

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Joshua D. Wright
 Terrell McSweeney

In the Matter of

**First American Title Lending of Georgia,
LLC,
a limited liability company.**

DOCKET NO. C-4529

COMPLAINT

The Federal Trade Commission, having reason to believe that First American Title Lending of Georgia, LLC, a limited liability company, (“Respondent”), has violated the provisions of the Federal Trade Commission Act (“FTC Act”) and provisions of the Truth in Lending Act (“TILA”) and its implementing Regulation Z, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent First American Title Lending of Georgia, LLC, is a Tennessee limited liability company with its principal place of business at 6045 Century Oaks Drive, Chattanooga, Tennessee, 37416. First American Title Lending of Georgia, LLC, operates from 33 different locations in the state of Georgia.
2. Respondent offers loans secured by consumers’ free-and-clear car titles (“title loans”).
3. The acts and practices of Respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

Background on Car Title Loans

4. Car title loans can be short term loans and are often advertised as 30 day loans. Title loans have high interest rates and short repayment periods, with payments due every month. In many instances, however, the loans can be longer-term, high cost installment

loans with payments due over several months. The typical APR of a car title loan can be over 300%.

5. Each additional payment after the first month is termed a “renewal.” The average consumer does not repay the loan in 30 days, instead “renewing” the loan an average of eight times. Loan amounts differ but typically are \$1,000 and up to \$10,000. The lender takes possession of the consumer’s car title and charges a monthly fee, sometimes as much as 25% of the amount borrowed per month. For example, the amount of fees would be \$250 per month and after eight renewals, a consumer taking out the average loan amount of \$1,000 would pay approximately \$2,000 in fees.

Respondent’s Business Practices

6. Respondent offers consumers car title loans in Georgia, purportedly in accord with Part 5 of Article 3 of Chapter 12 of Title 44 of the Georgia statutes relating to pawnbrokers, O.C.G.A. Sections 44-12-130 et seq., which are secured by the borrower’s free-and-clear car title. Respondent’s advertisements state that the title loans are offered at “0% interest rate” or “0% interest rate for 30 days.”
7. Respondent has disseminated or caused to be disseminated advertisements to the public promoting extensions of closed-end credit in consumer credit transactions, as the terms “advertisement,” “closed-end credit,” and “consumer credit” are defined in Section 1026.2 of Regulation Z, 12 C.F.R. § 1026.2, as amended.
8. Since at least January 2012, Respondent has disseminated or caused to be disseminated advertisements promoting its title loans, including on the website www.firstamericantitlelending.com, on web ads, on billboards, flyers and brochures, newspapers, and yard signs, with the following representations, copies of which are attached as Exhibits 1 - 12:
 - a. The website advertisements, copies of which are attached as Exhibit 1, provide the following disclosures:

**0% Interest
FOR 30 DAYS***

**Some restrictions apply*

- b. The web search ads, appearing as a Google advertisement on the side of the webpage, copies of which are attached as Exhibit 2, provide the following disclosures:

Lowest Rate Title Pawns
Ask about 0% Interest. No Credit Check.

Title Lending – Low Rates
0% for 30 days. Get the Most Money.

c. A sampling of the billboard advertisements, copies of which are attached as Exhibits 3 – 5 (Exhibit 5 is in Spanish), provides the following disclosures:

i. Exhibit 3:

0% Interest for 30 days

Certain terms and conditions may apply

ii. Exhibit 4:

0% Interest

iii. Exhibit 5:

0% Interest
Compramos Prestamos Sobre Su Titulo
(Buy on your title loans)

d. The flyer and brochure advertisements, copies of which are attached as Exhibits 6 – 8, provide the following disclosures:

i. Exhibit 6:

0% Interest

9.5% or lower!

Lowest Rates in Town

ii. Exhibit 7:

- Get up to \$5,000 in less than 30 minutes
- No credit check – your car is your credit
- Lowest rates in town – as low as 9.5%
- Title pawned? We can buy it out!
- 0% Interest for 30 days

(This ad is also in Spanish)

iii. Exhibit 8:

0% Interest for 30 days!
Rates as low as 9.5%

e. The newspaper advertisements, copies of which are attached as Exhibits 9 – 10, provides the following disclosures:

i. Exhibit 9:

Lowest Rates!
0% Interest!

ii. Exhibit 10:

0% Interest!
(for 30 days)
Lowest Rates!

f. The yard sign advertisements, copies of which are attached as Exhibits 11 – 12 provides the following disclosures:

i. Exhibit 11:

0% Title Pawn

ii. Exhibit 12:

0% Interest

9. The advertisements, as shown in Paragraph 8, do not disclose that the 0% offer does not apply unless: (1) the borrower is a new customer of Respondent, (2) the borrower is starting a new title loan and not refinancing a different loan through another title lender, and (3) the loan is repaid in certified funds or money order and not by cash or personal check.

10. The advertisements, as shown in Paragraph 8, do not disclose: (1) that the advertised 0% does not apply unless the loan is completely repaid in 30 days, (2) that there will be a substantial finance charge if the loan is not completely repaid in 30 days and (3) the amount of this finance charge.
11. The advertisements, as shown in Paragraph 8, do not disclose that if the loan is not repaid *in full* in 30 days, the consumer would be required to pay the finance charge for the first 30 days in addition to any additional finance charges that incur on day 31 (for the second 30-day period).
12. The advertisements, as shown in Paragraph 8.d., display an additional rate of finance but do not disclose the rate of finance charge as an annual percentage rate (“APR”).
13. Many of Respondent’s borrowers do not repay their loans within the first 30 days or do not meet the requirements for the 0% introductory rate, and thus many of its borrowers end up paying finance charges.

VIOLATIONS OF THE FEDERAL TRADE COMMISSION ACT

Count I

Failure to Disclose Terms of the Loan

14. In numerous instances, including but not limited to, through the means described in Paragraphs 6 to 13, Respondent has represented, directly or indirectly, expressly or by implication, that it offers title loans to consumers with: (1) a 0% “interest rate” or (2) a 0% rate of finance charge for a 30-day period.
15. In instances in which Respondent has made the representation set forth in Paragraph 14 Respondent has failed to disclose, or failed to disclose adequately: (1) the existence and amount of the finance charge that consumers have to pay for the 30 day introductory period if certain terms and conditions are not met; (2) the existence and amount of the finance charge that consumers have to pay after the conclusion of the 30-day introductory period; and (3) the conditions to get the 0% rate. These facts would be material to consumers in their decisions regarding Respondent’s title loans.
16. Respondent’s failure to disclose, or failure to disclose adequately, the material information described in paragraph 15, in light of the representation set forth in Paragraph 14, is a deceptive act or practice.
17. The acts and practices of Respondent alleged in this complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act.

VIOLATION OF THE TRUTH IN LENDING ACT AND REGULATION Z

18. Respondent's advertisements promoting title loans, including but not limited to those described in Paragraph 8.d., are subject to the requirements of TILA and Regulation Z.
19. Section 144 of TILA and Section 1026.24(c) of Regulation Z require that the rate of finance charge must be stated as an "annual percentage rate" using that term or the abbreviation "APR."

Count II

20. Respondent's advertisements promoting the extension of closed-end credit in consumer credit transactions, including but not limited to those described in Paragraph 8.d., provide a rate of finance charge but fail to state that rate as an "annual percentage rate" or "APR."
21. Therefore, Respondent's practices violate Section 144 of TILA, 15 U.S.C. §1664, and Section 1026.24(c) of Regulation Z, 12 C.F.R. §1026.24(c).

THEREFORE, the Federal Trade Commission this second day of June, 2015, has issued this complaint against Respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: