

**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 DEMAND OF JANUARY 5, 2023**

## INTRODUCTION

Pacific Rim Alliance (“Pacific Rim” or “the Company”) hereby respectfully petitions the Consumer Financial Protection Bureau (“Bureau”) to set aside the civil investigative demand issued on January 5, 2023 (the “2023 CID”).<sup>1</sup> In support thereof, the Company states as follows.

## SUMMARY OF ARGUMENT

Pacific Rim is a small business that is barely getting by. It operates in five states in full compliance with state law (note that we had previously incorrectly stated that the Company operates in six states). It has always cooperated with the Bureau – as part of the Small Business Review Panel for the small dollar rule, [REDACTED], and in the current investigation. 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. An investigation should not put a company out of business, but that is the likely outcome if the 2023 CID is not set aside.

The 2023 CID is overly broad and unduly burdensome. Last year, the Bureau obtained documents and information from the Company and took a full day of corporate testimony from the Chief Executive Officer (who also serves as the Chief Compliance Officer) of the Company. Rather than focusing its investigation, the Bureau sought, in its 2023 CID, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The Bureau is seeking this information for [REDACTED], without apparent reason [REDACTED] period used in the investigation.<sup>2</sup> During the parties’ January

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<sup>1</sup> The 2023 CID appears as Exhibit 2.

<sup>2</sup> The CID issued on July 8, 2022 sought information from [REDACTED]. The CID issued on January 5, 2023 seeks information from [REDACTED].

17 meet and confer call,<sup>3</sup> counsel for the Company asked the Bureau to withdraw the CID, narrow its focus, and raise any specific concerns. The Bureau has failed to do so. Contrary to the staff's assertion, the Company has engaged with the Bureau in good faith about the 2023 CID. The staff's position appears to be that the Company must incur yet more expense to bring focus to a CID that is ill-conceived and a fishing expedition. The Company has explained the CID's many deficiencies and has reasonably asked that the Bureau withdraw its CID and reconsider its requests. If the Bureau has specific concerns or requests, the Company will endeavor to respond – but it cannot be expected to make sense of, and negotiate, the 2023 CID as drafted.

Complying with the 2023 CID, which makes unnecessarily broad demands of the Company, would almost certainly result in financial ruin for the Company. For this reason, the Company respectfully requests that the Bureau withdraw the 2023 CID.

## **DISCUSSION**

### **I. Factual Background: The Company is small and getting smaller.**

Pacific Rim is a women-owned business, offering small dollar loans to consumers in five western states (note that we had previously incorrectly stated that the Company operates in six states).<sup>4</sup> It does not have any institutional investors or private equity financing to float it through tough times.<sup>5</sup> It does not have in-house counsel and must instead rely on outside counsel for assistance in responding to the Bureau's CIDs.<sup>6</sup> As the Bureau is no doubt aware, the Company is a small business under the Small

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<sup>3</sup> The meet and confer statement required by 12 C.F.R. § 1080.6(e)(1) appears at Appendix A. Following the meet and confer call, the Company sent the Bureau a letter ("January 17, 2023 Letter") outlining the issues raised by counsel for the Company during the meet and confer call and substantiating the undue burden of the 2023 CID. The January 17, 2023 Letter appears as Exhibit 3.

<sup>4</sup> Response to 2022 CID, Interrogatory 4; Bates Number PRA00000001.

<sup>5</sup> Bassett Hearing Transcript, p. 59, lines 10-25, p. 60, lines 4-6.

<sup>6</sup> Exhibit 1, Bassett Declaration, para. 1.

Business Administration’s standards:<sup>7</sup> its CEO, Jennifer Bassett, participated in the Bureau’s Small Business Review Panel for its Payday Lending Rule.<sup>8</sup>

The Company is small and getting smaller. In 2017, it had 58 stores. By the end of 2022, it had only 38 stores.<sup>9</sup> In other words, the Company’s physical footprint declined by 35% during the applicable period of the 2023 CID (“Applicable Period”). The Company will close three more stores by the end of March of 2023.<sup>10</sup> In addition to a diminished physical presence, the Company has, despite its best efforts, shed one-half of its workforce over the Applicable Period. It had 207 employees in 2017. By the end of 2022, it had only 103.<sup>11</sup> The Company has only one employee that handles its information technology.<sup>12</sup> And, while it was profitable at the beginning of the Applicable Period, after weathering the pandemic, the Company is barely making ends meet. In 2017, its net income was just over \$4 million.<sup>13</sup> The Company’s projected net income for 2022 is \$182,000.<sup>14</sup>

The Company has been [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In sum, the Company is neither a large market participant nor a “repeat offender,” yet the Bureau is subjecting the Company to an overwhelming investigation with no clear reason or focus.

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<sup>7</sup> See 13 C.F.R. § 121.201, Section 522; see also Exhibit 1, Bassett Declaration, para. 2.

<sup>8</sup> Final Report of the Small Business Review Panel on CFPB’s Rulemaking on Payday, Vehicle Title, and Similar Loans, p. 13 (June 15, 2025), available at: <https://files.consumerfinance.gov/f/documents/3a - SBREFA Panel - CFPB Payday Rulemaking - Report.pdf>. Note that Ms. Bassett has, in the past (including when she served on the SBREFA panel), gone by Jennifer Robertson.

<sup>9</sup> Exhibit 1, Bassett Declaration, para. 3.

<sup>10</sup> *Id.*

<sup>11</sup> Exhibit 1, Bassett Declaration, para. 4.

<sup>12</sup> Exhibit 1, Bassett Declaration, para. 5.

<sup>13</sup> Bates Number PRA00000024.

<sup>14</sup> Exhibit 1, Bassett Declaration, para. 6.

<sup>15</sup> [REDACTED]

**II. Factual Background: The Bureau’s investigation began with an initial civil investigative demand in 2022.**

This investigation began in July of 2022 when the Bureau issued the first CID (“2022 CID”) to the Company. The Bureau sought detailed information from the Company addressing, among other things:

- The Company’s recordkeeping and data storage practices;
- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- The organizational structure of the Company, including the relationships between and among its subsidiaries; and
- The leadership of and licenses held by the Company and its subsidiaries.

In addition, the 2022 CID sought numerous documents. The Bureau requested the Company’s organizational charts and audited financial statements. It requested exemplars of [REDACTED]

[REDACTED]. It requested the Company’s [REDACTED]

[REDACTED] And, the Bureau requested the Company’s

[REDACTED]

[REDACTED]

[REDACTED]. In other words, the Bureau demanded and received documents detailing the Company’s structure and financial health over the preceding [REDACTED], as well

as all of its [REDACTED]

[REDACTED].

The 2022 CID also required the Company to provide oral testimony on six topics. Less than one month after making its final production of documents and information, the Company's corporate representative (its CEO, Jennifer Bassett, who was also solely responsible for responding to the interrogatories and document requests in the 2022 CID<sup>16</sup>) sat for a full day of testimony, during which the Bureau questioned her on the Company's structure, [REDACTED], its recordkeeping practices, and [REDACTED]. The hearing was conducted in person in Austin, Texas, at further expense to the Company. No specific legal issues or violations were raised by the hearing.

At all times, and notwithstanding the financial and personnel strain imposed by the Bureau—the Company spent about \$82,500 on the 2022 CID, an amount that represented 45% of its net income in 2022—the Company cooperated with the Bureau.<sup>17</sup> The cost of the 2023 CID and any follow-on requests would most certainly be far worse and likely catastrophic for the Company.

