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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

2017 JUL -7 PM 1:58

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :	:
DEPARTMENT OF BANKING AND :	:
SECURITIES, COMPLIANCE OFFICE :	:
	:
v. :	Docket No. 17 <u>0040</u> (BNK-OSC)
	:
HUB CONSUMER DISCOUNT :	:
COMPANY :	:
	:

NOTICE OF RIGHT TO APPEAL AND HEARING

You, Hub Consumer Discount Company have the right to challenge the attached Order to Show Cause (the "Order") by filing an Answer and Petition for Hearing, in writing, with the Pennsylvania Department of Banking and Securities ("Department") as set forth below within 30 days of the date of mailing this Order. See 1 Pa. Code §§ 31.13(a), 35.37. **If you do not file an Answer and Petition for Hearing within 30 days, you will waive your right to a hearing and the Department may enter a final order against you.**

Your Answer and Petition for Hearing must be in writing. You must specifically admit or deny the allegations in the Order, set forth the facts upon which you rely, and state concisely the matters of law upon which you rely and the relief you seek as required by 1 Pa. Code § 35.17. Mere general denials are inadequate under 1 Pa. Code § 35.37 to raise an issue requiring a hearing or further proceedings. The Answer and Petition for Hearing and all other documents relating to this matter must be filed with:

Linnea Freeberg, Docket Clerk
Pennsylvania Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

You must also serve a copy of the Answer and Petition for Hearing any other documentation on the person who signed the Order by providing a copy to his counsel indicated below:

Thomas S. Lee, Assistant Counsel
Pennsylvania Department of Banking and Securities
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

After you file the Answer and Petition for Hearing, you will be notified of the identity of the person designated to preside at the hearing, and any other pertinent information. You have the right to be represented by an attorney.

The hearing and all other procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa.C.S. §§ 501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§ 31.1-35.251.

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ORDER TO SHOW CAUSE AND TO CEASE AND DESIST

AND NOW, this ____ day of July 2017, Hub Consumer Discount Company (“Hub”), is hereby ORDERED TO SHOW CAUSE why the Commonwealth of Pennsylvania, Department of Banking and Securities (“Department”), Compliance Office (“Office”), should not impose the relief set forth below due to Hub’s violation of the Consumer Discount Company Act (“CDCA”), 7 P.S. § 6201, et seq. and for Hub to CEASE AND DESIST from activities that are in violation of the CDCA. In support of this Order, the Compliance Office states the following:

BACKGROUND

1. The Department of Banking and Securities (the “Department”) is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the Consumer Discount Company Act (“CDCA”), 7 P.S. § 6201 et seq.

2. Section 7 of the Consumer Discount Company Act provides in relevant part that, “At the time of applying for a license under this act, the minimum paid in capital shall be seventy-five thousand dollars (\$75,000).” 7 P.S. § 6207.

3. Section 7 of the Consumer Discount Company Act further provides that, “The minimum capitalization shall be maintained as permanent capital which shall not be distributed to

stockholders or be purchased by a licensee without the prior written approval of the Secretary of Banking.” 7 P.S. § 6207.

4. Section 12 of the CDCA provides that “The Secretary of Banking, upon thirty (30) day’s written notice to the licensee, forwarded by registered mail to the place of business of such licensee, as shown on the application for license, stating the contemplated action and in general the grounds therefor, may revoke any license if the licensee shall violate any provision of this act;....or if any fact or condition exists or is discovered, which, if it had existed or had been discovered at the time of filing of the application for such license, would have warranted the Secretary of Banking in refusing to issue such license.” 7 P.S. 6212.

5. Section 302.A.(5) of the Department of Banking and Securities Code authorizes the Department to disclose to the public “whether and to what extent a person or licensee is or has been subject to a fine, order or adjudication. 71 P.S. § 733-302.A.(5).

PARTIES

6. The Department administers and enforces the CDCA.

7. The Department has delegated to the Compliance Office (“Office”) many of its responsibilities for enforcing the CDCA. The Office is responsible for administering and enforcing the CDCA.

8. The Office is located at 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

9. Hub maintains its principal place of business at 426 Adams St., Suite #4, Rochester, Beaver County, PA 15074.

10. Hub is in the business of making consumer loans.

11. Hub has had several licenses with the Department and was originally licensed with the Department on August 14, 1963.

12. On December 30, 2009, Hub was licensed by the Department under the CDCA, license number 30071.

VIOLATIONS

13. On or around March 15, 2017 a Department examiner commenced an examination of Hub.

14. The examination contained a review of Hub's financial statements to ensure compliance with the minimum capitalization of seventy-five thousand dollars (\$75,000) as required in Section 7 of the CDCA.

15. The examination revealed Hub's capitalization at forty-eight thousand four hundred twenty-six dollars (\$48,426) as of September 30, 2016.

16. On January 19, 2017, the Department e-mailed the 2016 annual report filing notice to Hub at the email address on record with the Department.

17. The notice provided a deadline of March 31, 2017 to file a 2016 annual report.

18. On or around April 6, 2017, the Department received the 2016 annual report filing from Hub.

19. Hub was required to provide financial statements for the fiscal year ending December 31, 2016, and an interim financial statement if Hub's fiscal year was not January 1 – December 31.

20. No financials were remitted with Hub's 2016 annual report filing.

21. Financial statements enable the Department to ensure compliance with Section 7 of the CDCA.

22. Between April 28, 2017 and May 16, 2017 Hub made three separate capital infusions via checks totaling sixty-five thousand dollars (\$65,000) to address the minimum capitalization requirement.

23. On or around May 19, 2017 the Department requested that Hub provide financial information in the form of financial statements, which contained the following sections: Balance Sheet, Statement of Income and Retained Earnings, Statement of Cash Flow and all Related Notes to the Foregoing, along with bank statements. The Department requested this information on or before May 26, 2017.

24. Hub submitted financial information between June 1, 2017 and June 16, 2017. The submissions showed that Hub might have had the required minimum capitalization requirement per Section 7. The Department requested an additional bank statement from Hub to show that the money from the capital infusions, and by extension the capital, was still in place. The Department found that the money (and capital) had been dissipated.

25. On or around June 8, 2017 Theresa L. Jones of the Department spoke with Hub's accountant regarding the compilation reports for 2015 and 2016 remitted to the Department. The discussion revealed that Hub prepared a balance sheet, separate from the accountant's balance sheet, with material changes made by Hub.

26. The Department requested that Hub attest the accuracy of the balance sheet, and also requested documentation with 'footnotes' to designate the differences between the accountant's compilation and Hub's.

27. Despite repeated requests by the Department, Hub has not produced credible evidence that it has satisfied the necessary \$75,000 in minimum capital as required by Section 7.

28. The Department concludes that Hub failed to maintain the required capitalization of seventy-five thousand dollars (\$75,000) as directed in Section 7 of the CDCA.

29. On or around May 10, 2017 Hub remitted its application for license renewal as a consumer discount company.

30. Part of the renewal application is certifying the capitalization of the company to ensure compliance with Section 7 of the CDCA.

31. Hub certified that it had \$75,000 capitalization as of the submission of the license renewal application.

32. Based on information uncovered during the examination, as of the date of submission of its license renewal application, up to and including the date of this Order, Hub did not have the required capitalization of \$75,000 as directed in Section 7 of the CDCA.

33. By stating on its consumer discount company license renewal application that it had \$75,000 in capital when it did not, Hub has made a material misstatement.

34. Licensees operating under the provisions of the CDCA are required to maintain minimum capitalization of seventy-five thousand dollars (\$75,000) as permanent capital which shall not be distributed to stockholders or be purchased by a licensee. 7 P.S. § 6207.

35. Hub did not have the required minimum capitalization of \$75,000 and has not provided credible evidence that it has the minimum capitalization as of the date of this Order.

36. When remitting license renewal applications to the Department, licensees certify the information and statements contained within the renewal application and any attachments thereto are true to the best of their knowledge, information and belief.

37. The certification of the information and statements and any attachments are made subject to the penalties of Title 18 Pa. C.S. § 4904, relating to unsworn falsification to authorities.

38. Hub certified on its 2017-2018 consumer discount company license renewal application that it had \$75,000 capital, when the company did not meet the minimum capital requirement of \$75,000.

39. Hub violated the CDCA at 7 P.S. § 6207 by reporting seventy-five thousand dollars (\$75,000) in capitalization when the company did not have the required capital for continued licensure and is subject to a cease and desist order under 7 P.S. § 6212.

RELIEF

40. Revocation. Hub's Consumer Discount Company License (No. 30071) be shall be revoked upon the effective date of this Order.

41. Corrective Actions. Hub shall perform the following:

a. Internal Control Plan. Hub shall provide proof of the following:

i. Within thirty-five (35) days of the Compliance Office's filing of this Order, Hub shall, with respect to any borrower who obtained a loan from Hub under the CDCA, recalculate the indebtedness pertaining to that loan as of the date of this Order, to bring about a reduction in the rate of interest and other charges that aggregated in excess of six per cent (6%) annum.

ii. Within thirty-seven (37) days of the Compliance Office's filing of this Order, Hub shall, with respect to any borrower whose loan rate will be reduced as described in paragraph 27b.i., provide to that borrower notice of the interest reduction, and provide a copy of such notification to Theresa L. Jones in the Compliance Office; and

iii. Within forty (40) days of the Compliance Office's filing of this Order, Hub shall, with respect to any borrower whose loan rates will

be reduced as described in paragraph 27b.i., apply credits accordingly to the loan balance or, where no loan balance exists, pay refunds to the borrower, and provide documentation of the credits or payments to Ms. Jones in the Compliance Office.

b. Immediately upon the Compliance Office's filing of this Order, Hub shall immediately cease and desist from engaging in this Commonwealth in the business of negotiating or making loans or advances of money on credit, in the amount or value of twenty-five thousand dollars (\$25,000) or less, and charge, collect, contract for or receive interest, discount, bonus, fees, fines, commission, charges, or other considerations which aggregate in excess of the interest that the lender would otherwise be permitted by law to charge if not licensed under this act.

WHEREFORE, because of violations by Hub Consumer Discount Company of the Consumer Discount Company Act, the Commonwealth of Pennsylvania, Department of Banking and Securities, Compliance Office, under the authority cited above, hereby issues this Order to Show Cause and To Cease and Desist.

IT IS SO ORDERED.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES,
COMPLIANCE OFFICE**

Redacted _____

July 7, 2017

James Keiser, Chief
Compliance Office
Department of Banking and Securities



