UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FEDERAL TRADE COMMISSION, Plaintiff, v. CITIGROUP INC., CITIFINANCIAL CREDIT COMPANY, ASSOCIATES FIRST CAPITAL CORPORATION, and ASSOCIATES CORPORATION OF NORTH AMERICA, Delaware corporations, Defendants.	)	Civil No.

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("Commission"), by its undersigned attorneys, alleges as follows:

1. This is an action under Sections 5(a), 13(b), and 16(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a), 53(b), and 56(a), Section 108(c) of the Truth in Lending Act ("TILA"), 15 U.S.C. § 1607(c), Section 704(c) of the Equal Credit Opportunity Act ("ECOA"), 15 U.S.C. § 1691c(c), and Section 621(a) of the Fair Credit Reporting Act ("FCRA"), 15 U.S.C. § 1681s(a), to secure permanent injunctive relief and other equitable relief,

including rescission, restitution, reformation, and disgorgement, against defendants for engaging in unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, as amended, 15 U.S.C. § 45(a), acts or practices in violation of the TILA, 15 U.S.C. §§ 1601-1666j, as amended, and the TILA's implementing Regulation Z, 12 C.F.R. § 226, as amended, acts or practices in violation of the ECOA's implementing Regulation B, 12 C.F.R. § 202, as amended, and acts or practices in violation of the FCRA, 15 U.S.C. § 1681a-1681u, as amended.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. §§ 45(a), 53(b), 1607(c), 1691c(c), and 1681s(a), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

3. Venue is proper in the United States District Court for the Northern District of Georgia under 28 U.S.C. § 1391(b) and (c), and 15 U.S.C. § 53(b).

PARTIES

4. Plaintiff, the Commission, is an independent agency of the United States Government created and given statutory authority and responsibility by the FTC Act, as amended, 15 U.S.C. §§ 41-58. The Commission is charged, inter alia, with enforcing Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce, and the TILA, ECOA, and FCRA. The Commission is authorized by Section 13(b) of

the FTC Act, 15 U.S.C. § 53(b), Section 108(c) of the TILA, 15 U.S.C. § 1607(c), Section 704(c) of the ECOA, 15 U.S.C. § 1691c(c), and Section 621(a) of the FCRA, 15 U.S.C. § 1681s(a), to initiate federal district court proceedings to enjoin violations of the FTC Act, the TILA and its implementing Regulation Z, the ECOA and its implementing Regulation B, and the FCRA, and to secure such equitable relief as may be appropriate in each case including, but not limited to, redress and disgorgement.

5. Defendant Citigroup Inc. ("Citigroup") is a Delaware corporation that maintains its principal place of business at 153 E. 53rd Street, New York, NY 10043. Defendant CitiFinancial Credit Company ("CitiFinancial") is a wholly owned subsidiary of CitiCorp Inc., which is in turn a wholly owned subsidiary of Citigroup. CitiFinancial is a Delaware corporation that maintains its principal place of business at 300 St. Paul Place, Baltimore, MD 21202. Citigroup and CitiFinancial transact business in this District.

6. On November 30, 2000, Citigroup consummated its acquisition of defendant Associates First Capital Corporation ("Associates First Capital") pursuant to an Agreement and Plan of Merger dated September 5, 2000 ("Agreement"). Article 1, Section 1.1 of the Agreement states that Citigroup "shall succeed to and assume all the rights and obligations" of Associates First Capital. On information and belief, Citigroup is merging the domestic consumer finance business of Associates First Capital into the consumer finance business of CitiFinancial. Citigroup and CitiFinancial are successor corporations to Associates First Capital and are liable for the illegal practices alleged in this Complaint.

7. Associates First Capital is a Delaware corporation that maintained its principal place of business at 250 East Carpenter Freeway, Irving, Texas 75062. Defendant Associates First Capital was the parent company of defendant Associates Corporation of North America. At all times relevant to this Complaint, Associates First Capital transacted business in this District.

8. Defendant Associates Corporation of North America ("Associates North America") is a Delaware corporation that maintained its principal place of business at the same location in Irving, Texas, as defendant Associates First Capital. Defendant Associates North America was a wholly-owned subsidiary and the principal U.S.-based operating unit of defendant Associates First Capital. At all times relevant to this Complaint, Associates North America transacted business in this District.

