

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
SECURITIES, COMPLIANCE OFFICE :

v. : **Docket No. 24_0032** (BNK-OSC)

TITLEMAX OF DELAWARE, INC. :
TITLEMAX OF OHIO, INC. :
TITLEMAX OF VIRGINIA, INC. :
TITLEMAX OF SOUTH CAROLINA, INC. :
TITLEMAX FUNDING, INC. :
TMX FINANCE LLC :
TMX FINANCE CORPORATE SERVICES, :
INC. :
CCFI COMPANIES, LLC :
AND ALL SUCCESSORS OR :
PREDECESSORS IN :
INTEREST, AFFILIATES, :
SUBSIDIARIES, OR :
PARENT COMPANIES, :
HOWEVER NAMED :

NOTICE TO ANSWER AND REQUEST A HEARING

You have the right to challenge the attached Order to Show Cause (the “Order”) by filing an Answer, in writing, with the Docket Clerk **within 30 days** of the date of this Order as required by 1 Pa. Code § 35.37. **If you do not file an Answer within 30 days, then you will waive your right to a hearing and the Banking and Securities Commission (the “Commission”) may enter a final order against you.**

Your Answer must be in writing. Your Answer must specifically admit or deny the allegations in this Order, set forth the facts you rely upon, and state concisely the law upon which you rely. General denials of the allegations set forth in the Order are not sufficient; you must support your denials with specific facts. Failure to support your denials with specific facts may cause the Commission to deem the facts in the Order as admitted and to enter a final order against you, without a hearing.

The Answer and any other documents must be filed via first-class mail and electronic mail with the Docket Clerk:

Linnea Freeberg, Docket Clerk
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNDOCKETCLERK@pa.gov

Further, you must serve a copy of the Answer and any other documents on the person who signed the Order by providing a hard and electronic copy to his or her counsel indicated below:

Office of Chief Counsel
Pennsylvania Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNChiefCounsel@pa.gov

Once you file your Answer, you will be notified of pertinent information such as the name of the presiding officer designated by the Commission to hear this matter and, if a hearing is scheduled, the date, time, and location of the hearing. 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

You, TitleMax of Delaware, Inc., TitleMax of Ohio, Inc., TitleMax of Virginia, Inc., TitleMax of South Carolina, Inc., TitleMax Funding, Inc., TMX Finance LLC (“TMX Finance”), TMX Finance Corporate Services, Inc., CCFI Companies, LLC, and all successors or predecessors in interest, affiliates, subsidiaries, or parent companies of any of the foregoing, however named (collectively, “TitleMax”), are notified that the Department of Banking and Securities (“Department”), through the Compliance Office, hereby **ORDERS YOU TO SHOW CAUSE** why the Banking and Securities Commission (“Commission”) should not impose the sanctions and remedies described below. Specifically, this proceeding is instituted pursuant to 1 Pa. Code § 35.14 to determine:

- (1) whether the allegations set forth below are true; and
- (2) if these allegations are true, whether there has been a violation of the Loan Interest and Protection Law and/or the Consumer Company Discount Act; and
- (3) if so, whether the sanctions and remedies proposed by the Compliance Office should be imposed by the Commission.

The Compliance Office alleges the following facts and violations of law for the purpose of tentatively framing the issues for consideration by the Commission. The Commission may consider this matter directly, or may designate a hearing officer to issue a recommended decision prior to the Commission issuing a final order.

STATEMENT OF THE PARTICULARS AND MATTERS
CONCERNING WHICH THE COMPLIANCE OFFICE IS INQUIRING

PARTIES

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the Loan Interest and Protection Law, 41 P.S. §§ 101-605 (“LIPL”) and the Consumer Discount Company Act, 7 P.S. §§ 6201-6219 (“CDCA”).

2. The Department’s Compliance Office has the primary responsibility to administer and enforce the LIPL and the CDCA on behalf of the Department.

3. The Compliance Office is located at 17 North Second Street, Suite 13, Harrisburg, Pennsylvania 17101.

4. TitleMax operates or has operated in several states through companies that are or were licensed to provide or facilitate consumer loans secured by a borrower’s automobile, including the states of Delaware, Ohio, and Virginia.

5. TMX Finance is or was the TitleMax parent entity.
6. The TMX Finance website states that “the Community Choice Financial Family of Brands provides consumer credit products through 10 brands in more than 24 states and offers online consumer credit products in 20 states nationwide.”
7. On information and belief, TitleMax is now part of the Community Choice Financial Family of Brands (“Community Choice”).
8. TitleMax/Community Choice is located at 15 Bull Street, Suite 200, Savannah, Georgia, 31401.