### **III. The 2023 CID is overly broad and unduly burdensome.**

Considering the Company's positive [REDACTED] and cooperation with the 2022 CID, and the lack of any issues identified during the investigation, the Company was surprised to receive the 2023 CID. Its scope is, to put it mildly, sweeping. At best, it bears an attenuated relationship to its own notification of purpose ("NOP"), which is limited to understanding whether the Company "improperly induced" consumers to take out or refinance loans, or misrepresented the costs or terms of loans.<sup>18</sup>

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<sup>16</sup> Response to 2022 CID, Interrogatory 9.

<sup>17</sup> Exhibit 1, Bassett Declaration, para. 6-7. The Company previously estimated a slightly higher net income for 2022, but has since updated its projection.

<sup>18</sup> The NOP for both the 2022 and 2023 CIDs is as follows: "The purpose of this investigation is to determine whether short-term or small-dollar lenders or associated persons, in connection with providing short-term or small-dollar loans, have: (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 their loan products; or (3) misrepresented that their loans are short-term obligations despite being structured and serviced in a manner that renders them longer-term obligations for many borrowers, all in a manner that is unfair, deceptive, or abusive in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531, 5536. The purpose of this investigation is also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest."

Most striking, though, is that the Bureau has failed to focus its inquiry following the 2022 CID. Instead, the 2023 CID appears to be a fishing expedition.

The Bureau's CID expresses a commitment to "fair regulatory enforcement" for small businesses, but the 2023 CID is anything but fair.

**A. The 2023 CID requests nearly all documents and communications concerning the Company's consumer business,** [REDACTED]

The 2023 CID<sup>19</sup> is incredibly overbroad and burdensome, including:

- Eight interrogatories with 23 subparts;
- Eighteen document requests with 26 subparts; and
- Eight requests for written reports with 75 subparts.

More specifically, the 2023 CID requests detailed information about, and [REDACTED]

[REDACTED].<sup>20</sup> It requests the [REDACTED].<sup>21</sup> It asks the Company

to rank its top two and bottom two performing stores, by state and by year, across six different metrics, some of which the Bureau is aware the Company does not even track.<sup>22</sup> Presumably, such a request would require the Company to identify a very large number of stores to account for each state and year over the Applicable Period. It then seeks the [REDACTED]

[REDACTED].<sup>23</sup> It requests "documents reflecting" the Company's [REDACTED]

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<sup>19</sup> The 2023 CID appears at Exhibit 2.

<sup>20</sup> 2023 CID, Interrogatory 1.

<sup>21</sup> 2023 CID, Request for Documents 2.

<sup>22</sup> 2023 CID, Interrogatory 4, Request for Documents 1.

<sup>23</sup> 2023 CID, Request for Documents 11.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>24</sup> For many of these requests, the 2023 CID also requests documents reflecting “discussions” or “communication” about the topic. As the Bureau is aware,<sup>25</sup> this would require the Company to undertake an unreasonably expensive review of its emails. The Company would have to search through 730 GB of data for any “discussions” of multiple topics, many of which are core to the Company’s business and therefore would appear in most of the Company’s emails.<sup>26</sup>

If those requests are not overwhelming enough, the 2023 CID goes on to request nearly every email in the Company’s possession concerning its entire consumer business:

Documents reflecting the content of any communication [REDACTED]

[REDACTED]<sup>27</sup>

Finally, the 2023 CID asks for multiple written reports concerning all information disclosed in the

[REDACTED]

[REDACTED]

[REDACTED]. The Company estimates it has originated **1.8 million loans** during that time.<sup>28</sup>

Further, as noted above, the CID NOP says that the investigation is limited to acts or practices that misrepresent loan terms or “improperly induce” consumers to take out or renew loans, but the above requests and others improperly go beyond the NOP to seek information about servicing,

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<sup>24</sup> 2023 CID, Requests for Documents 3, 4, 5, 6, 7, 10, 12, 15, and 16.

<sup>25</sup> See Bassett Hearing Transcript, p. 133, lines 24-25, 134, line 1 (email is the “normal way[] employees would communicate with one another at the [C]ompany”).

<sup>26</sup> Exhibit 1, Bassett Declaration, para. 8.

<sup>27</sup> 2023 CID, Requests for Documents 13.

<sup>28</sup> Exhibit 1, Bassett Declaration, para. 9.



collections, and other unrelated topics. Indeed, the 2023 CID is so broad that there is no reasonable correlation to a lawful purpose.<sup>29</sup>

Given the Company's small size and financial condition, there is no conceivable way that the Company can comply with the 2023 CID and remain in business. The 2023 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.<sup>30</sup>

Compounding the unreasonableness is that there is no correlation between the size and scope of the Company's business and the size and scope of the 2023 CID's demands.<sup>31</sup>

**B. The 2023 CID requests information and documents that the Bureau knows do not exist, or which the Bureau has already received from the Company.**

Even if the 2023 CID were manageable in scope, it appears that the Bureau drafted it without regard to the Company's corporate testimony or prior productions. For example:

- Interrogatory 4(f) asks the Company to [REDACTED] [REDACTED].” Ms. Bassett testified on behalf of the Company that it does not score store audits.<sup>32</sup>
- Interrogatory 8 asks the Company to identify any criteria used to determine when a loan can be approved outside of established underwriting parameters. Ms. Bassett testified on behalf of the Company that it does not approve loans outside of established underwriting parameters.<sup>33</sup>
- Request for Documents 18 asks for recordings of certain telephone calls, and Request for Written Report 8 asks for information about the Company's call recordings. Ms. Bassett

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<sup>29</sup> *F.T.C. v. Texaco, Inc.*, 555 F.2d 862, 882.

<sup>30</sup> *See F.T.C. v. Texaco, Inc.*, 555 F.2d 862, 882 (D.C. Cir. 1977).

<sup>31</sup> *F.T.C. v. Texaco, Inc.*, 555 F.2d 862, 882 (“[T]he breadth complained of is in large part attributable to the magnitude of the producers’ business operations.”).

<sup>32</sup> Bassett Hearing Transcript, p. 114, lines 9-10.

<sup>33</sup> Bassett Hearing Transcript, p. 149, lines 11-14.

repeatedly testified on behalf of the Company that the Company does not record telephone calls.<sup>34</sup>

Further, many of the requests in the 2023 CID were addressed in the Company's prior testimony and responses to the 2022 CID. For example:

- Request for Documents 9 asks for [REDACTED]  
[REDACTED] On September 23, 2022, the Company produced all of its [REDACTED]  
[REDACTED]  
[REDACTED] in response to Request for Documents 5 in the 2022 CID.
- Interrogatory 7 asks the Company what information an applicant was required to provide when applying for a loan for the first time. Ms. Bassett testified extensively to the documents and information that the Company obtained from applicants in the underwriting process.<sup>35</sup>
- Request for Documents 3 asks for documents reflecting [REDACTED]  
[REDACTED]. Ms. Bassett testified as to the Company's relatively simple performance goals: improving on the prior year's profits by at least 10%, overall profitability (i.e., the store was not in the red), and increasing the proportion of loans made online.<sup>36</sup>
- Request for Documents 12 asks for documents reflecting the Company's [REDACTED]  
[REDACTED] Ms. Bassett testified that the bonuses are based only on meeting the Company's relatively simple performance goals: improving on the prior year's profits by at least 10%,

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<sup>34</sup> Bassett Hearing Transcript, pp. 52, 57, 121.