9. At all times relevant to this Complaint, defendants Associates First Capital and Associates North America, together with subsidiaries (collectively referred to as "The Associates"), offered finance products and services to consumers, including home equity loans, personal loans, automobile financing, and retail sales financing. The Associates also sold a variety of credit-related insurance products and other ancillary products to its consumer finance customers. The Associates operated as a common enterprise.

10. The Associates disseminated advertisements to the public that promote consumer credit transactions, as the terms "advertisement" and "consumer credit" are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2, as amended.

11. At all times relevant to this Complaint, The Associates was a “creditor,” as that term is defined in Section 103(f) of the TILA, 15 U.S.C. § 1602(f), and Section 226.2(a)(17) of Regulation Z, 12 C.F.R. § 226.2(a)(17), and as that term is defined in Section 702(e) of the ECOA, 15 U.S.C. § 1691a and Section 202.2(l) of Regulation B, 12 C.F.R. § 202.2(l), and therefore was required to comply with applicable provisions of the TILA and Regulation Z, and the ECOA and Regulation B.

THE ASSOCIATES’ BUSINESS

12. The Associates provided consumer finance products and services primarily to the “subprime” market. The subprime market is comprised of persons who are considered to be greater credit risks and, thus, do not meet the strict underwriting standards required to qualify for prime, or “A,” credit. Hence, the financing provided to such persons is also commonly referred to as “B/C” or “nonconforming” credit. Subprime lenders like The Associates make loans to borrowers with greater credit risk or perceived greater credit risk, including persons from lower-income or minority neighborhoods. Many such borrowers have difficulty obtaining financing from prime lenders. Moreover, traditional prime lenders, like banks, have been less likely to market their products, or maintain offices, in lower-income or minority neighborhoods.

13. To compensate for the perceived greater risk involved in extending financing to the subprime market, The Associates, like other subprime lenders, charged its customers prices that were substantially higher than those available to borrowers in the “A” market. This was reflected

primarily in the higher interest rates and points (one point equals one percent of the amount financed on the loan) charged to such customers.

14. The Associates nurtured a relationship of trust in which customers were led to believe they could rely on The Associates for sound advice about organizing their finances. For example, a document entitled "Welcome to the World of Associates: Passport" ("Passport") included the following "Quality Service Promises" to The Associates' consumers:

> . . . to meet or exceed all **YOUR** needs and expectations to the best of our ability.
>
> . . . to recommend only those products and services that fit **YOUR** needs.
>
> . . . to explain our loan documents and financial products in non-technical terms that **YOU** can understand.
>
> . . . to provide **YOU** with competent employees who are caring, professional, motivated and personable.

15. In fact, The Associates engaged in numerous deceptive practices and other violations of law to induce consumers to take out or refinance loans with high interest rates, costs, and fees and to purchase high-cost credit insurance.

16. The Associates obtained its customers through a variety of means, such as (a) the purchase of retail installment contracts from sellers of household and other consumer goods ("Associates Time Payments" or "ATPs"), (b) the mailing to consumers of "live checks" and other direct mail offers, (c) the acquisition of subprime lenders and/or their loan portfolios, and (d) through third parties such as home improvement dealers and mortgage brokers. Once in The

Associates' loan portfolio, customers were aggressively solicited to take out new loans and refinance their existing debt. For example, within a few days of the initial ATP transaction, or the cashing of a "live check," The Associates' employees were trained to contact the customer to propose a different type of loan, usually a personal loan or a home equity loan (generally, a mortgage loan secured by single-family residential property). Thereafter, The Associates' policy was to solicit customers every 90 days to offer new loans for more money. The Associates generated additional income on these loans because customers paid new points, insurance premiums, and/or other fees and charges.

17. The Associates emphasized "upselling" homeowners to home equity loans. Through marketing and solicitation tools used to convince customers of the benefits of refinancing, The Associates induced customers to refinance their existing consumer credit debts into a single debt consolidation loan, typically a home equity loan, a practice known as "flipping." These marketing and solicitation tools repeatedly stressed that a debt consolidation loan would benefit customers, for example by lowering their monthly payments, requiring them to pay less interest, allowing them to own their homes sooner, and saving them money. These claims were often false. To dissuade customers from shopping around for a more affordable loan, The Associates trained its employees to "take [customers] out of the market" by assuring customers they will be approved for the proposed loan.