FACTUAL ALLEGATIONS

9. Section 201(a) of the LIPL provides in relevant part: “the maximum lawful rate of interest for the loan or use of money in an amount of fifty thousand dollars (\$50,000) or less in all cases where no express contract shall have been made for a less rate shall be six per cent per annum.” 41 P.S. § 201(a).

10. Section 3(A) of the CDCA provides:

On and after the effective date of this act, no person shall engage or continue to engage in this Commonwealth, either as principal, employee, agent or broker, 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, commissions, 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 on the amount actually loaned or advanced, or on the unpaid principal balances when the contract is payable by stated installments except a domestic business corporation organized under or existing by virtue of the Business Corporation Law of this Commonwealth, after first obtaining a license from the Secretary of Banking of the Commonwealth of Pennsylvania in accordance with the provisions of this act.

7 P.S. § 6203(A).

11. “[T]he effect of these two statutes is that if a lender is licensed by the Department in accord with the CDCA, it can charge between 6-24% on loans under \$25,000. If it is not licensed, it is bound by the 6% cap imposed by the LIPL.” *Cash Am. Net of Nev., LLC v. Dep’t of Banking*, 8 A.3d 282, 285-86 (Pa. 2010).

12. These statutes reflect “Commonwealth public policy,” which “prohibits usurious lending, a prohibition that has been recognized for well over 100 years.” *Pa. Dep’t of Banking v. NCAS of Del., LLC*, 948 A.2d 752, 759 (Pa. 2008).

13. “[T]his is especially true in the case of loans of comparatively small amounts, since the business of making such loans profoundly affects the social life of the community.” *Id.* (quoting *Equitable Credit & Disc. Co. v. Geier*, 21 A.2d 53, 58 (Pa. 1941)).

14. TitleMax operates by entering into consumer loan agreements with borrowers, including borrowers who have resided in Pennsylvania.

15. The loan agreements set forth interest rates as high as 720 percent and include terms to secure the loans.

16. Under the terms of the agreement, TitleMax disburses the loan proceeds to the borrowers and the borrowers grant TitleMax a security interest in their motor vehicles.

17. To perfect the liens, the borrowers provide TitleMax with the vehicle identification numbers, license plate numbers, and title certificate numbers.

18. TitleMax then records its liens on the motor vehicles with the appropriate state authorities, such as the Pennsylvania Department of Transportation.

19. From in or about July 2008 through September 2017, TitleMax entered into at least 5270 loan agreements with individuals who resided in Pennsylvania for loans of \$50,000 or less and with interest rates that exceeded the 6 percent cap imposed by the LIPL.

20. TitleMax has also conducted loan servicing activities in Pennsylvania, such as collecting payments, sending phone calls or text messages to borrowers residing in Pennsylvania, and repossessing vehicles in Pennsylvania after a borrower defaults.

21. TitleMax is not and has never been licensed by the Department under the CDCA or in any other manner.

COUNTS

Violation of Section 201(a) of the LIPL

5270 Counts

22. Paragraphs 1 through 21 are incorporated herein by reference as if set forth in their entirety.

23. By engaging in the acts and conduct set forth in paragraphs 14 through 21 above, TitleMax has provided loans of \$50,000 or less to Pennsylvania residents that exceeded the maximum lawful rate of interest imposed by Section 201(a) of the LIPL, 41 P.S. § 201(a).

SANCTIONS AND REMEDIES

WHEREAS, the Compliance Office respectfully requests the following penalties and relief pursuant to its authority under the LIPL:

1. That TitleMax be ordered to pay a civil penalty of \$10,000 per offense, pursuant to Section 505(b) of the LIPL, 41 P.S. § 505(b).

2. That TitleMax be ordered to make restitution for actual damages to all aggrieved Pennsylvania residents pursuant to Section 506(c)(3) of the LIPL, 41 P.S. § 506(c)(3).

IT IS SO ORDERED.



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

Redacted

Timothy Knopp
Non-Depository Institutions

Dated: 06/14/2024

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
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v. : Docket No. 24 0032 (BNK-OSC)

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Order to Show Cause of Commonwealth of Pennsylvania Department of Banking and Securities upon all parties of record in this proceeding in accordance with the requirements of 1 Pa. Code § 33.32.

BY E-MAIL AND FIRST CLASS MAIL:

Travis P. Nelson
Holland & Knight LLP
Cira Center, 2929 Arch Street, Suite 800
Philadelphia, PA 19104
Travis.Nelson@hkllaw.com

Community Choice Financial Family of
Brands
Attn: Legal Department
15 Bull Street, Suite 200
Savannah, GA 31401

Sent Via Email 6/14/24
Dated this 18th day of June 2024

Redacted

Alexander T. Korn
Assistant Counsel
Attorney I.D. #: 323957
FOR: Commonwealth of Pennsylvania
Department of Banking and Securities
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