<sup>35</sup> Bassett Hearing Transcript, pp. 123-126.

<sup>36</sup> Bassett Hearing Transcript, pp. 105-108.

overall profitability (i.e., the store was not in the red), and increasing the proportion of loans made online.<sup>37</sup>

Does the Bureau expect the Company to use its limited resources and pay its counsel to respond to requests that the Bureau already knows do not apply to the Company or to which the Company has already responded? Surely the Bureau understands that even if the response is “not applicable,” or a citation to a prior response or testimony, there is still a cost to respond. Asking the Company to respond to requests already asked and answered is unduly burdensome.

**C. The 2023 CID does not reflect any narrowing of the Bureau’s focus from its 2022 CID.**

In theory, a subsequent CID ought to demonstrate the Bureau’s narrowing focus based on what it discovered in the initial phases of its investigation. The 2023 CID represents an inexplicable ballooning from the 2022 CID. For example:

- While the 2022 CID asked for a description of the products offered by the Company,

[REDACTED], the 2023 CID asks for all information, [REDACTED]

[REDACTED]<sup>38</sup>

- While the 2022 CID asked for information about the leadership and licensing of each subsidiary of the Company, the 2023 CID requests [REDACTED]

[REDACTED]  
during the Applicable Period.<sup>39</sup>

- While the 2022 CID requested the [REDACTED]  
[REDACTED]

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<sup>37</sup> *Id.*

<sup>38</sup> 2022 CID, Request for Written Report 1 and Request for Documents 3; 2023 CID, Requests for Written Reports 1 through 5 and 8.

<sup>39</sup> 2022 CID, Interrogatories 5 and 6; 2023 CID, Request for Written Report 7.

[REDACTED]

[REDACTED], the 2023 CID requests nearly every email in the Company's possession concerning [REDACTED]

[REDACTED].<sup>40</sup>

The 2023 CID does not focus on any specific products, states, or issues. It expanded the Applicable Period from five years to six years, for no good reason. All of this begs the question: what is the purpose of this investigation, if not to demand every piece of information, every communication, and every document relating to the Company's consumer business? Did the Bureau discover anything of concern in the initial phases of its investigation? Why is it burdening a struggling small business? The Company's audited financial statements, produced in response to the 2022 CID's Request for Documents 2,<sup>41</sup> and Ms. Bassett's testimony<sup>42</sup> made clear that the Company's resources are limited and dwindling. The Company also described its small business structure and worsening financial condition in the meet and confer for both the 2022 CID and now the 2023 CID.<sup>43</sup>

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>44</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>45</sup>

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<sup>40</sup> 2022 CID, Request for Documents 5; 2023 CID, Request for Documents 3.

<sup>41</sup> The audited financial statements produced by the Company demonstrate that its net income has dropped by over 80% over the Applicable Period: in 2017, its net income was just over \$4.06 million; in 2018, its net income was \$3.95 million; in 2019, its net income was \$3.13 million; in 2020, its net income was \$1.76 million; by 2021, its net income had dropped to just over \$790,000. See Bates Numbers PRA00000007, PRA00000024, PRA00000041, PRA00000059.

<sup>42</sup> See, e.g., Bassett Hearing Transcript, p. 116, lines 10-11 ("Well, the recent years have been really tough to say, because business is off a lot."); p. 29, lines 17-18 ("We were a much larger organization when this [organizational chart] was developed."); p. 31, lines 16-19 ("[W]e were shrinking in size and did not have the resources to [hire a replacement for the compliance officer]."); pp. 43-44 (testifying that the Company has closed about 10 stores during the COVID-19 pandemic).

<sup>43</sup> Exhibit 1, Bassett Declaration, paras. 1 through 6.

<sup>44</sup> *Oklahoma Press Publishing Co. v. Walling*, 327 U.S.C 186, 214 (1946).

<sup>45</sup> *Walling*, 327 U.S.C. at 209.

The 2023 CID would not just consume time and clog the process of business; it threatens to put the Company out of business. Its overwhelming demands, including for documents and information already produced, or which the Bureau knows do not exist, are unreasonable and excessive.

### CONCLUSION

In light of the issues outlined in this petition—the Company’s small size and limited resources, the sheer breadth of the 2023 CID and the Bureau’s apparent disregard for the Company’s testimony and prior productions—we respectfully request that the Bureau withdraw the 2023 CID.

We note also that the Bureau has requested the U.S. Supreme Court decide, in the very near future, a case involving the constitutionality of the Bureau’s funding mechanism.<sup>46</sup> The outcome of that case may decide the appropriateness of the Bureau’s spending on this and other investigations. For that reason as well, we request that the Bureau withdraw the 2023 CID pending the Supreme Court’s review.

Respectfully submitted,



Dated: January 25, 2023

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*Counsel for Pacific Rim Alliance Corporation*

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<sup>46</sup> As the Bureau is aware, that case is *Consumer Financial Protection Bureau v. Community Financial Services Association of American, Ltd.*, on appeal from the U.S. Court of Appeals for the Fifth Circuit.

## 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 Tuesday, January 17, 2023 at 10:30 am, Lucy Morris and Anastasia Caton, counsel for Pacific Rim, conferred with April Seabrook and John Thompson, Bureau counsel, by phone concerning the CID. During the call, Pacific Rim’s counsel requested that the Bureau withdraw the CID issued to Pacific Rim because it was overly broad and responding to it would be unduly burdensome for Pacific Rim. Pacific Rim’s counsel explained that responding to the sweeping CID—which requests, among other things, nearly every document and communication about Pacific Rim’s consumer business in addition to detailed written reports describing the terms of and every fee imposed and payment made on all loans and personnel files for nearly every employee for a period of six years—would likely result in financial ruin for the Company due to the Company’s small size and limited resources. Counsel for Pacific Rim also expressed concern that the 2023 CID was (i) broader in scope than the 2022 CID, (ii) sought information and documents that the Bureau was aware did not exist or else had already obtained, and (iii) sought information beyond its notification of purpose. Further, Pacific Rim’s counsel asked the Bureau to, at a minimum, stay the CID pending the U.S. Supreme Court’s decision in *Consumer Financial Protection Bureau v. Community Financial Services Association of American, Ltd.*, on appeal from the U.S. Court of Appeals for the Fifth Circuit. Following the meet and confer call, the Company sent the Bureau a letter (the January 17, 2023 Letter, which appears as Exhibit 3) outlining the issues raised by counsel for the Company during the meet and confer call and substantiating the undue burden of the 2023 CID.

The Bureau’s counsel did not agree to withdraw or stay the 2023 CID.