18. The Associates created and trained its employees to use the What If? and Equity Advantage Plan ("EAP") programs, and similar solicitation tools, to compare the customer's

current debts with one or more Associates loan proposals and to demonstrate the “benefits” of consolidating the consumer’s debts with an Associates loan, typically a home equity loan. In many instances, The Associates used the consumer report in the customer’s current loan file for this purpose. The What If? program was most often initiated with a telephone call from an Associates employee, asking the customer, for example, “what if I could show you a way to . . . Save $XXX each month? . . . Save $XXXX in the total interest charges on your current debts? . . . Establish a savings account in the amount of $XXX . . . .” If the customer showed interest, the employee typically met with the customer in person to present the EAP, a pre-printed worksheet comparing the customer’s current debts with The Associates’ proposed loan, and indicating the “Money Saved” with The Associates’ loan.

19. The What If?, EAP, and similar solicitation tools did not accurately compare a customer’s current debt load with The Associates’ debt consolidation home equity loan, and therefore the purported savings and other benefits were misleading. For example, in comparing the customer’s total monthly payments on his current debts with the monthly payment on the proposed loan, these solicitation tools assumed the same monthly savings over the full loan term, typically 15-20 years, even though customers’ current debts often included short term debts (*e.g.*, personal installment loans, automobile loans, and credit card debts) that likely would be paid off within five years. These solicitation tools sometimes purported to show savings even where the consumer’s current debts had lower interest rates than the proposed loan. In addition, in representing the monthly savings from consolidating a customer’s first mortgage and other debts, the What If? and EAP programs failed to account for property taxes and homeowner’s insurance

that The Associates' customers were required to pay out of pocket. Most mortgage lenders include in a customer's monthly payment an escrow amount for property taxes and homeowner's insurance, but The Associates did not. The What If? and EAP programs calculated monthly savings from The Associates' debt consolidation home equity loan without factoring in this out-of-pocket cost to consumers.

20. The Associates disseminated, or caused to be disseminated, advertisements in various media promoting home equity loans ("credit advertisements"), including but not necessarily limited to the attached Exhibits A and B. These credit advertisements stated, *inter alia*, that consumers would "lower [their] monthly payment" and "pay less interest" by consolidating their debts into a home equity line of credit ("HELOC") with The Associates. Similarly, Exhibit B stated, *inter alia*, that "**Lower monthly payments mean more money in your pocket.** ... You'll have more money left at the end of the month, during the term of your loan." (Emphasis in original.) Exhibits A and B also included a "Monthly Payment Comparison Chart" illustrating how a consumer could consolidate $24,000 of credit card, auto, and bank loans into the same $24,000 debt with The Associates' HELOC, and "make one lower monthly payment of $182 – **that's $412 a month more in your pocket every month!**" (Emphasis in original.) These and other home equity advertisements used by The Associates touted a monthly savings amount ("**$412 a month . . . every month!**") by improperly comparing current, often unsecured, short term debts with The Associates' long term home equity loan.

21. In fine print, these HELOC advertisements stated that the "minimum monthly

payment of $182 assumes a balance of $24,000 with interest at **9.08% APR** payable over 120 months." (Emphasis in original.) However, the fine print also stated that, "[i]f allowed by state law, you could pay a loan fee of up to 5% of the credit line. Closing costs can be a one time fee averaging approximately $800." In most, if not all, instances, The Associates charged loan fees and closing costs on home equity loans and included these costs in the consumer's loan principal. By failing to include these typical fees and costs as part of the loan, the monthly payment comparison chart understated the true loan amount and overstated the purported monthly savings. In addition, the chart did not reveal that the $182 monthly payment on The Associates' HELOC amounts to an interest-only payment: If the consumer made minimum monthly payments of $182 with interest at 9.08% APR over 120 months (10 years), and did not draw further on the credit line, the consumer would still owe a balloon payment of about $24,000 – the original loan balance – at the end of 10 years. By consolidating the listed current debts into The Associates' HELOC, the consumer would not save money; rather, the consumer would simply shift short term debts into a ten year HELOC that is secured by the consumer's home and includes a $1,200 loan fee, $800 in closing costs, a final balloon payment, and an uncertain adjustable APR.

