for any civil money penalty paid under this Consent Order.
37. To preserve the civil money penalty's deterrent effect, Respondent may not argue in any Related Consumer Action 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 or because of any payment that the Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the amount of the offset or reduction 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.

**IX.**

**Additional Monetary Provisions**

**IT IS FURTHER ORDERED** that:

38. 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.

39. 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.
40. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer-identification numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.
41. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Regional 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.

**X.**

**Reporting Requirements**

**IT IS FURTHER ORDERED** that:

42. 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 no later than 14 days after the development.

43. Within 7 days of the Effective Date, Respondent must:
  - a. designate at least one telephone number and email, physical, and postal addresses as points of contact that the Bureau may use to communicate with Respondent;
  - b. identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; and
  - c. describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.



44. Respondent must report any change in the information required to be submitted under Paragraph 44 above at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.
45. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board, sworn to under penalty of perjury, which, at a minimum:
  - a. lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Respondent has complied with each such paragraph and subparagraph of the Consent Order;
  - b. describes in detail the manner and form in which Respondent has complied with the Redress Plan; and
  - c. attaches a copy of each Order Acknowledgment obtained under Section XI, unless previously submitted to the Bureau.

**XI.**

**Order Distribution and Acknowledgment**

**IT IS FURTHER ORDERED** that:

46. Within 7 days of the Effective Date, Respondent must submit to the Regional Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.
47. 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.
48. 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 X, any future board 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.
49. 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.

50. Within 90 days of the Effective Date, Respondent must provide the Bureau with a list of all persons and their titles to whom this Consent Order was delivered through that date under Paragraphs 48-49 and a copy of all signed and dated statements acknowledging receipt of this Consent Order under Paragraph 51.

## **XII.**

### **Recordkeeping**

**IT IS FURTHER ORDERED** that:

51. Respondent must create and retain 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.
  - b. all documents and records pertaining to the Redress Plan, described in Section VII, above.
  - c. for each individual Affected Consumer and his or her enrollment in the LDW coverage plan: the consumer's name, address, phone

number, email address; amount paid, the date on which the LDW coverage was purchased, dates when premiums were billed and paid, and, if applicable, dates when any claims were made and how the claims were resolved; and

- d. all consumer complaints and refund requests regarding the LDW coverage plan (whether received directly or indirectly, such as through a third party), and any responses to those complaints or requests.

- 52. Within 14 days of Respondent's receipt of a written request from the Bureau, Respondent must make the documents identified in Paragraph 51 available to the Bureau.

### **XIII.**

#### **Notices**

**IT IS FURTHER ORDERED** that:

- 53. 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* Lobel Financial Corporation, File No. 2020-BCFP- 0016 ," and send them by overnight courier or first-class mail to the below addresses and contemporaneously by email to [Enforcement\\_Compliance@cfpb.gov](mailto:Enforcement_Compliance@cfpb.gov):

Regional Director, Bureau West Region  
301 Howard Street, Suite 1200  
San Francisco, CA 94105

and

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

#### **XIV.**

##### **Cooperation with the Bureau**

**IT IS FURTHER ORDERED** that:

54. Respondent must cooperate fully to help the Bureau determine the identity and location of, and the amount of injury sustained by, each Affected Consumer. Respondent must provide such information in its or its agents' possession or control within 14 days of receiving a written request from the Bureau.

**XV.**

**Compliance Monitoring**

**IT IS FURTHER ORDERED** that:

55. Within 14 days of Respondent's receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested non-privileged information related to requirements of this Consent Order, which must be made under penalty of perjury; provide sworn testimony related to requirements of this Consent Order and Respondent's compliance with those requirements; or produce non-privileged documents related to requirements of this Consent Order and Respondent's compliance with those requirements.
56. For purposes of this Section, the Bureau may communicate directly with Respondent, unless Respondent retains counsel related to these communications.
57. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent about the requirements of this Consent Order and Respondents compliance with those requirements, who has agreed to such an interview. The person interviewed may have counsel present.

58. 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.

## **XVI.**

### **Modifications to Non-Material Requirements**

**IT IS FURTHER ORDERED** that:

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

## **XVII.**

### **Administrative Provisions**

**IT IS FURTHER ORDERED** that:

61. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau from taking any other action against Respondent, except as

described in Paragraph 62. Further, for the avoidance of doubt, the provisions of this Consent Order do not bar, estop, or otherwise prevent any other person or governmental agency from taking any action against Respondent.

62. 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 knew about them on 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.
63. 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.



64. This Consent Order will terminate 5 years from the Effective Date. 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.
65. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
66. 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.
67. 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.

68. 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.
69. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED**, this <sup>16<sup>th</sup></sup> day of September, 2020



Kathleen L. Kraninger  
Director  
Bureau of Consumer Financial Protection