

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

*In the matter of*

Pacific Rim Alliance Corporation

**Case No:** \_\_\_\_\_

**PETITION FOR AN ORDER TO SET ASIDE  
CIVIL INVESTIGATIVE DEMANDS OF AUGUST 14, 2024**

Lucy E. Morris

[lmorris@hudco.com](mailto:lmorris@hudco.com)

Anastasia V. Caton

[acaton@hudco.com](mailto:acaton@hudco.com)

Hudson Cook, LLP

1909 K Street NW, 4<sup>th</sup> Floor

Washington, DC 20006

Ph: 202.223-6930

*Counsel for Pacific Rim Alliance Corporation*

## INTRODUCTION

Pacific Rim Alliance (“Pacific Rim” or “the Company”) hereby respectfully petitions the Consumer Financial Protection Bureau (“Bureau”) to set aside the four civil investigative demands issued on August 14, 2024 (the “2024 CIDs”). In support thereof, the Company states as follows.

## SUMMARY OF ARGUMENT

The Bureau, in each CID it issues, states a commitment to the “Right to Regulatory Enforcement Fairness,” including for “a small business under Small Business Administration standards” (hereinafter, “Small Business”). But the Bureau’s 2024 CIDs, following on more than two years of investigation, are unfair and abusive to Pacific Rim, a Small Business owned by two women. For reasons unknown to the Company, the Bureau’s Enforcement Office has chosen to target Pacific Rim with an overreaching and overwhelming investigation, which the Company simply cannot afford. The investigation is over two years old, an example of the Bureau not meeting its performance goal of taking enforcement action (or not) within two years of opening the investigation.<sup>1</sup> This failure is especially egregious here because of its disproportionate impact on a Small Business. There have already been [REDACTED] [REDACTED] in the investigation, and the Company continues to produce [REDACTED] under an agreed-upon schedule. The Company anticipates that responding to the 2024 CIDs would put the total attorneys’ fees and costs of this investigation at **half a million dollars**. In addition, the Company’s CEO and limited staff have spent countless hours gathering and responding to Bureau requests, taking away from running day-to-day operations. An investigation should not seriously hinder the operations of any company—and certainly not a Small Business— but that will be the outcome if the 2024 CIDs are not set aside.

---

<sup>1</sup> Consumer Financial Protection Bureau, Evaluation Report, 2024-SR-C-002 (January 8, 2024), “The CFPB Can Enhance Certain Aspects of Its Enforcement Investigations Process,” available at: <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.consumerfinanceinsights.com/wp-content/uploads/sites/9/2024/01/cfpb-enforcement-investigation-proces.pdf>.

Indeed, adding to the already-burdensome investigation, the 2024 CIDs represent a “bureaucratic witch hunt” of the kind outlined by Sen. Tim Scott (R-S.C.) during Dir. Chopra’s most recent hearing before the Senate Committee on Banking, Housing, and Urban Affairs.<sup>2</sup> Director Chopra has reassured lawmakers that the Bureau’s focus is on large market participants and “repeat offenders,” neither of which applies to Pacific Rim. During recent hearings before House Financial Services, the Director also expressed concern for small companies facing the Bureau’s massive enforcement authority, stating that “when a small business or small company gets in trouble, they face being totally wiped out, but . . . a very large player really can just pay a fine and move on . . . You cannot have a situation where small businesses just get . . . the hammer, and everyone else is sort of getting a light touch.”

Contrary to these statements, the Bureau Staff has approached this investigation of a Small Business with the blunt force of a hammer. The investigation is a continuing fishing expedition in search of a theory. The Company has repeatedly asked the Bureau to identify any specific concerns and to focus its requests. Yet the Bureau has not identified any issues, consumer harm, violations of law, or specific concerns about unfair, deceptive, or abusive acts or practices. If the Company is doing something wrong, it welcomes the Bureau’s feedback so it can make corrections. Meanwhile, the impact of the investigation on this Small Business is disproportionate to any potential consumer harm (which, again, the Bureau has not identified). The Company is not, in the words of Sen. Brown (D-OH), a “massive, trillion-dollar Wall Street [company]” using its size and resources to take advantage of consumers.<sup>3</sup> Yet the Bureau is subjecting the Company to an overwhelming investigation that bears almost no relation to the CID’s stated purpose.