22. As one inducement for a home equity loan, The Associates offered a "Homeowner's Express Loan" pending the closing of a home equity loan with The Associates. The Homeowner's Express Loan was a "personal loan" for up to $5,000 that a customer could obtain within hours. The Associates touted this loan in the Passport:

> If you pre-qualify for a home equity loan, you can get our Homeowner's Express Loan, receive up to $5,000 immediately, and pay no interest while your home equity loan is being prepared. When your home equity loan closes, your Homeowner's Express Loan is paid off at no interest to you!

According to The Associates' policies, if the customer obtained a home equity loan with The Associates within 30 days, the Homeowner's Express Loan would be paid off by the home equity loan and no interest would be charged on the Homeowner's Express Loan. However, if the customer did not obtain a home equity loan with The Associates – either because he did not qualify or did not want it (*e.g.*, because the loan terms became less favorable), or because he later rescinded the transaction – the customer was still obligated to pay off the Homeowner's Express Loan at the prevailing interest rate and term for personal loans (*e.g.*, 28% for six months). Although The Associates structured the Homeowner's Express Loan and subsequent home equity loan as two separate transactions, they were in reality one transaction that The Associates "split" into two so as to provide consumers with immediate cash. Immediate cash is not possible on home equity loans, in part because the TILA provides consumers with a three-day right of rescission. Unless the consumer waived the right of rescission for a bona fide financial emergency as prescribed by the TILA, The Associates could not disburse any money until the rescission period had expired, typically three business days after the loan closing. The Associates used the Homeowner's Express Loan to obtain, and retain, home equity loan customers. Once the customer was obligated on the Homeowner's Express Loan, he was less likely to change his mind or go elsewhere for a home equity loan. Even if a customer did change his mind, he would in effect pay a cancellation penalty, *i.e.*, he would be obligated to The Associates for a high-interest personal loan.

23. If a customer showed interest in a loan, The Associates' employee typically took an application and then determined a loan amount, often adding hundreds or even thousands of dollars above what the customer requested or needed ("upselling"). The employee then presented a loan proposal to the customer, quoting a monthly payment amount. The Associates trained its employees to quote a monthly payment based on (a) the maximum interest rate, and (b) the longest term.

24. After obtaining the customer's comfort with a monthly payment amount, the loan officer explained certain complimentary services offered, such as use of the branch's copy or fax machine. Then, after talking about these free services, the loan officer returned to the payment and advised the customer that the quoted payment also included "total payment protection" (or "payment protection"), which was a package of optional credit insurance products, such as credit life, accident and health, involuntary unemployment, and personal property or limited physical damage insurance, for which The Associates had determined the customer might be eligible. Until at least mid-1998, The Associates trained its employees to quote a monthly payment that included the cost of credit insurance. To facilitate this practice, The Associates provided its employees with payment charts to use in quoting monthly payments with the cost of credit insurance automatically included. Under this procedure, The Associates' employees were instructed to tell customers that the quoted monthly payment included "total payment protection" but not to tell the customer about the added cost of purchasing and financing credit insurance. In numerous instances, The Associates' employees quoted monthly payments to customers that included the cost of credit insurance without even mentioning "total payment protection" (or "payment

protection") or otherwise disclosing the existence or cost of the credit insurance. The Associates did not include the cost of credit insurance in the finance charge and annual percentage rate on its loans because it considered these products optional.

25. In selling "total payment protection," The Associates trained its employees to state only the "benefits" of the credit insurance and not to mention the costs or limitations on coverage. For example, The Associates trained its employees to represent to customers that credit life insurance will pay off the balance of the loan in the event of the customer's death. This was often untrue, particularly in the case of mortgage loans, because the credit life insurance issued to customers was "truncated," *i.e.*, issued for a shorter coverage term than the loan term (the insurance term was only for 120 months as opposed to the typical mortgage loan term of 180-240 months), and the credit life insurance often decreased at a more rapid rate than the loan balance.

26. The Associates also trained its employees to sell the "benefits" of the loan without explaining the full terms and costs of the loan. The Associates trained its employees to "sell the monthly payment," as opposed to the loan's annual percentage rate, points and costs, and loan term. In addition, The Associates' employees emphasized if the loan would result in cash to the customer and/or "pay off" other debts. The Associates also trained its employees to represent to consumers that there would be "no out-of-pocket fees" and "no up front out-of-pocket costs" with its loans. However, The Associates' employees did not disclose to consumers that The Associates typically charged high points on mortgage loans (*e.g.*, 8 points), as well as closing costs, and that the points and closing costs were financed as part of the loan and were non-

refundable. Employees also did not disclose that The Associates' mortgage loans did not include the costs of property taxes and homeowner's insurance, and that the consumer was required to pay those costs himself.