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

Dated: January 25, 2023



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Lucy E. Morris

# EXHIBIT 1

## Jennifer Bassett Declaration

I, Jennifer Bassett, Chief Executive Officer and Chief Compliance Officer of Pacific Rim Alliance Corporation (“Pacific Rim” or the “Company”), hereby state that I have personal knowledge of the facts set forth below, except as otherwise expressly stated. If called as a witness, I could and would testify as follows:

1. The Company does not employ an in-house attorney. It has retained outside counsel to respond to the Bureau’s investigation.
  2. The Company is a small business under the Small Business Administration’s Standards.
  3. In 2017, the Company operated 58 physical store locations. By the end of 2022, the Company operated 38 physical store locations. By the end of March of 2023, the Company plans to close three additional stores.
  4. In 2017, the Company employed 207 individuals. By the end of 2022, the Company employed 103 individuals.
  5. The Company currently has only one employee responsible for information technology services.
  6. The Company’s projected net income for 2022 is \$182,000.
  7. The Company incurred approximately \$82,500 in costs in responding to the 2022 CID.
  8. Based on an internal review, I understand that the Company’s email server holds approximately 730 gigabytes of data.
  9. The Company originated approximately 1.8 million loans from 2017 through 2022.
- I declare under penalty of perjury that the foregoing is true and correct.

Executed on: January 25, 2023.



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Jennifer Bassett  
Chief Executive Officer



## **EXHIBIT 2**

January 5, 2023 Civil Investigative Demand

# Civil Investigative Demand

To **Pacific Rim Alliance Corporation**  
c/o Lucy Morris  
Hudson Cook, LLP  
lmorris@hudco.com

This demand is issued pursuant to Section 1052 of the Consumer Financial Protection Act of 2010 and 12 C.F.R. Part 1080 to determine whether there is or has been a violation of any laws enforced by the Consumer Financial Protection Bureau.

**Action Required** (choose all that apply)

**Appear and Provide Oral Testimony**

Location of Investigational Hearing	Date and Time of Investigational Hearing
	Bureau Investigators

**Produce Documents and/or Tangible Things**, as set forth in the attached document, by the following date 02/06/2023

**Provide Written Reports and/or Answers to Questions**, as set forth in the attached document, by the following date 02/06/2023

**Notification of Purpose Pursuant to 12 C.F.R. § 1080.5**

The purpose of this investigation is to determine whether short-term or small-dollar lenders or associated persons, in connection with providing short-term or small-dollar loans, have: (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 their loan products; or (3) misrepresented that their loans are short-term obligations despite being structured and serviced in a manner that renders them longer-term obligations for many borrowers, all in a manner that is unfair, deceptive, or abusive in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531, 5536. The purpose of this investigation is also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest.

<b>Custodian / Deputy Custodian</b> Alusheyi J. Wheeler/Maria Ardike		<b>Bureau Counsel</b> John Thompson April Denise Seabrook	
<b>Date Issued</b> 01/05/2023	<b>Signature</b> <b>Alusheyi J. Wheeler</b> Digitally signed by Alusheyi J. Wheeler Date: 2023.01.05 15:44:50 -05'00'		
<b>Name / Title</b> Alusheyi J. Wheeler, Deputy Enforcement Director			

**Service**

The delivery of this demand to you by any method prescribed by the Consumer Financial Protection Act of 2010, 12 U.S.C. § 5562, is legal service. If you fail to comply with this demand, the Bureau may seek a court order requiring your compliance.

**Travel Expenses**

Request a travel voucher to claim compensation to which you are entitled as a witness before the Bureau pursuant to Section 1052 of the Consumer Financial Protection Act of 2010, 12 U.S.C. § 5562.

**Right to Regulatory Enforcement Fairness**

The CFPB is committed to fair regulatory enforcement. If you are a small business under Small Business Administration standards, you have a right to contact the Small Business Administration's National Ombudsman at 1-888-REGFAIR (1-888-734-3247) or [www.sba.gov/ombudsman](http://www.sba.gov/ombudsman) regarding the fairness of the compliance and enforcement activities of the agency. You should understand, however, that the National Ombudsman cannot change, stop, or delay a federal agency enforcement action.

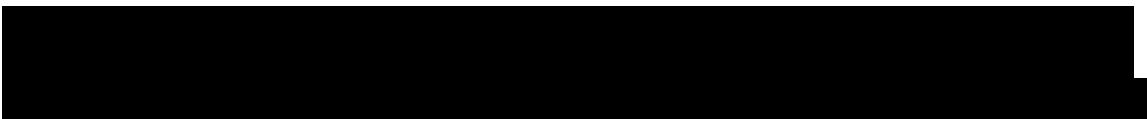
**Paperwork Reduction Act**

This demand does not require approval by OMB under the Paperwork Reduction Act of 1980.



4. For each year during the Applicable Period, [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
5. Provide the loan ID, as identified in response to Request for Written Report No. 2.a., for each loan in which the Company's [REDACTED]
- [REDACTED]
6. For each marketing effort that involved contacting an existing or former loan customer for the purpose of advising the customer of available loan products or additional loan funds that the customer might be eligible to receive from the Company, describe [REDACTED]
- [REDACTED]
7. For each loan type that You offered during the Applicable Period, state the following:
- (a) all information that an applicant was required to provide when applying for a loan from the Company for the first time;
- (b) [REDACTED]
- (c) for each type of information listed in response to part (a) and (b) of this Interrogatory, [REDACTED]
- [REDACTED]
8. For each loan product offered by the Company, identify the criteria used by the Company to determine when a loan can [REDACTED]
- [REDACTED]



4. Documents reflecting:
  - (a) growth reviews, performance reports, monitoring reports, or audits regarding financial performance or compliance of one or more of the Company's stores, regardless of whether conducted by the Company or a third-party entity; and
  - (b) any evaluation or discussion regarding the results of a growth review, performance report, monitoring report, or audit, including—but not limited to—documents regarding decisions made or actions taken or considered because of information within a review, report, or audit.
  
5. Documents reflecting:
  - (a) results of evaluations, summaries, or reports of store visits conducted by an owner of the Company, the Company's chief executive officer, the Company's chief compliance officer, a representative of the Company's compliance department, a representative of the Company's operations department, a district manager, or a regional manager; and
  - (b) any evaluation or discussion regarding the results of a store-visit evaluation, summary, or report, including—but not limited to—documents regarding decisions made or actions taken or considered because of information in the evaluation, summary, or report.
  
6. Documents reflecting:
  - (a) responses to customer satisfaction surveys relating to any loan provided by the Company; and
  - (b) any evaluation or discussion regarding customer satisfaction surveys or a customer complaint, including—but not limited to—documents reflecting decisions made or actions taken or considered because of information contained in a customer satisfaction survey or customer complaint.
  
7. Documents reflecting:
  - (a) any audit or review of the Company's collections practices and operations, including third-party debt collectors; and
  - (b) any evaluation or discussion regarding collections' practices or operations, including—but not limited to—any documents reflecting decisions or actions taken or considered because of information contained in an audit or review of collections' practices or operations.
  
8.  regarding financial performance or compliance.

9. Documents sufficient to show all template versions of text and email communications used by the Company to [REDACTED]
10. Documents reflecting the Company's underwriting process, including (but not limited to) any use of credit scoring or other automated models (e.g., LexisNexis RiskView).
11. The complete loan files, [REDACTED] identified in Your answer to Interrogatory No. 4.
12. Documents reflecting the terms of, eligibility for, results of, or discussions regarding the [REDACTED].
13. Documents reflecting the content of any communication involving an owner of the Company, the chief executive officer, a regional manager, or a district manager that relate to [REDACTED]
14. Documents reflecting:
  - (a) communications distributing weekly or monthly reporting of portfolio-wide, region-specific, or district-specific [REDACTED], including all attachments to such communications; and
  - (b) to the extent that they have not otherwise been produced, all weekly and monthly reporting of portfolio-wide, region-specific, or district-specific [REDACTED].
15. All documents reflecting [REDACTED] regarding any loan originated at stores identified in Your answer to Interrogatory No. 4.
16. Documents related to the development, implementation, inputs, use, and analysis of any credit-scoring and underwriting models, including—but not limited to—documents related to the Company's use of LexisNexis® RiskView.
17. A dictionary file that identifies all store branches, each branch's unique branch ID, and the loan types offered at the branch.