---

<sup>2</sup> Statement of Sen. Tim Scott (R-SC), Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs, “The Consumer Financial Protection Bureau’s Semiannual Report to Congress” (June 12, 2024).

<sup>3</sup> Statement of Sen. Sherrod Brown (D-OH), Chairman of the Senate Committee on Banking, Housing, and Urban Affairs, “The Consumer Financial Protection Bureau’s Semiannual Report to Congress” (June 12, 2024).

Complying with the 2024 CIDs, which make overbroad and unduly burdensome demands, seriously hinders the operations of this Small Business. The Company respectfully requests that the Bureau withdraw the 2024 CIDs, discuss any concerns that it has with the Company, and conclude its investigation.

### INVESTIGATION BACKGROUND

The Bureau has issued two prior CIDs to the Company, [REDACTED] (“2022 CID”) and [REDACTED] [REDACTED] (“2023 CID”).<sup>4</sup> Throughout 2022, the Company responded to the Bureau’s requests in the 2022 CID, including providing a full day of corporate testimony on several topics. Then, in January of 2023, the Bureau issued yet another CID, this one covering an astonishing array of topics and requesting [REDACTED] covering nearly every conceivable aspect of the Company’s consumer lending business. Upon receipt of the 2023 CID, the Company met and conferred with the Bureau Staff about limiting the scope. After failing to come to an agreement with Staff, and unsure of how to preserve its shrinking business in the face of the Bureau’s demands, the Company petitioned the Bureau to set aside the 2023 CID (“2023 Petition”). In the 2023 Petition, the Company described its financial decline and the unwieldy scope of the 2023 CID to explain why the 2023 CID imposed an undue burden. The Bureau denied the 2023 Petition. When it published the Company’s 2023 Petition to its website, the Bureau curiously redacted information about the scope and breadth of the 2023 CID (in addition to large portions of the CID itself, which was attached as an exhibit).<sup>5</sup> Although hidden from the public, it is clear that the Bureau’s CIDs in this matter are very similar to CIDs issued to other, larger, small dollar lenders.<sup>6</sup> In other words, the Bureau has treated Pacific Rim like a large

---

<sup>4</sup> The Bureau issued [REDACTED]. This CID did not seek new documents, information, or testimony.

<sup>5</sup> 2023-MISC-Pacific Rim Alliance Corporation-0001 (received January 26, 2023), available at: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb\\_petition-pacific-rim-alliance-corporation\\_2023-04.pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb_petition-pacific-rim-alliance-corporation_2023-04.pdf).

<sup>6</sup> See, e.g., Consumer Financial Protection Bureau v. Purpose Financial, Inc., Petition to Enforce Civil Investigative Demand, Exhibit A-1 (filed June 12, 2023), available at: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb\\_purpose-](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb_purpose-)

business, not the Small Business it is, notwithstanding the Bureau’s stated commitment on every CID to “Regulatory Enforcement Fairness.”

