

sixty (60) days after service upon him of this order, file with the Commission a report in writing setting forth in detail the manner and form of his compliance with this order.

IN THE MATTER OF
CURTIS BROTHERS, INC.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE TRUTH IN LENDING ACTS

Docket C-1797. Complaint. Sept. 23, 1970—Decision, Sept. 23, 1970

Consent order requiring a Washington, D.C., distributor of furniture and other merchandise to cease violating the Truth in Lending Act by failing to state in terminology prescribed by Regulation Z the cash price of its furniture, the annual percentage rate of the finance charge, the deferred payment price, failing to inform customers whose homes are obligated as security that they have the opportunity to rescind such agreement, and failing to make other disclosures required by Regulation Z.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the regulations promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Curtis Brothers, Inc., a corporation, hereinafter referred to as respondent, has violated the provisions of said Acts and regulations, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Curtis Brothers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at Nichols Avenue at V Street, S.E., Washington, D.C.

PAR. 2. Respondent is now, and for some time last past has been,

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engaged in the offering for sale, sale and distribution of furniture and other merchandise to the public through its retail stores located at Nichols Avenue at V Street, S.E., Washington, D.C., 7031 Columbia Pike, Annandale, Virginia, and 6611 Marlboro Pike, Forestville, Maryland.

PAR. 3. In the ordinary course and conduct of its business as aforesaid, respondent regularly extends, and for some time last past has regularly extended, consumer credit as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, respondent, in the ordinary course and conduct of its business and in connection with its credit sales, as "credit sale" is defined in the aforesaid Regulation Z, has caused and is causing its customers to enter into an open end credit agreement, hereinafter referred to as the agreement. The agreement provides for the extension of open end credit, as "open end credit" is defined in Regulation Z. By and through the use of the agreement, respondent:

1. Fails to employ the term "finance charge," as required by Section 226.7(a) of Regulation Z and also thereby fails to employ this term more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

2. Fails to employ the term "annual percentage rate" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

3. Fails to disclose each periodic rate, using the term "periodic rate" (or "rates"), that may be used to compute the finance charge; the range of balances to which each rate is applicable; and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year, as required by Section 226.7(a)(4) of Regulation Z.

PAR. 5. Subsequent to July 1, 1969, respondent, in the ordinary course and conduct of its business and in connection with its credit sales, as "credit sale" is defined in Regulation Z, has sent and is sending to customers periodic statements as "periodic statements" are described in Sections 226.7(b) and (c) of Regulation Z. By and through the use of the periodic statements respondent:

1. Fails to employ the term "previous balance" to describe the outstanding balance in the account at the beginning of the billing cycle, as required by Section 226.7(b)(1) of Regulation Z.

2. Fails to employ the term "payments" to describe the amounts

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credited to the account during the billing cycle for payments, as required by Section 226.7(b)(3) of Regulation Z.

3. Fails to employ the term "credits" to describe credits other than payments credited to the account during the billing cycle, as required by Section 226.7(b)(3) of Regulation Z.

4. Fails to employ the term "finance charge" to describe the amount of any finance charge debited to the account during the billing cycle, as required by Section 226.7(b)(4) of Regulation Z and thereby fails to print the term "finance charge" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

5. Fails to disclose the periodic rate (or rates) that may be used to compute the finance charge (whether or not applied during the billing cycle) using the term "periodic rate" (or "rates"), and the range of balances to which each rate is applicable, as required by Section 226.7(b)(5) of Regulation Z.

6. Fails to disclose the annual percentage rate or rates determined in accordance with Section 226.5(a) of Regulation Z, using the term "annual percentage rate" (or "rates"), and thereby fails to print the term "annual percentage rate" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

7. Fails to disclose the balance on which the finance charge was computed, as required by Section 226.7(b)(8) of Regulation Z.

8. Fails to include a statement of how the balance upon which the finance charge was computed is determined, as required by Section 226.7(a)(8) of Regulation Z.

9. Fails to employ a statement accompanying the term "new balance" indicating the date by which or the period, if any, within which payment must be made to avoid additional finance charges, as required by Section 226.7(b)(9) of Regulation Z.

10. In placing greater emphasis on the term "total installment due" than on the required term "new balance," supplies additional information which is stated, utilized or placed so as to mislead or confuse the customer or contradict, obscure, or detract attention from the information required by Regulation Z to be disclosed, thereby violating Section 226.6(c) of Regulation Z.

