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PA DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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| COMMONWEALTH OF PENNSYLVANIA | : | |
| DEPARTMENT OF BANKING AND | : | |
| SECURITIES, COMPLIANCE OFFICE | : | |
| | : | |
| v. | : | DOCKET NO. 19 <u>0065</u> (BNK-CAO) |
| | : | |
| KEYSTONE ACCEPTANCE | : | |
| PORTFOLIO, LLC | : | |

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Compliance Office (“Office”), has reviewed the business practices of Keystone Acceptance Portfolio, LLC (“Keystone”), and its officers, employees and directors. Based on the results of its review, it is the Office’s position that Keystone operated in violation of the Consumer Credit Code (“CCC”) as related to motor vehicle sales finance, 12 Pa. C.S. § 6201 *et seq.*. Keystone, without admitting wrongdoing, in lieu of litigation and for purposes of settlement of the above-captioned matter, hereby stipulates that the following statements are true and correct summaries of the allegations in the settlement of the above-captioned matter and, intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order (“Order”).

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the CCC.
2. Keystone’s principal place of business is located at 21 S 9th Street Allentown, PA 18102.
3. Under the CCC, a license is required for a person who is engaged in this Commonwealth as a “sales finance company.” 12 Pa. C.S. § 6211(a)(2).

4 The CCC defines a “sales finance company” to include “[a] person in the business of acquiring, investing in or lending money or credit on the security of an installment sale contract or any interest in the contract, whether by discount, purchase or assignment of the contract, or otherwise.” 12 Pa. C.S § 6202.

5. The CCC states that an installment sale contract is not enforceable if the holder was not licensed when the holder acquired the contract. 12 Pa. 62 § 6236(a)(2).

6. The CCC states that, when an unlicensed entity holds an installment sale contract entered into under the CCC and the car buyer pays the principal amount financed under the contract, the car buyer is entitled to cancellation of the contract and a release of all liens against any collateral for the contract. 12 Pa. 62 § 6236(b).

7. Without being licensed as a sales finance company license, Keystone purchased charged off installment sale contracts for motor vehicles purchased by Pennsylvania residents and Keystone did not believe a license was needed to purchase installment sale contracts that had been charged off

AUTHORITY OF THE DEPARTMENT

8 The CCC grants the Department the authority to issue orders as may be necessary for the enforcement of the CCC, 12 Pa C.S § 6203(a)(5).

9 Section 6274 of the CCC provides that “[a] person required to be licensed under this chapter that violates this chapter, directs a violation of this chapter or engages in an activity for which a license could be suspended or revoked under section 6218 (relating to revocation or suspension of license) shall be subject to a civil penalty levied by the department of not more than \$2,000 for each offense.” Pa C.S. § 6274

ALLEGED VIOLATIONS

10 The Department contends that Keystone violated Section 6211(a)(2) of the CCC when it engaged in the business of a motor vehicle sales finance company while unlicensed. 12 Pa. C.S. § 6211(a)(2)

SETTLEMENT OBLIGATIONS

11. In order to avoid expensive and time-consuming litigation and, in the settlement of disputed claims, the Department and Keystone agree to take the following actions:

- a. Settlement Payment. Keystone agrees to pay to the Department the sum of ten thousand three hundred seventy-five dollars (\$10,375) to resolve the unlicensed activity. Payment is due within thirty (30) days of the Effective Date of the Order as defined in paragraph 19 below. The payment shall be made by ACH or wire transfer, or if ACH or wire transfer is unavailable by certified check, cashier's check, teller's check, or money order made payable to the "Department of Banking and Securities" and shall be mailed, or delivered in person to the attention of: Department of Banking and Securities, Compliance Office, 17 N Second Street, Suite 1300, Harrisburg, PA 17101-2290.
- b. Licensure. Keystone has applied for licensure under the CCC. Within five (5) business days of the Effective Date of this Order, the Department will license Keystone under the CCC.

FURTHER PROVISIONS

12. Consent. Keystone hereby knowingly, willing, voluntarily and irrevocably consents to the entry of this Order pursuant to the Department's order authority under the CCC and agrees that it understands all of the terms and conditions contained herein. Keystone, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or obligations set forth in this Order.

13. No Admission of Violations or Liability. Keystone's consent to the entry of this Order is made as part of an effort to avoid expensive and time-consuming litigation and settle disputed claims. The entry of this Order does not signify Keystone's agreement that it engaged in wrongful conduct.

14. Release. This Order resolves with prejudice any and all claims that the Department could have asserted with respect to its contention that Keystone engaged in the business of a sales finance company without a license prior to the Effective Date of this Order.

15. Publication. The Department will publish this Order pursuant to its authority in Section 302A(5) of the Department of Banking and Securities Code 71 P.S. § 733-302.A (5)

16. Entire Agreement. This Order contains the whole agreement between the parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and Keystone

17. Binding Nature. The Department, Keystone, and all officers, owners, directors, employees, heirs and assigns of Keystone intend to be and are legally bound by the terms of this Order

18. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel

19. Effectiveness. The Order shall become effective on the date that both parties have executed the Order ("Effective Date").

20. Other Enforcement Action

- a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules, and regulations under its jurisdiction against Keystone in the future regarding all matters not resolved by this Order.
- b. Keystone acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

21. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

22. Counterparts. This Order may be executed in separate counterparts and by facsimile or electronic mail in portable documents format "PDF."

23. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

WHEREFORE, in consideration of the foregoing, including the recital paragraph, the Department of Banking and Securities, Compliance Office, and Keystone Acceptance Portfolio, LLC, intending to be legally bound, do hereby execute this Consent Agreement and Order.

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

Redacted

James Keiser, Chief
Compliance Office
Department of Banking and Securities

Date: May 15, 2019

FOR KEYSTONE ACCEPTANCE PORTFOLIO, LLC

Redacted

(Officer Signature)
Demetrios H Tsarouhis

(Print Officer Name)

Member

(Title)

Date: 5/15/2019