18. Recordings of all telephone calls Identified in response to Request for Written Report No. 8, including call notes and metadata from call systems and related systems.

**Requests for Written Reports**

1. For every loan You have originated [REDACTED], identify in a quoted, tab-delimited .csv file:

- (a) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

2. For every loan You have originated [REDACTED], identify in a quoted, tab-delimited .csv file:

- (a) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED];



(p) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

3. For every loan You have originated [REDACTED], identify in a quoted, tab-delimited .csv file:

(a) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

4. For every loan You have originated [REDACTED], identify in a quoted, tab-delimited .csv file, the following fields related to [REDACTED] ([REDACTED]):
- (a) [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
5. For each loan file produced in response to Document Request No. 11, provide a consumer-specific report broken down by loan providing the positive factors, negative factors, and neutral factors that contributed to the Company's underwriting decision.
6. For the report in WR6 include the respective borrower ID (as requested in WR1.g) and loan ID (as requested in WR2.a) and any refinance or extended payment plan IDs.
7. For each store operated by You during the Applicable Period, provide the following information in a quoted, tab-delimited .csv file:
- (a) name of the store location;
  - (b) street address of store location;
  - (c) city of store location;
  - (d) state of store location;
  - (e) zip code of store location;
  - (f) unique store ID number;
  - (g) date that the store was first opened for business;
  - (h) date the store ceased operation (if applicable);
  - (i) the name of the current store manager or, if no longer operating, the name of the store manager at time of closing;
  - (j) the name of the current regional manager of the store or, if no longer operating, the name of the regional managers at time of closing;
  - (k) the name of the current district managers of the store or, if no longer operating, the name of the district managers at time of closing; and
  - (l) the gross profit for the store by year for each year of the Applicable Period.

8. Identify all telephone call recordings that the Company's compliance team has reviewed for audit or monitoring purposes, and provide all associated elements as stored in Your or Your providers' databases (e.g., customer relations management systems and call recording systems) at a call level, including:
- (a) account number associated with the call;
  - (b) unique identifier for the call;
  - (c) file reference for call recording, .wav file, or similar;
  - (d) date and time of the call;
  - (e) telephone number called;
  - (f) telephone number from which the call was placed;
  - (g) duration of the call;
  - (h) unique operator ID associated with the call;
  - (i) any call-type codes, disposition codes, resolution codes, product codes, or similar associated with the call (use separate columns);
  - (j) notes or comments associated with the call; and
  - (k) any other data unique to the call.

## II. Definitions

- A. "**Affiliate**" means any person that controls, is controlled by, or is under common control with another person. 12 U.S.C. § 5481(1).
- B. "**CFPB**" or "**Bureau**" means the Consumer Financial Protection Bureau.
- C. "**CID**" means the Civil Investigative Demand, including the Interrogatories, Requests, Definitions, and Instructions.
- D. "**Company**" or "**You**" or "**Your**" means Pacific Rim Alliance Corporation and its subsidiaries d/b/a, among others, Virtual E, Inc., Checkmania, Money Lender, Checkmate of Colorado, Checkmate Express Corporation, Checkmate, Checkmate Express, and any successor in interest.
- E. "**Deputy Enforcement Director**" refers to a Deputy Assistant Director of the Office of Enforcement.
- F. "**Document**" means any written matter of every type and description, including electronically stored information. "Document" includes any non-identical copy (such as a draft or annotated copy) of another document.
- G. "**Electronically Stored Information**," or "**ESI**," means the complete original and any non-identical copy (whether different from the original because of

notations, different metadata, or otherwise) of any electronically created or stored information, including but not limited to e-mail, instant messaging, videoconferencing, SMS, MMS, or other text messaging, and other electronic correspondence (whether active, archived, unsent, or in a sent or deleted-items folder), word-processing files, spreadsheets, databases, unorganized data, document metadata, presentation files, and sound recordings, regardless of how or where the information is stored, including if it is on a mobile device.

- H. **“Enforcement Director”** refers to the Assistant Director of the Office of Enforcement.
- I. **“Extended Payment Plan”** means any plan offered by the Company in the ordinary course of business that allows consumers to repay through multiple installments a loan that, at origination, was classified as a single-payment or 30-day term loan.
- J. **“Identify”** means to provide:
- (a) for natural persons, their name, title or position, present business affiliation, present business address, e-mail address, and telephone number, or if a present business affiliation or present business address is not known, the last known business address, home address, e-mail address, and telephone number;
  - (b) for businesses or other organizations, the name, address, identities of officers, directors, or managers of the business or organization, and contact persons with e-mail addresses and telephone numbers, where applicable; and
  - (c) for documents, the title, date, authors, recipients, Bates numbers, if applicable, type of document or some other means of identifying the document, and the present or last known location or custodian.
- K. **“Installment Loan”** means any loan offered by the Company that, at origination, is scheduled to be repaid in multiple installments.
- L. **“Person”** means an individual, partnership, company, corporation, association (incorporated or unincorporated), trust, estate, cooperative organization, or other entity.
- M. **“Personnel File”** means all job-related documents regarding an employee, regardless of whether such documents are stored and maintained by the Company’s human resources department, and including—but not limited to—records related to hiring (e.g., employment applications), copies of employment contracts or compliance agreements, job descriptions, training completion records, performance evaluations, records relating to disciplinary action considered or taken by the Company, separation paperwork (e.g., termination

notices, resignation letters), salary information, and performance awards received.

### III. **Instructions**

- A. **Sharing of Information:** This CID relates to a nonpublic, law-enforcement investigation being conducted by the Bureau. The Bureau may make its files available to other civil and criminal federal, state, or local law-enforcement agencies under 12 C.F.R. §§ 1070.43(b)(1) and 1070.45(a)(5). Information you provide may be used in any civil or criminal proceeding by the Bureau or other agencies. As stated in 12 C.F.R. § 1080.14, information you provide in response to this CID is subject to the requirements and procedures relating to the disclosure of records and information set forth in 12 C.F.R. pt. 1070.
- B. **Meet and Confer:** As stated in 12 C.F.R. § 1080.6(c), you must contact Enforcement Attorney **April Denise Seabrook at (202) 557-8822** as soon as possible to schedule a meeting (telephonic or in person) to discuss your response to the CID. The meeting must be held within **ten (10)** calendar days after you receive this CID or before the deadline for filing a petition to modify or set aside the CID, whichever is earlier.
- C. **Applicable Period for Responsive Materials:** Unless otherwise directed, the applicable period for each request is from January 1, 2017, until the date of this CID.
- D. **Privilege Claims:** If any material responsive to this CID is withheld on the grounds of privilege, you must make the privilege claim no later than the date set for the production of the material. As stated in 12 C.F.R. § 1080.8(a), any such claim must include a schedule of the documents, information, or tangible things withheld that states, for each:
- (a) its type, specific subject matter, and date;
  - (b) the names, addresses, positions, and organizations of all authors and direct or indirect recipients;
  - (c) the specific grounds for claiming the privilege;
  - (d) the request to which the privileged document, information, or thing is responsive; and
  - (e) its Bates number or range.