27. The Associates' employees rushed consumers through loan closings, presenting a multitude of lengthy, complex, highly technical documents and simply telling customers where to sign (*e.g.*, "sign here, sign here, sign here"). Until at least mid-1998, The Associates' employees did not disclose to customers, at closing, the comparative cost of a loan with and without optional insurance products. In numerous instances, where a customer requested that such products be removed, The Associates' employees told the customer that changing the amount of the loan to eliminate these products would require rescheduling the closing, knowing this posed a great hardship for the customer. If a customer continued to object, The Associates' employees told the customer that if he closed the loan with the insurance included, he could cancel the insurance within a stated number of days (*e.g.*, 30 days) without cost. The Associates knew from experience that few customers would try to cancel the insurance. For those that did cancel within the stated period of time, The Associates' policy was to credit the customer's account only for the amount of the insurance premium. The Associates did not rebate any interest that already had accrued on the premium or the financed points charged on the premium, causing borrowers to incur the costs of the non-rebated premium interest, the points on the premium, and the interest that accrued over time on those points.

28. The Associates promoted and encouraged aggressive action by its employees to resolve delinquencies in customers' accounts. The Associates trained its employees to use "permanent corrective arrangements," including soliciting eligible customers to refinance their delinquent loan through a new loan at prevailing rates and fees. If a customer did not qualify for a new loan using The Associates' standard underwriting criteria, The Associates would nonetheless offer to refinance the customer's loan balance with a "workout loan," often piling on costs which customers in arrears could ill afford to pay.

29. The Associates' employees often engaged in other abusive collection tactics to obtain customers' past due payments, including repeated and continuous telephone calls to customers at their home and/or work place, and revealing consumers' debts to third parties without consumers' consent.

30. The acts and practices of defendants alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I: Misrepresentation of Savings

31. Plaintiff incorporates by reference all the foregoing paragraphs.

32. In credit advertisements (including but not necessarily limited to Exhibits A and B) and in the course and conduct of offering and extending credit, The Associates represented,

expressly or by implication, that:

A. Consumers would save money when consolidating existing debts into a home equity loan with The Associates;

B. The examples and illustrations shown in The Associates' advertisements and solicitations accurately illustrated the potential savings and benefits of consolidating existing credit card balances and other loans into a loan with The Associates.

33. In truth and in fact,

A. Consumers, in many instances, would not save money when consolidating existing debts into a home equity loan with The Associates;

B. The examples and illustrations shown in The Associates' advertisements and solicitations did not accurately illustrate the potential savings and benefits of consolidating existing debts into a home equity loan with The Associates.

Therefore, The Associates' representations, as alleged in paragraph 32, were false or misleading.

34. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count II: Misrepresentation of Loan Amount

35. Plaintiff incorporates by reference all the foregoing paragraphs.

36. In credit advertisements (including but not necessarily limited to Exhibits A and B) and in the course and conduct of offering and extending credit, The Associates represented, expressly or by implication, that consumers could pay off their current debts (*e.g.*, credit card and other debts totaling $24,000) with a home equity loan for the same amount (*e.g.*, $24,000).

37. In truth and in fact, in many instances, consumers could not pay off their current debts with a home equity loan for the same amount, because The Associates' home equity loan also (a) required the payment of substantial loan fees and closing costs, and (b) in some instances, included the cost of single-premium credit insurance. Therefore, The Associates' representation as alleged in paragraph 36, was false or misleading.

38. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count III: Misrepresentation of Cost of Credit Insurance

39. Plaintiff incorporates by reference all the foregoing paragraphs.

40. In the course and conduct of offering and extending credit, The Associates represented, expressly or by implication, that consumers could obtain "total payment protection," or insurance, on their loan without any additional cost.

41. In truth and in fact, consumers could not obtain "total payment protection," or insurance, on their loan without any additional cost. "Total payment protection" refers to single-premium credit insurance that is sold by The Associates in conjunction with the loan, and which adds hundreds or thousands of dollars to consumers' loan costs. Therefore, The Associates' representation, as alleged in paragraph 40, was false or misleading.

42. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count IV: Misrepresentation of Insurance Coverage

43. Plaintiff incorporates by reference all the foregoing paragraphs.

44. In the course and conduct of offering and extending credit, The Associates represented, expressly or by implication, that credit life insurance provided by The Associates in conjunction with the loan would pay off the entire balance of the consumer's loan in the event of the consumer's death, and that credit accident and health insurance would make the consumer's loan payments in the event of the consumer's disability.

45. In truth and in fact, in many instances, credit life insurance provided by The Associates in conjunction with the loan would not pay off the consumer's entire loan balance, and credit accident and health insurance would not make the consumer's loan payments, because the insurance was issued for a term shorter than the loan term or because the insurance decreased at a

rate more rapidly than the loan term. Therefore, The Associates' representation, as alleged in paragraph 44, was false or misleading.

46. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count V: Failure to Disclose Cost and Terms of Credit Insurance

47. Plaintiff incorporates by reference all the foregoing paragraphs.

48. In the course and conduct of offering and extending credit, The Associates represented, expressly or by implication, that consumers could obtain a loan for a quoted monthly payment amount.

49. In numerous instances, The Associates failed to disclose, or failed to disclose adequately, additional terms pertaining to the credit offer, such as (a) that the monthly payment amount included credit insurance which was an additional cost added to the loan; (b) that the entire premium for the credit insurance was financed up front and the consumer paid additional points and interest on the loan as a result; (c) that the purchase of credit insurance was optional and not required to obtain the loan; and (d) the extent to which the insurance would not cover the full loan term or loan balance. This additional information would have been material to consumers in deciding whether to obtain a loan with The Associates, and whether to obtain a loan with credit insurance. The failure to disclose, or failure to disclose adequately, this information in

light of the representation made, was a deceptive practice.

50. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count VI: Misrepresentation of Credit Insurance Refund

51. Plaintiff incorporates by reference all the foregoing paragraphs.

52. In the course and conduct of offering and extending credit, The Associates represented, expressly or by implication, that consumers could cancel credit insurance within a stated number of days (*e.g.*, 30 days) of the loan closing without cost.

53. In truth and in fact, when consumers canceled credit insurance within the stated number of days, The Associates credited their accounts only for the insurance premium amount and failed to refund any portion of the financed points on the premium or the excess interest attributable to the insurance. Therefore, The Associates' representation, as alleged in paragraph 52, was false or misleading.

54. The Associates' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count VII: Unfair Collection Practices

55. Plaintiff incorporates by reference all the foregoing paragraphs.

56. In connection with the collection of consumers' payments on its loans, The Associates employed abusive and unfair collection tactics, including but not necessarily limited to:

(a) disclosing consumers' debts to third parties without the consumer's consent;

(b) calling consumers at their place of employment after being advised by the consumer that such calls were inconvenient or not permitted;

(c) making repeated and continuous telephone calls to consumers with intent to annoy, abuse, or harass any person at the called number.

57. The Associates' actions caused or were likely to cause substantial injury to consumers that was not offset by any countervailing benefits and was not reasonably avoidable by these consumers.

58. The Associates' practices constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

Count VIII: Truth in Lending Act Violations

59. Plaintiff incorporates by reference all the foregoing paragraphs.

60. In the course and conduct of offering and extending credit, The Associates in many instances violated the requirements of the TILA and Regulation Z in the following respects:

(a) in connection with the Homeowner's Express Loan and similar "loan splitting" practices, (i) failing to provide required disclosures in violation of Section 128 of the TILA, 15 U.S.C. § 1638, and Section 226.17 of Regulation Z, 12 C.F.R. § 226.17, and (ii) disbursing money before the rescission period has expired in violation of Section 226.23(c) of Regulation Z, 12 C.F.R. § 226.23(c);

(b) in advertisements, including but not necessarily limited to Exhibits A and B, stating a monthly payment amount required to repay a loan, but failing to disclose clearly and conspicuously one or more of the following items: (i) any loan fee and other fees for opening the account, (ii) the periodic rates used to compute the finance charge, expressed as annual percentage rates, and (iii) the fact that the plan included a balloon payment, in violation of §147 of the TILA, 15 U.S.C. § 1665b, and § 226.16(d) of Regulation Z, 12 C.F.R. § 226.16(d); and

(c) failing to retain records of compliance in violation of Section 226.25 of Regulation Z, 12 C.F.R. § 226.25.