Nevertheless, over the last two years, the Company has cooperated, even as other, larger, small dollar lenders have gone to court to stay Bureau investigations pending the outcome of the U.S. Supreme Court’s decision in *Consumer Financial Protection Bureau v. Community Financial Services Association of America, LTD*. The Company’s cooperation with the 2022 and 2023 CIDs has provided the Bureau with:

- [REDACTED]
- A full day of corporate testimony from the Chief Executive Officer (who also serves as the Chief Compliance Officer) of the Company;
- [REDACTED];
- [REDACTED];
- [REDACTED]; and
- Emails covering a [REDACTED]

---

financial-inc\_petition-to-enforce\_2023-06.pdf; *See, e.g.*, *Consumer Financial Protection Bureau v. Check City Partnership, LLC, Petition to Enforce Civil Investigative Demand and Supporting Memorandum, Exhibit A* (filed June 12, 2023), available at: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb\\_check-city-partnership-llc\\_petition-to-enforce\\_2023-06.pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb_check-city-partnership-llc_petition-to-enforce_2023-06.pdf); *Consumer Financial Protection Bureau v. Financial Asset Management, Inc., Petition to Enforce Civil Investigative Demand and Supporting Memorandum, Exhibit A* (filed June 12, 2023), available at: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb\\_financial-asset-management-inc\\_petition-to-enforce\\_2023-06.pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://files.consumerfinance.gov/f/documents/cfpb_financial-asset-management-inc_petition-to-enforce_2023-06.pdf).

This represents a wealth of data and information from which the Bureau can ascertain whether the Company has engaged in law violations. To date, the Company has produced over [REDACTED] pages of documents and [REDACTED] of data at considerable financial and personnel strain. As a Small Business operating on thin margins, the Company's CEO has had to handle the Bureau's demands, taking away from her ability to lead the company and manage its daily operations. In addition, the Company has incurred over \$300,000 in legal fees and vendor costs. The Company, which already qualified as a Small Business, has continued to get smaller under the weight of the Bureau's investigation. Since the Bureau issued its 2022 CID, the Company has closed 17 stores (a 36% reduction in its brick-and-mortar presence), shed 22.4% of its staff, and its monthly average gross revenue has fallen by 21.4%. Currently, the Company operates only 30 stores in five states with 90 employees. Based on the 2022 investigational hearing taken by the Bureau, the Company estimates the four investigational hearings and written materials sought by the 2024 CIDs will cost the Company as much as \$200,000 in attorneys' fees and costs. This does not include the cost and disruption to the Company of producing numerous employees for hearings. To say that the 2024 CIDs impose an undue burden on this Small Business is obvious.

The reasonable approach, at this stage and particularly in consideration of the undue burden imposed on the Company, would be for the Bureau to narrow the scope of its investigation to address any specific remaining issues or concerns. But rather than focusing its investigation, the Bureau marches forward on a path that, by all appearances, is at best a fishing expedition or at worst abusive retaliation against a small, woman-owned business.

## DISCUSSION

### A. The Company has sought to limit the scope and burden of the Bureau's inquiry.

The Company has meaningfully engaged in the meet and confer process but is now at a loss. When Bureau Staff first contacted the Company about the possibility of investigational hearings, the Staff proposed five hearings, for the testimony of an administrative assistant, a human resources ("HR") manager, an IT professional, the director of collections operations, and one or more corporate representative(s).<sup>7</sup> The Staff said the corporate representative hearing would cover [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].<sup>8</sup>

On July 29, 2024, the parties discussed the Staff's proposal. During that call, the Company emphasized the tremendous burden of the proposed hearings on a business of Pacific Rim's small size and financial position, particularly considering the lengthy and burdensome investigation to date. The Company responded that the Staff's proposal would just pile on further with five different proposed hearings, all of which would require time and money to prepare, testify, and travel. Given the continuing burdens imposed on the Company, the Company asked that the Bureau consider a more targeted and efficient process to get to the heart of any Bureau concerns.<sup>9</sup> Instead, the Bureau expanded the burden and scope of its demands by issuing the 2024 CIDs.

### B. The 2024 CIDs are a continuation of the investigation's aimless fishing expedition.

The 2024 CIDs are even broader in scope than the Staff's July 24 proposal. The Bureau seeks the testimony of three individuals: a part-time administrative assistant, an IT professional, and the director

---

<sup>7</sup> Email from A. Seabrook to A. Caton and L. Morris, July 24, 2024.