In addition, the person who submits the schedule and the attorney stating the grounds for the privilege must sign it. A person withholding material solely based on a claim of privilege must comply with the requirements of 12 C.F. R. § 1080.8 rather than file a petition for an order modifying or setting aside a demand under 12 C.F.R. § 1080.6(e). Please follow the enclosed Document Submission

Standards for further instructions about producing redacted privileged documents.

- E. **Document Retention:** Until you are notified otherwise, you are required to retain all documents and other tangible things that you used or relied on in responding to this CID. In addition, you must retain, and suspend any procedures that may result in the destruction of, documents, information, or tangible things that are in any way relevant to the investigation, as described in the CID's Notification of Purpose. You are required to prevent the destruction of relevant material irrespective of whether you believe such material is protected from future disclosure or discovery by privilege or otherwise. *See* 18 U.S.C. §§ 1505, 1519.
- F. **Modification Requests:** If you believe that the scope of the search or response required by this CID can be narrowed consistent with the Bureau's need for documents or information, you are encouraged to discuss such possible modifications, including modifications of the requirements of these instructions, with Enforcement Attorney **April Denise Seabrook** at **(202) 557-8822**. Modifications must be agreed to in writing by the Enforcement Director or a Deputy Enforcement Director. 12 C.F.R. § 1080.6(d).
- G. **Petition for Order Modifying or Setting Aside Demand:** Under 12 U.S.C. § 5562(f) and 12 C.F.R. § 1080.6(e), you may petition the Bureau for an order modifying or setting aside this CID. To file a petition, you must send it by e-mail to the Bureau's Executive Secretary at [ExecSec@cfpb.gov](mailto:ExecSec@cfpb.gov), copying the Enforcement Director at [Enforcement@cfpb.gov](mailto:Enforcement@cfpb.gov), within 20 calendar days of service of the CID or, if the return date is less than 20 calendar days after service, before the return date. The subject line of the e-mail must say "Petition to Modify or Set Aside Civil Investigative Demand." If a request for confidential treatment is filed, you must file a redacted public petition in addition to the unredacted petition. All requests for confidential treatment must be supported by a showing of good cause in light of applicable statutes, rules, Bureau orders, court orders, or other relevant authority.
- H. **Certification:** The person to whom the CID is directed or, if it is directed to an entity, any person having knowledge of the facts and circumstances relating to the production, must certify that the response to this CID is true and complete. This certification must be made on the form declaration included with this CID.
- I. **Scope of Search:** This CID covers materials and information in your possession, custody, or control, including but not limited to documents in the possession, custody, or control of your attorneys, accountants, other agents or consultants, directors, officers, and employees.
- J. **Document Production:** The Bureau encourages the electronic production of all material responsive to this CID; please follow the enclosed Document Submission Standards and submit the production following the enclosed Extranet Guide.

- (a) For all packages destined for Bureau offices, please contact Enforcement Attorney **April Denise Seabrook** for the mailing or internet-protocol address.
- (b) Please provide any tracking numbers by e-mail to Enforcement Attorney **April Denise Seabrook** at [april.seabrook@cfpb.gov](mailto:april.seabrook@cfpb.gov).

- K. **Separation of Documents for Production:** Documents may not be combined for the purpose of production unless the documents are stored together as a single file in the normal course of business. To the extent that a document consists of a printed version of an internet or intranet website, the produced document should consist only of the printout of a single webpage. Such website printouts should not be attached to each other or combined for production into a larger document unless such consolidation is necessary for the understanding of a specific page within the webpage.
- L. **Document Identification:** Documents that may be responsive to more than one request of this CID need not be submitted more than once. All documents responsive to this CID must be accompanied by an index that identifies: (i) the name of each custodian of each responsive document; (ii) the corresponding Bates number or range used to identify that person's documents; and (iii) the request or requests to which each document responds.
- M. **Sensitive Personally Identifiable Information:** If any material called for by these requests contains sensitive personally identifiable information, sensitive health information of any individual, or Suspicious Activities Reports, please contact Enforcement Attorney **April Denise Seabrook** at **(202) 557-8822** before sending those materials to discuss ways to protect the information during production. You must encrypt electronic copies of such materials with encryption software acceptable to the Bureau. When submitting encrypted material, you must provide the encryption key, certificate, or passcode in a separate communication.

For purposes of this CID, sensitive personally identifiable information includes an individual's Social Security number alone or an individual's name, address, or phone number *in combination with* one or more of the following: date of birth, Social Security number, driver's-license number or other state-identification number, or a foreign country equivalent, passport number, financial-account number, credit-card number, or debit-card number. Sensitive health information includes medical records and other individually identifiable health information relating to the past, present, or future physical or mental health or conditions of an individual, the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual.

- N. **Information Identification:** Each request for a written report or interrogatory in this CID must be answered separately and fully in writing under oath. All information submitted must clearly and precisely identify the request or requests to which it is responsive.

- O. **Submission of Documents in lieu of Answers:** Documents in existence before your receipt of this CID that contain the information requested in any interrogatory may be submitted as part of or in lieu of an answer to the interrogatory. If you submit documents as part of or in lieu of an answer, you must clearly indicate the specific request to which the documents are responsive, and you must clearly identify the specific portion of the documents that are responsive, including page, paragraph, and line numbers, as applicable.
- P. **Declaration Certifying Records of Regularly Conducted Business Activity:** Attached is a Declaration Certifying Records of Regularly Conducted Business Activity, which may limit the need to subpoena you to testify at future proceedings to establish the admissibility of documents produced in response to this CID. Please execute this Declaration and provide it with your response.
- Q. All references to “**year**” or “**annual**” refer to the calendar year. Where information is requested “for each year,” provide it separately for each year; where yearly data is not available, provide responsive information for the calendar year to date, unless otherwise instructed.
- R. **Duty to Estimate:** If you are unable to answer any interrogatory fully, supply such information as is available. Explain why such answer is incomplete, the efforts you made to obtain the information, and the source from which the complete answer may be obtained. If books and records that provide accurate answers are not available, enter best estimates and describe how the estimates were derived, including the sources or bases of such estimates. Estimated data should be followed by the notation “est.” If there is no reasonable way to make an estimate, provide an explanation.



## **EXHIBIT 3**

January 17, 2023 Letter



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Admitted in Washington State and the District of Columbia

January 17, 2023

April Denise Seabrook  
John Thompson  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, D.C. 20552

Dear April and John:

We write in response to the Civil Investigative Demand (“CID”) issued by the Consumer Financial Protection Bureau (“Bureau”) to Pacific Rim Alliance (“Pacific Rim” or “the Company”) on January 5, 2023 (hereinafter, the “2023 CID”), and to our meet and confer on January 17, 2023 (“Meet & Confer”).

As we expressed during our Meet & Confer, the 2023 CID is overly broad and unduly burdensome. Last year, the Bureau obtained documents and information from the Company and took a full day of corporate testimony from the Chief Executive Officer (who also serves as the Chief Compliance Officer) of the Company. Rather than focusing its investigation, the Bureau now seeks virtually every document and communication about the Company’s consumer business, [REDACTED]

[REDACTED]. The Bureau seeks this information for six years, without apparent reason adding a full year to the previous lengthy period used in the investigation.<sup>1</sup>

As we explained during the Meet & Confer, complying with the 2023 CID, which makes unnecessarily broad demands of the Company, would almost certainly result in financial ruin for the Company. For this reason, the Company respectfully requests that the Bureau withdraw the 2023 CID. If the Bureau has specific questions or concerns, the Company welcomes a dialogue and how it might efficiently respond to the Bureau’s inquiry.

