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Complaint

a report in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist contained herein.

IN THE MATTER OF

LONE OAK STATE BANK, ET AL.

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

Docket C-1799. Complaint, Sept. 24, 1970—Decision, Sept. 24, 1970

Consent order requiring a Lone Oak, Texas, State-chartered, nonfederally insured bank to cease violating the Truth in Lending Act by failing to state in terminology prescribed by Regulation Z all individually itemized charges, the annual percentage rate, the total of all payments, the number, amount, and due date of scheduled payments, failing to designate as a "balloon payment" each payment which is more than twice the regular payment, and disclosing unrequired information in a manner to confuse the customer.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation 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 Lone Oak State Bank, a corporation, and J. J. Lee, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and implementing regulation, 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 Lone Oak State Bank is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located in Lone Oak, Texas.

Respondent J. J. Lee is an officer of the corporate respondent. He formulates, directs, and controls the policies, acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondent Lone Oak State Bank is a State-chartered,

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nonfederally insured bank. Respondents are now, and for some time in the past have been, engaged in the business of banking, including the lending of money to the public.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents regularly extend, and for some time last past have 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, respondents, in the ordinary course and conduct of their business and in connection with their loan transactions, have caused and are causing customers to execute promissory notes, and provide these customers with loan disclosure statements, hereinafter referred to as the "statement." Respondents provide customers with no cost of credit disclosures, other than on the statement. By and through the use of the statement, respondents:

1. Fail to include in the "amount financed" the charge for optional credit life and disability insurance and the fee for recording the security interest, as required by Section 226.8(d) (1) of Regulation Z.

2. Fail to disclose as part of the "finance charge" all charges required by Section 226.4 of Regulation Z to be included therein, as required by Section 226.8(d) (3) of Regulation Z.

3. Fail to disclose the rate of finance charge as an "annual percentage rate" computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b) (2) of Regulation Z, and fail to state that rate accurately to the nearest quarter of one percent, as required by Section 226.5 of Regulation Z.

4. Fail to disclose as the "total of payments" the sum of all payments scheduled to repay the indebtedness, as required by Section 226.8(b) (3) of Regulation Z.

5. Fail to disclose the number, amount and due dates of payments scheduled to repay the indebtedness, as required by Section 226.8(b) (3) of Regulation Z.

6. Fail to designate as a "balloon payment" each payment which is more than twice the amount of any otherwise regularly scheduled equal payment, as required by Section 226.8(b) (3) of Regulation Z.

7. Disclose additional information not required by Regulation Z in such a manner as to mislead or confuse the customer or contradict, obscure or detract from the information required, in violation of Section 226.6(c) of Regulation Z.

PAR. 5. Pursuant to Section 103(k) of the Truth in Lending Act,

respondents' failure to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents 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 thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedures prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Lone Oak State Bank is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located in Lone Oak, Texas.

Respondent J. J. Lee is an officer of the corporate respondent. He formulates, directs, and controls the policies, acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

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

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ORDER

It is ordered, That respondents Lone Oak State Bank, a corporation, and its officers, and J. J. Lee, individually and as an officer of said corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with any extension of consumer credit, as "consumer credit" 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 include in the amount financed all charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge, as required by Section 226.8(d)(1) of Regulation Z.

2. Failing to disclose as part of the finance charge all charges required by Section 226.4 of Regulation Z to be included therein, as required by Section 226.8(d)(3) of Regulation Z.

3. Failing to disclose the rate of finance charge as an annual percentage rate, computed in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z, and to state that rate accurately to the nearest quarter of one percent, as required by Section 226.5 of Regulation Z.

4. Failing to disclose as the "total of payments" the sum of all payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

5. Failing to disclose the number, amount and due dates of payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

6. Failing to designate as a "balloon payment" each payment which is more than twice the amount of any otherwise regularly scheduled equal payment, as required by Section 226.8(b)(3) of Regulation Z.

7. Disclosing additional information not required by Regulation Z in such a manner as to mislead or confuse the customer or contradict, obscure or detract from the information required, in violation of Section 226.6(c) of Regulation Z.

8. Failing, in any consumer credit transaction or advertisement, to make all disclosures determined in accordance with Section 226.4 and Section 226.5 of Regulation Z in the manner, form and amount required by Sections 226.6, 226.8, 226.9 and 226.10 of Regulation Z.

9. Failing to deliver a copy of this order to cease and desist

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to all present and future personnel of respondent bank engaged in the preparation and execution of any loan documents, and failing to secure from each such person a signed statement acknowledging receipt of said order.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent, such as dissolution, assignment, or sale, resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form in which they have complied with the order to cease and desist contained herein.

IN THE MATTER OF

INVESTIGATORS TRAINING ACADEMY, ET AL.

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