<sup>8</sup> *Id.*

<sup>9</sup> See Email from L. Morris to A. Seabrook, July 30, 2024.

of collections operations. In addition, the Bureau seeks testimony of one or more corporate witnesses on a range of topics that were, in many instances, already covered by the corporate testimony in 2022 and the tens of thousands of documents already produced by the Company. Now, the Bureau seeks

[REDACTED] These [REDACTED], which are overbroad and not reasonably related to the CID's Notification of Purpose,

include:

- [REDACTED]  
[REDACTED]  
[REDACTED]
- The Company's policies, practices, and procedures [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- The Company's recordkeeping practices, [REDACTED]  
[REDACTED]  
[REDACTED]
- The Company's responses to each Interrogatory, Request for Documents, and Request for Written Reports sought by prior CIDs.
- The Company's policies, practices, procedures, [REDACTED]  
[REDACTED]."
- The Company's policies, practices, procedures, [REDACTED]  
[REDACTED]  
[REDACTED]



- [REDACTED]  
that the Company uses [REDACTED].

The 2024 CID directed to the Company also includes interrogatories [REDACTED]  
[REDACTED] the CID again defining each of these terms in an overbroad manner far exceeding the CID Notification of Purpose. It seeks this information for [REDACTED].  
But the Company has previously provided responses to Bureau requests for [REDACTED]  
[REDACTED]  
[REDACTED]”<sup>10</sup> The Company has likewise testified on its [REDACTED], including its policies and procedures [REDACTED].<sup>11</sup> It has provided documents reflecting [REDACTED] and documents addressing the [REDACTED]  
[REDACTED].<sup>12</sup> The Company also testified at length about [REDACTED].<sup>13</sup> Finally, the 2024 CID demands [REDACTED]  
[REDACTED] and regardless of employee privacy.

In short, the 2024 CIDs lack direction, duplicate prior requests and responses, and are overbroad.

---

<sup>10</sup> See Bates PRA0000334- PRA00000375.

<sup>11</sup> Bassett Hearing Transcript, pp. 137-139.

<sup>12</sup> See, e.g., Bates PRA00024234-PRA00029150; Bates PRA00024234-PRA00029150; Bates PRA00034867-PRA00035064; Bates PRA00038144- PRA00038185; Bates PRA00012178-PRA00012211; Bates PRA00012077-PRA00012111.

<sup>13</sup> Bassett Hearing Transcript, pp. 95-96, 108-112, 145-146.

**C. The 2024 CIDs bear almost no relationship to a legitimate investigational purpose.**

Importantly, the 2024 CIDs bear, at best, an attenuated relationship to the CID Notification of Purpose (“NOP”). The NOP sets forth three related areas of inquiry: whether the Company has (1) improperly induced borrowers to take out, renew, or refinance loan products that harmed them; (2) misrepresented the full, long-term costs of serially rolling over, renewing, or refinancing its loan products; or (3) misrepresented that its loans are short-term obligations despite being structured and serviced in a manner that renders them longer term obligations for many borrowers. In short, the CID purpose is to investigate misrepresentations or “improper[] induce[ments]” in making loans and refinancing loans. The NOP does not authorize a general investigation of the company’s underwriting, servicing, collections, or other practices, but the 2024 CIDs broadly seek such information.

The 2024 CIDs seek testimony about every aspect of the Company’s business (from application and origination through servicing and collection), its auditing and recordkeeping practices, and its models for monitoring loan portfolio performance. These topics do not relate to whether a lender “improperly induced borrowers” to take out loans or “misrepresented” the costs or short-term nature of loans. Indeed, in many ways the 2024 CIDs are so broad that there is no reasonable correlation to a lawful purpose.<sup>14</sup> They are, in the words of the U.S. Supreme Court, “of such a sweeping nature and so unrelated to the matter properly under inquiry as to exceed the investigatory power.”<sup>15</sup>

What is the Bureau hoping to find during these hearings that was not already in the Company’s prior productions? The Bureau has sought and obtained, among other documents, information, and testimony:

---

<sup>14</sup> *F.T.C. v. Texaco, Inc.*, 555 F.2d 862, 882 (D.C. Cir. 1977).

