

Enforcement Alert from Hudson Cook; CFPB Announces Consent Order with Auto Title Lender Over Alleged Violations of the Military Lending Act, Truth in Lending Act, and Consumer Financial Protection Act.

February 24, 2023 | [Lucy E. Morris](#) and [Michael C. Essiaw](#)

HIGHLIGHTS:

- The CFPB announced a \$15 million resolution, via administrative consent order, of allegations that an auto title lender extended title loans exceeding the 36% military annual percentage rate cap, in violation of the Military Lending Act ("MLA"), and charged fees for non-file insurance in violation of the Truth in Lending Act ("TILA") and Consumer Financial Protection Act ("CFPA").
- In its press release, the CFPB labeled the lender a "repeat offender" because the company had been subject to a 2016 consent order, although the CFPB did not allege that the company violated this prior order.
- This case is another example of the CFPB's skepticism of fees charged for additional products on loans (here, for non-file-insurance) that the Bureau may view as useless to consumers and "junk fees."

CASE SUMMARY:

On February 23, 2023, the CFPB announced that it had issued a consent order against a title lending company headquartered in Savannah, Georgia. The consent order alleged that the company violated the MLA by making at least 2,670 prohibited auto title loans to covered borrowers. The CFPB alleged that these loans exceeded the 36% MLA rate cap to active duty servicemembers or their dependents. The Bureau also alleged that the loans included mandatory arbitration clauses and notice provisions prohibited by the MLA. According to the CFPB, the lender withheld information about the military families' rights under the MLA and doctored personally identifiable information so borrowers would not be identified as servicemembers or their dependents.

In addition, the CFPB stated that the lender violated the CFPA by unfairly charging borrowers non-file insurance fees when the product provided no coverage. Finally, the Bureau alleged that the lender violated the TILA and CFPA by failing to properly disclose non-file-insurance fees as part of the finance charge and APR on certain loans.

The company did not admit or deny these allegations, but agreed to the entry of a five-year consent

decree that includes a \$10 million penalty, a \$5.05 million redress plan, and requirements to implement and maintain robust controls to ensure future compliance.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement page](#).

- [Stipulation and Consent](#)
- [Consent Order](#)
- [CFPB Press Release](#)

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