PAR. 6. Subsequent to July 1, 1969, respondent in the ordinary course and conduct of its business and in connection with its credit sales, as "credit sale" is defined in the aforesaid Regulation Z, has caused and is causing its customers to execute a promissory note

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containing a confession of judgment clause (cognovit note provision), hereinafter referred to as the note.

By and through the use of the note a security interest is or will be retained or acquired in real property which is used or expected to be used as the principal residence of the respondent's customers. Respondent's retention or acquisition of said security interest in said real property entitles its customers to the right to rescind that transaction until midnight of the third business day following the consummation of that transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later.

Respondent has failed and is failing to provide its customers with the required notice of opportunity to rescind specified in Section 226.9(b) of Regulation Z.

PAR. 7. By the aforesaid failure to make the disclosures in the agreements, periodic statements, and notes in the manner and form required by Regulation Z as set forth in Paragraph Four, Paragraph Five and Paragraph Six hereof, respondent has failed to comply with the requirements of Regulation Z, duly promulgated by the Board of Governors of the Federal Reserve System pursuant to Section 105 of the Truth in Lending Act. Pursuant to Section 108(c) thereof, respondent thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging respondent named in the caption hereof with violation of the Federal Trade Commission Act, the Truth in Lending Act and the implementing Regulation promulgated thereunder, and respondent having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

Respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having considered the agreement and having accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of thirty

(30) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its Rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Curtis Brothers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at Nichols Avenue at V Street, S.E., Washington, D.C.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

It is ordered, That respondent Curtis Brothers, Inc., a corporation, and its officers, and respondent's agents, representatives and employees, directly or through any corporate or other device, in connection with any consumer sale of furniture or any other merchandise or service, as "credit sale" is defined in Regulation Z (12 CFR Part 226) of the Truth in Lending Act (Public Law 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

1. Failing to print the terms "annual percentage rate" and "finance charge," where required by Regulation Z to be used, more conspicuously than other required terminology, as set forth in Section 226.6(a) of Regulation Z.

2. Failing to disclose, where one or more periodic rates may be used to compute the finance charge, each such rate, using the term "periodic rate" (or "rates"), the range of balances to which each rate is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year, as required by Section 226.7(a)(4) of Regulation Z.

3. Failing to employ the term "previous balance" to describe the outstanding balance in the customer's account at the beginning of the billing cycle, as required by Section 226.7(b)(1) of Regulation Z.

4. Failing to employ the term "payments" to describe the amounts credited to the customer's account during the billing cycle for payments, as required by Section 226.7(b)(3) of Regulation Z.

5. Failing to employ the term "credits" to describe credits other than payments credited to the customer's account during the billing cycle, as required by Section 226.7(b)(3) of Regulation Z.

6. Failing to disclose each periodic rate that may be used to compute the finance charge (whether or not applied during the billing cycle), using the term "periodic rate" (or "rates"), and the range of balances to which each rate is applicable, as required by Section 226.7(b)(5) of Regulation Z.

7. Failing to disclose the annual percentage rate or rates determined in accordance with Section 226.5(a) of Regulation Z, using the term "annual percentage rate" (or "rates"), as required by Section 226.7(b)(6) of Regulation Z.

8. Failing to disclose the balance on which the finance charge is computed, as required by Section 226.7(b)(8) of Regulation Z.

9. Failing to state how the balance on which the finance charge was computed is determined, as required by Section 226.7(b)(8) of Regulation Z.

10. Failing to disclose a statement, accompanying the term "new balance," indicating the date by which, or period, if any, within which, payment must be made to avoid additional finance charges, as required by Section 226.7(b)(9) of Regulation Z.

11. Placing greater emphasis on the term "total installment due" or any other term indicating the minimum payment due, than on the required term "new balance," in accordance with Section 226.6(c) of Regulation Z.

12. Failing to give the customer the notice of opportunity to rescind, as set forth in Section 226.9(b) of Regulation Z, when a security interest is or will be retained or acquired in any real property which is used or is expected to be used as the principal residence of the customer, as required by Section 226.9(a) of Regulation Z.

13. Engaging in any consumer credit transaction or disseminating any advertisement within the meaning of Regulation Z of the Truth in Lending Act without making all disclosures that are required by Sections 226.3, 226.7, 226.8, 226.9 and 226.10 of Regulation Z in the amount, manner and form therein specified.

It is further ordered, That respondent shall forthwith deliver a copy of this order to cease and desist to all store managers and other persons engaged in the completion of credit agreements growing out of the sales of respondent's products or services and shall secure from each such store manager and other persons a signed statement acknowledging receipt of said order.

It is further ordered, That respondent notify the Commission at