<sup>15</sup> See *United States v. Morton Salt Co.*, 338 U.S. 632, 652 (1948).

- [REDACTED]  
[REDACTED]  
[REDACTED]
- All template versions of text and email communications used by the Company [REDACTED]  
[REDACTED];
- Documents and emails reflecting the Company's [REDACTED]  
[REDACTED];
- Documents reflecting the contents of discussions between [REDACTED]  
[REDACTED];
- Emails reflecting, among other things, the content of any communication involving an owner of the Company, the chief executive officer, a regional manager, or a district manager that relate  
[REDACTED]  
[REDACTED]); and
- Complete [REDACTED]  
[REDACTED]).

Yet the Bureau soldiers on with an ever-expanding list of demands. The Bureau's demands are "indefinite" and improper.<sup>16</sup>

**D. Responding to the 2024 CIDs risks financial ruin for the Company.**

Following receipt of the 2024 CIDs, the parties met and conferred to discuss the undue cumulative burden of the 2024 CIDs in the context of the already lengthy and burdensome investigation.<sup>17</sup> During the meet and confer, counsel for the Company raised the issues discussed in this Petition, including the overbroad requests and the cumulative burden of the investigational hearings

---

<sup>16</sup> *Id.* At 652.

<sup>17</sup> The meet and confer statement required by 12 C.F.R. § 1080.6(e)(1) appears at Appendix A.

and written requests. Counsel for the Company asked the Bureau to withdraw the CIDs, narrow its focus, and raise any specific concerns. Counsel explained that the Company had already incurred hundreds of thousands of dollars in responding to the Bureau's investigation and estimated that the 2024 CIDs would cost the Company another \$200,000 in attorneys' fees and costs. Counsel explained that the cost and burden of the 2024 CIDs would seriously hinder the Company's operations. Counsel said again that the Company would like to understand any Bureau concerns about its practices. Finally, counsel said that the Company would consider making one or two witnesses available to address specific areas of concern, but any hearings should be focused and targeted, not overbroad and open-ended. The staff declined to identify any concerns or to narrow the CIDs.

The burden of the 2024 CIDs on this Small Business far outstrips any potential consumer harm and goes beyond the Bureau's lawful authority. The Company spent approximately \$50,000 in legal fees and expenses, including preparation and travel, for the Bureau's 2022 investigational hearing of the company, which lasted one day. Now, the Bureau is demanding five days of testimony for at least four different witnesses (potentially more, should the Company need to designate more than one corporate representative for the expansive list of hearing topics). Based on the prior hearing, the Company anticipates about \$200,000 in attorneys' fees and expenses to respond to the requested four hearings and multi-part interrogatories in the 2024 CIDs. The Company has already incurred almost \$320,000 in legal fees and vendor costs responding to the 2022 and 2023 CIDs, while at the same time suffering a 36% reduction in its brick-and-mortar footprint, a 22.4% reduction in its staff, and a 21.4% reduction in its monthly average gross revenue. In other words, the Bureau's aimless fishing expedition, if left unchecked, will likely cost this small, struggling business over half a million dollars in just over two years in attorneys' fees and costs. This may be nothing to, in the words of Sen. Brown, a "massive, trillion-dollar Wall Street company," but it seriously threatens Pacific Rim's viability. The 2024 CID's demands would not merely "disrupt or seriously hinder normal operations of a business"—the legal standard for modifying a civil investigative demand—but threaten to put the Company out of business altogether. If

the CFPB's Petition process is to have any meaning whatsoever, the Director's discretion should be exercised in this matter to set aside or modify significantly the CIDs served on the Company. Moreover, if the true goal of this investigation is to mitigate consumer harm, the Staff should be directed to move to a conclusion of the process that finally identifies the alleged wrongdoing or closes the investigation.