#### **I. Company Background**

Pacific Rim is a women-owned business, offering small dollar loans to consumers in six western states. It does not have any institutional investors or private equity financing to float it through tough times.<sup>2</sup> It does not have in-house counsel and must instead rely on outside counsel for assistance in responding to the Bureau’s CIDs. As the Bureau is no doubt aware, the Company is a small business

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<sup>1</sup> The CID issued on July 8, 2022 sought information from July 1, 2017 until the date of the CID, roughly five years. The CID issued on January 5, 2023 seeks information from January 1, 2017 until the date of the CID, roughly six years.

<sup>2</sup> Bassett Hearing Transcript, p. 59, lines 10-25, p. 60, lines 4-6.

under the Small Business Administration’s standards:<sup>3</sup> its CEO, Jennifer Bassett, participated in the Bureau’s Small Business Review Panel for its Payday Lending Rule.

The Company is small and getting smaller. In 2017, it had 58 stores. By the end of 2022, it had only 38 stores. In other words, the Company’s physical footprint declined by 35% during the applicable period of the 2023 CID (“Applicable Period”). The Company will close three more stores in the next 60 days. In addition to a diminished physical presence, the Company has, despite its best efforts, shed one-half of its workforce over the Applicable Period. It had 207 employees in 2017. By the end of 2022, it had only 103. The Company has only one employee that handles its information technology. And, while it was profitable at the beginning of the Applicable Period, after weathering the pandemic, the Company is barely making ends meet. In 2017, its net income was just over \$4 million. By 2022, its net income was less than \$200,000.

The Company has been [REDACTED]  
Following [REDACTED]  
[REDACTED]

In sum, the Company is neither a large market participant nor a “repeat offender,” yet the Bureau is subjecting the Company to an overwhelming investigation with no clear reason or focus.

## II. Investigation Background – 2022 CID

This investigation began in July of 2022 when the Bureau issued a CID (“2022 CID”). The Bureau sought detailed information from the Company addressing, among other things:

- The Company’s recordkeeping and data storage practices;
- [REDACTED]
- The organizational structure of the Company, including the relationships between and among its subsidiaries; and
- The leadership of and licenses held by the Company and its subsidiaries.

In addition, the 2022 CID sought numerous documents. The Bureau requested the Company’s organizational charts and audited financial statements. It [REDACTED]  
[REDACTED]

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<sup>3</sup> See 13 C.F.R. § 121.201, Section 522.

<sup>4</sup> [REDACTED]

[REDACTED] In other words, the Bureau demanded and received documents detailing the Company's structure and financial health over the preceding [REDACTED] as well as all of [REDACTED].

The 2022 CID also required the Company to provide oral testimony on six topics. Less than one month after making its final production of documents and information, the Company's corporate representative (its CEO, Jennifer Bassett, who was also solely responsible for responding to the interrogatories and document requests in the 2022 CID<sup>5</sup>) sat for a full day of testimony, during which the Bureau questioned her on the Company's structure, its lending practices, its recordkeeping practices, and its financial goals and employee incentives. The hearing was conducted in person in Austin, TX, at further expense to the Company.

At all times, and notwithstanding the financial and personnel strain imposed by the Bureau--the Company spent about \$82,500 on the 2022 CID, an amount that represented 43% of its net income in 2022--the Company cooperated with the Bureau. The cost of the 2023 CID and any follow-on requests would most certainly be far worse and likely catastrophic for the Company.

### III. January 2023 CID

Considering the Company's positive [REDACTED] and cooperation with the 2022 CID, and the lack of any issues identified during the investigation, the Company was surprised to receive the 2023 CID. Its scope is, to put it mildly, sweeping. At best, it bears an attenuated relationship to its own notification of purpose ("NOP"), which is limited to understanding whether the Company improperly induced consumers to take out or refinance loans, or misrepresented the costs or terms of loans.<sup>6</sup> Most striking, though, is that the Bureau has failed to focus its inquiry following the 2022 CID. Instead, the 2023 CID appears to be a fishing expedition.

The Bureau's CID expresses a commitment to "fair regulatory enforcement" for small businesses, but the 2023 CID is anything but fair.

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<sup>5</sup> Response to 2022 CID, Interrogatory 9.

<sup>6</sup> The NOP for both the 2022 and 2023 CIDs is as follows: "The purpose of this investigation is to determine whether short-term or small-dollar lenders or associated persons, in connection with providing short-term or small-dollar loans, have: (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 their loan products; or (3) misrepresented that their loans are short-term obligations despite being structured and serviced in a manner that renders them longer-term obligations for many borrowers, all in a manner that is unfair, deceptive, or abusive in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531, 5536. The purpose of this investigation is also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest."

**A. The 2023 CID requests nearly all documents and communications concerning the Company's consumer business,** [REDACTED]

The 2023 CID is incredibly overbroad and burdensome, including:

- Eight interrogatories with 23 subparts;
- Eighteen document requests with 26 subparts; and
- Eight requests for written reports with 75 subparts.

More specifically, the 2023 CID requests detailed information about, [REDACTED]

[REDACTED]<sup>7</sup> .<sup>8</sup> It asks the Company to rank its top two and bottom two performing stores, by state and by year, across six different metrics, some of which the Bureau is aware the Company does not even track.<sup>9</sup> It then seeks the complete [REDACTED]

[REDACTED]<sup>10</sup> It requests "documents reflecting" the Company's [REDACTED]

[REDACTED]<sup>11</sup> For many of these requests, the 2023 CID also requests documents reflecting "discussions" or "communication" about the topic. As the Bureau is aware,<sup>12</sup> this would require the Company to undertake an unreasonably expensive review of its emails. The Company would have to search through 730 GB of data for any "discussions" of multiple topics, many of which are core to the Company's business and therefore would appear in most of the Company's emails.

If those requests are not overwhelming enough, the 2023 CID goes on to request nearly every email in the Company's possession concerning its entire consumer business:

Documents reflecting the content of any communication involving an owner of the Company, the chief executive officer, a regional manager, or a district manager that relate to underwriting, origination, servicing, renewal, refinancing, or collections.<sup>13</sup>

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<sup>7</sup> 2023 CID, Interrogatory 1.

<sup>8</sup> 2023 CID, Request for Documents 2.

<sup>9</sup> 2023 CID, Interrogatory 4, Request for Documents 1.

<sup>10</sup> 2023 CID, Request for Documents 11.

<sup>11</sup> 2023 CID, Requests for Documents 3, 4, 5, 6, 7, 10, 12, 15, and 16.

<sup>12</sup> See Bassett Hearing Transcript, p. 133, lines 24-25, 134, line 1 (email is the "normal way[] employees would communicate with one another at the [C]ompany").

<sup>13</sup> 2023 CID, Requests for Documents 13.

Finally, the 2023 CID asks for written reports concerning all information disclosed in the loan agreement and [REDACTED]. The Company estimates it has originated 1.8 million loans during that time.

Further, as noted above, the CID NOP says that the investigation is limited to acts or practices that misrepresent loan terms or “induce” consumers to take out or renew loans, but the above requests and others improperly go beyond the NOP to seek information about servicing, collections, and other unrelated topics.