61. Pursuant to § 108(c) of the TILA, 15 U.S.C. § 1607(c), every violation of the

TILA and Regulation Z constitutes a violation of the FTC Act.

62. By engaging in violations of the TILA and Regulation Z set forth in paragraph 60, above, The Associates also engaged in unfair or deceptive acts or practices in violation of § 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count IX: ECOA's Regulation B Violations

63. Plaintiff incorporates by reference all the foregoing paragraphs.

64. In the course and conduct of offering and extending credit, The Associates in many instances failed to retain written records relating to consumers' loan applications, including the application for consumer credit and other written and recorded information used in evaluating such application, thereby violating the record keeping requirements of Section 202.12(b)(1) of Regulation B, 12 C.F.R. § 202.12(b)(1). Regulation B, 12 C.F.R. § 202, is issued by the Board of Governors of the Federal Reserve System and is the implementing regulation for the ECOA.

65. Pursuant to § 704(c) of the ECOA, 15 U.S.C. § 1691c(c), every violation of the ECOA and Regulation B constitutes a violation of the FTC Act.

66. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes the Court to issue a permanent injunction against The Associates' violations of the record keeping requirements of the ECOA and Regulation B, as well as ancillary equitable relief.

Count X: Fair Credit Reporting Act Violations

67. Plaintiff incorporates by reference all the foregoing paragraphs.

68. In the course and conduct of its business on or after September 30, 1997, The Associates used or obtained consumer reports for impermissible purposes by:

(a) using a consumer report that was originally obtained in connection with a credit transaction involving a consumer to subsequently solicit the consumer to purchase new or additional loan products; and

(b) obtaining a new consumer report to solicit a consumer for a credit transaction that the consumer did not initiate.

69. By and through the aforementioned practices, The Associates violated Section 604(f) of the FCRA, 15 U.S.C. § 1681b(f), by using or obtaining a consumer report for (a) a purpose for which the report was not authorized to be furnished under Section 604(a) of the FCRA, 15 U.S.C. § 1681b(a), or (b) a purpose for which the report was not certified to be used, in accordance with Section 607(a) of the FCRA, 15 U.S.C. § 1681e(a).

70. Pursuant to Section 621(a)(1) of the FCRA, 15 U.S.C. § 1681s(a)(1), a violation of the FCRA also constitutes an unfair or deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

71. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes the Court to issue a

permanent injunction against The Associates' violations of the FCRA, as well as ancillary equitable relief.

CONSUMER INJURY

72. Consumers have suffered, and will continue to suffer, substantial injury as a result of The Associates' violations of § 5(a) of the FTC Act, the TILA, the ECOA, and the FCRA, as set forth above.

PRAYER FOR RELIEF

WHEREFORE, plaintiff requests that this Court, as authorized by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), Section 108(c) of the TILA, 15 U.S.C. § 1607(c), Section 704 of the ECOA, 15 U.S.C. § 1691c, Section 621 of the FCRA, 15 U.S.C. § 1681s, and pursuant to its own equitable powers:

(a) Enter judgment against defendants and in favor of plaintiff for each violation charged in the complaint;

(b) Permanently enjoin and restrain defendants from violating § 5(a) of the FTC Act in connection with offering and extending credit and any provision of the TILA and Regulation Z, the ECOA and Regulation B, and the FCRA;

(c) Find the defendants jointly and severally liable for redress to all borrowers who were injured as a result of defendants' violations of § 5(a) of the FTC Act, the TILA and Regulation Z, the ECOA's Regulation B, and the FCRA;

(d) Award such relief as the Court deems necessary to prevent unjust enrichment and to

redress borrower injury resulting from defendants' violations of § 5(a) of the FTC Act, the TILA and Regulation Z, the ECOA's Regulation B, and the FCRA, including, but not limited to, rescission or reformation of contracts, the refund of monies paid, and disgorgement of ill-gotten gains; and

(e) Award plaintiff its costs of bringing this action, as well as such other additional equitable relief as the Court may determine to be just and proper.

Dated: ____________________

Respectfully submitted,

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