The U.S. Supreme Court has warned of "[o]fficious examination" that is "time consuming, clogging the process of business" and which "can become persecution when carried beyond reason."<sup>18</sup> The requirement of reasonableness, according to the Supreme Court, "comes down to specification of the documents to be produced adequate, but not excessive, for the purposes of the relevant inquiry."<sup>19</sup> The cumulative overwhelming demands in the 2024 CIDs are unreasonable and excessive, particularly given the lengthy and burdensome investigation to date. The 2024 CIDs undermine the Company's financial health and seek information which, in many instances, the Bureau already has, and which falls well outside the stated purpose of the investigation. In short, this investigation has become a "persecution" of a Small Business.

---

<sup>18</sup> *Oklahoma Press Publishing Co. v. Walling*, 327 U.S.C 186, 214 (1946).

<sup>19</sup> *Walling*, 327 U.S.C. at 209.

## CONCLUSION

For these reasons, the Company respectfully requests that the Bureau withdraw the 2024 CIDs, discuss any concerns that it has with the Company, and conclude its investigation.

Respectfully submitted,

Dated: September 3, 2024



---

Lucy E. Morris

[lmorris@hudco.com](mailto:lmorris@hudco.com)

Anastasia V. Caton

[acaton@hudco.com](mailto:acaton@hudco.com)

Hudson Cook, LLP

1909 K Street NW, 4<sup>th</sup> Floor

Washington, DC 20006

Ph: 202.223-6930

*Counsel for Pacific Rim Alliance Corporation*

## Appendix A

### Meet and Confer Statement

Counsel for petitioner, Pacific Rim Alliance Corporation (“Pacific Rim” or “the Company”), has conferred with counsel for the Bureau, pursuant to 12 C.F.R. § 1080.6(c), in a good faith effort to resolve, by agreement, the issues raised by this petition and have been unable to reach an agreement.

On August 26, 2024, at 11:30 am ET, Lucy Morris and Anastasia Caton, counsel for Pacific Rim, conferred with April Seabrook and John Thompson, Bureau counsel, by videoconference concerning the 2024 CIDs. During the call, Pacific Rim’s counsel raised the issues discussed in this Petition, explaining that the CIDs were overbroad and unduly burdensome for Pacific Rim. Pacific Rim’s counsel explained that five days of investigational hearings for four witnesses, along with the Interrogatories and Document Request, would have the cumulative burden of seriously hindering the business operations of the Company due to the Company’s small size and limited resources. Counsel for Pacific Rim also stated that the 2024 CIDs were overbroad and sought information not reasonably related to the CID Notification of Purpose. Counsel for Pacific Rim indicated the Company’s willingness to make available one or two witnesses to address specific areas of concern articulated by the Bureau, but Counsel for the Bureau declined to identify specific issues or to otherwise limit the scope of the CIDs.

Because the parties were unable to reach an agreement concerning the issues described above, Pacific Rim files its petition.

Respectfully submitted,

Dated: September 3, 2024



---

Lucy E. Morris

# EXHIBIT 1

## Jennifer Bassett Declaration

I, Jennifer Bassett, submit this declaration in support of Pacific Rim Alliance Corporation's Petition for an Order to Set Aside Civil Investigative Demands of August 14, 2024, as follows:

1. I am the Chief Executive Officer and Chief Compliance Officer of Pacific Rim Alliance Corporation.
2. Due to my position and my own personal knowledge, I am qualified and authorized to provide this declaration.
3. The factual assertions relied upon by Pacific Rim Alliance Corporation in its Petition are true and correct to the best of my knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: September 3, 2024.



---

Jennifer Bassett