Given the Company’s small size and financial condition, there is no conceivable way that the Company can comply with the 2023 CID and remain in business.

**B. The 2023 CID requests information and documents that the Bureau knows do not exist, or which the Bureau has already received from the Company.**

Even if the 2023 CID were manageable in scope, it appears that the Bureau drafted it without regard to the Company’s corporate testimony or prior productions. For example:

- Interrogatory 4(f) asks the Company to rate its stores by “internal audit or monitoring scores.” Ms. Bassett testified on behalf of the Company that it does not score store audits.<sup>14</sup>
- Interrogatory 8 asks the Company to identify any criteria used to determine when a loan can be approved outside of established underwriting parameters. Ms. Bassett testified on behalf of the Company that it does not approve loans outside of established underwriting parameters.<sup>15</sup>
- Request for Documents 18 asks for recordings of certain telephone calls, and Request for Written Report 8 asks for information about the Company’s call recordings. Ms. Bassett repeatedly testified on behalf of the Company that the Company does not record telephone calls.<sup>16</sup>

Further, many of the requests in the 2023 CID were addressed in the Company’s prior testimony and responses to the 2022 CID. For example:

- Request for Documents 9 asks for template versions of text and email communications used by the Company [REDACTED]. On September 23, 2022, the Company produced all of its [REDACTED] in response to Request for Documents 5 in the 2022 CID.

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<sup>14</sup> Bassett Hearing Transcript, p. 114, lines 9-10.

<sup>15</sup> Bassett Hearing Transcript, p. 149, lines 11-14.

<sup>16</sup> Bassett Hearing Transcript, pp. 52, 57, 121.

- Interrogatory 7 asks the Company what information an applicant was required to provide when applying for a loan for the first time. Ms. Bassett testified extensively to the documents and information that the Company obtained from applicants in the underwriting process.<sup>17</sup>
- Request for Documents 3 asks for documents reflecting the [REDACTED] Ms. Bassett testified as to the Company's relatively simple performance goals: improving on the prior year's profits by at least 10%, overall profitability (i.e., the store was not in the red), and increasing the proportion of loans made online.<sup>18</sup>
- Request for Documents 12 asks for documents reflecting the Company's [REDACTED] Ms. Bassett testified that the bonuses are based only on meeting the Company's relatively simple performance goals: improving on the prior year's profits by at least 10%, overall profitability (i.e., the store was not in the red), and increasing the proportion of loans made online.<sup>19</sup>

Does the Bureau expect the Company to use its limited resources and pay its counsel to respond to requests that the Bureau knows the Company cannot respond to, or to which the Company has already responded? Surely the Bureau understands that even if the response is "not applicable," or a citation to a prior response or testimony, there is still a cost to respond. Asking the Company to respond to requests already asked and answered is unduly burdensome.

**C. The 2023 CID does not reflect any narrowing of the Bureau's focus from its 2022 CID.**

In theory, a subsequent CID ought to demonstrate the Bureau's narrowing focus based on what it discovered in the initial phases of its investigation. The 2023 CID represents a ballooning from the 2022 CID. For example:

- While the 2022 CID asked for a description of the products offered by the Company, including their costs as well as exemplar loan agreements, the 2023 CID asks for [REDACTED]
- While the 2022 CID asked for information about the leadership and licensing of each subsidiary of the Company, the 2023 CID requests detailed information about each store, including its dates of operation, the names of its managers, and its gross profit for each year during the Applicable Period.<sup>21</sup>
- While the 2022 CID requested the Company's [REDACTED]

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<sup>17</sup> Bassett Hearing Transcript, pp. 123-126.

<sup>18</sup> Bassett Hearing Transcript, pp. 105-108.

<sup>19</sup> *Id.*

<sup>20</sup> 2022 CID, Request for Written Report 1 and Request for Documents 3; 2023 CID, Requests for Written Reports 1 through 5 and 8.

<sup>21</sup> 2022 CID, Interrogatories 5 and 6; 2023 CID, Request for Written Report 7.

[REDACTED], the 2023 CID requests nearly every email in the Company's possession

[REDACTED]<sup>22</sup>

The 2023 CID does not focus on any specific products, states, or issues. It *expanded* the Applicable Period from five years to six years, for no good reason. All of this begs the question: what is the purpose of this investigation, if not to demand every piece of information, every communication, and every document relating to the Company's consumer business? Did the Bureau discover anything of concern in the initial phases of its investigation? Why is it burdening a struggling small business? While we would not expect the Bureau to understand the details of the Company's current financial condition, the Company's audited financial statements, produced in response to the 2022 CID's Request for Documents 2,<sup>23</sup> and Ms. Bassett's testimony<sup>24</sup> made clear that the Company's resources are limited and dwindling. The Company also described its small business structure and worsening financial condition in the Meet & Confer for both the 2022 CID and now the 2023 CID.

#### **IV. The Company's Request for Relief**

In light of the issues outlined in this letter—the Company's small size and limited resources, the sheer breadth of the 2023 CID and the Bureau's apparent disregard for the Company's testimony and prior productions—we respectfully request that the Bureau withdraw the 2023 CID.

We note also that the Bureau has requested the U.S. Supreme Court decide, in the very near future, a case involving the constitutionality of the Bureau's funding mechanism.<sup>25</sup> The outcome of that case may decide the appropriateness of the Bureau's spending on this and other investigations. For that reason, the Bureau should withdraw – or at stay – the 2023 CID pending the Supreme Court's review.

If the Bureau has specific concerns about the Company's practices, we remain willing to cooperate and discuss. However, the Company simply cannot comply with the 2023 CID without facing financial ruin.

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<sup>22</sup> 2022 CID, Request for Documents 5; 2023 CID, Request for Documents 3.

<sup>23</sup> The audited financial statements produced by the Company demonstrate that its net income has dropped by over 80% over the Applicable Period: in 2017, its net income was just over \$4.06 million; in 2018, its net income was \$3.95 million; in 2019, its net income was \$3.13 million; in 2020, its net income was \$1.76 million; by 2021, its net income had dropped to just over \$790,000. See Bates Numbers PRA00000007, PRA00000024, PRA00000041, PRA00000059.

<sup>24</sup> See, e.g., Bassett Hearing Transcript, p. 116, lines 10-11 ("Well, the recent years have been really tough to say, because business is off a lot."); p. 29, lines 17-18 ("We were a much larger organization when this [organizational chart] was developed."); p. 31, lines 16-19 ("[W]e were shrinking in size and did not have the resources to [hire a replacement for the compliance officer]."); pp. 43-44 (testifying that the Company has closed about 10 stores during the COVID-19 pandemic).

<sup>25</sup> As the Bureau is aware, that case is *Consumer Financial Protection Bureau v. Community Financial Services Association of American, Ltd.*, on appeal from the U.S. Court of Appeals for the Fifth Circuit.



April Denise Seabrook  
John Thompson  
January 17, 2023  
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We respectfully request that the Bureau respond to this letter by January 20, 2023, so that we have time to exercise the Company's right to file a petition to quash the 2023 CID if necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lucy Morris", with a long horizontal line extending to the right.

Lucy Morris  
Anastasia Caton  
Hudson Cook, LLP  
Counsel for Pacific Rim Alliance Corp.

cc: Cara Petersen  
Alusheyi Wheeler