

PACIFIC MOBILE HOMES, ETC.

CONSENT, ETC., IN REGARD TO THE ALLEGED VIOLATIONS OF
THE TRUTH IN LENDING AND THE FEDERAL TRADE COMMISSIONS ACTS

Docket C-1865. Complaint, Feb. 18, 1971—Decision, Feb. 18, 1971

Consent order requiring two sellers of mobile homes with headquarters in Edmonds, Washington, and Portland, Oregon, to cease violating the Truth in Lending Act by failing to disclose to their credit customers the cash price, downpayment, value of trade-in, unpaid balance of cash price, unpaid balance, amount financed, finance charge, deferred finance charge, and number of payments; respondents have also failed to disclose the method of computing penalties for default, the type of security interest held to secure credit, and engaging in consumer credit transactions without making all disclosures required by said Act.

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 Seattle Mobile Homes, Inc., doing business as Pacific Mobile Homes, and Cost Trailer Sales Co., doing business as Cost Mobile Homes, corporations, and Felix V. Costanzo, individually and as an officer of Pacific Mobile Homes, Inc., and Cost Trailer Sales Co., 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 Seattle Mobile Homes, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, with its principal office and place of business located in Edmonds, Washington. Seattle Mobile Homes, Inc., does business in the name and style of Pacific Mobile Homes.

Respondent Cost Trailer Sales Co. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Oregon, with its principal office and place of business located in Portland, Oregon. Cost Trailer Sales Co. does business in the name and style of Cost Mobile Homes.

Respondent Seattle Mobile Homes, Inc., is a wholly owned subsidiary of respondent Cost Trailer Sales Co.

Respondent Felix V. Costanzo is an individual and is the president of Seattle Mobile Homes, Inc., and the president and general manager of Cost Trailer Sales Co. Respondent Costanzo owns a majority of the stock in Cost Trailer Sales Co. and he directs, formulates and controls the acts and practices of the respondent corporations including the acts and practices hereinafter set forth.

PAR. 2. The above respondents are now, and for some time last past have been, engaged in the sale and offering for sale of mobile homes to the public and have engaged in the advertising of mobile homes in various media.

PAR. 3. In the ordinary course of thier business as aforesaid, the corporate 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. Subsequently to July 1, 1969, in the ordinary course and conduct of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in the aforesaid Regulation Z, respondents have entered into consumer credit transactions with purchasers of mobile homes. In connection with these transactions, respondents have timely provided certain limited consumer credit cost information, but have not, prior to the consummation of the transaction, provided these customers with other consumer credit disclosures.

More particularly respondents have:

(1) Failed to disclose accurately the price at which respondents, in the regular course of business, offered to sell for cash the property or services which are the subject of the credit sale as defined in Section 226.2(i) of Regulation Z, and to describe that price as the "cash price, as required by Section 226.8(c)(1) of Regulation Z.

(2) Failed to disclose the amount of downpayments in money made in connection with credit sales, and to describe that amount as the "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

(3) Failed to describe the sum of the "cash downpayment" and the "trade-in" as the "total downpayment," as required by Section 226.8(c)(2) of Regulation Z.

(4) Failed to disclose the difference between the "cash price" and the "total downpayment," and to describe that difference as the "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z.

(5) Failed to disclose all charges which are not part of the "cash price" or the "finance charge" but are included in the amount financed, and to itemize each such charge individually as required by Section 226.8(c)(4) of Regulation Z.

(6) Failed to disclose the sum of the charges referred to in Paragraph (5) above and the "unpaid balance of cash price" and to describe that sum as the "unpaid balance," as required by Section 226.8(c)(5) of Regulation Z.

(7) Failed to disclose the amount of credit extended, and to describe that amount as the "amount financed" as required by Section 226.8(c)(7) of Regulation Z.

(8) Failed to disclose the sum of all charges made to the customer, including the charges for insurance required by respondents to be purchased in connection with the credit sale, which are re-

quired by Section 226.4 of Regulation Z to be included in the finance charge, and to describe that sum as the "finance charge," as required by Section 226.8(c)(i) of Regulation Z.

(9) Failed to disclose accurately the sum of the cash price, all charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, and to describe that sum as the "deferred payment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

(10) Failed to disclose the "annual percentage rate" in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

(11) Failed to disclose the number of payments, the amount of such payments, and due dates or periods scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

(12) Failed to disclose the sum of the payments scheduled to repay the indebtedness, and to describe that sum as the "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

(13) Failed to disclose the amount or method of computing the amount of any default, delinquency, or similar charges payable in the event of late payments as required by Section 226.8(b)(4) of Regulation Z.

(14) Retained a security interest in property in connection with the credit sale and failed to identify the type of that security interest as required by Section 226.8(b)(5) of Regulation Z.

(15) Failed to identify the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation as required by Section 226.8(b)(7) of Regulation Z.

PAR. 5. Pursuant to Section 103(k) of the Truth in Lending Act, respondents' aforesaid failure to comply with the provisions of Regulation Z constitutes 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 respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Seattle Field Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 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 thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, 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 procedure 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 Seattle Mobile Homes, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Washington, with its office and principal place of business located in Edmonds, Washington. Seattle Mobile Homes, Inc., does business in the name and style of Pacific Mobile Homes.

Respondent Cost Trailer Sales Co. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Oregon, with its principal office and place of business located in Portland, Oregon. Cost Trailer Sales Co. does business in the name and style of Cost Mobile Homes.

Respondent Felix V. Costanzo is an individual and is president of Seattle Mobile Homes, Inc., and is the president and general manager of Cost Trailer Sales Co. He directs, formulates and controls the acts and practices of the respondent corporations including the acts and practices under investigation.

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.

ORDER

It is ordered, That respondents Seattle Mobile Homes, Inc., and Cost Trailer Sales Co., corporations, and their officers, and Felix V. Costanzo, individually and as an officer of Seattle Mobile Homes, Inc., and Cost Trailer Sales Co., and respondents' agents, representatives and employees, directly or through any corporate or other de-

vice, in connection with any consumer credit sale, as "consumer credit" and "credit sale" are 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 in any credit sale to disclose accurately the price at which respondents, in the regular course of business, offer to sell for cash the property or services which are the subject of the credit sale, and to describe that price as the "cash price," as required by Section 226.8(c)(1) of Regulation Z.

(2) Failing to disclose the amount of any downpayment in money made in connection with any credit sale, and to describe that amount as the "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

(3) Failing to describe the sum of the "cash downpayment" and the "trade-in" made in connection with any credit sale as the "total downpayment," as required by Section 226.8(c)(2) Regulation Z.

(4) Failing in any credit sale to disclose the difference between the "cash price" and the "total downpayment," and to describe that difference as the "unpaid balance of cash price," as required by Section 226.8(c)(3) of Regulation Z.

(5) Failing in any credit sale to disclose all charges which are not part of the "cash price" or the "finance charge" but are included in the amount financed, and to itemize each such charge individually as required by Section 226.8(c)(4) of Regulation Z.

(6) Failing to disclose the sum of the charges referred to in Paragraph (5) above and the "unpaid balance of cash price" and to describe that sum as the "unpaid balance," as required by Section 226.8(c)(5) of Regulation Z.

(7) Failing to disclose the amount of credit extended, and to describe that amount as the "amount financed" as required by Section 226.8(c)(7) of Regulation Z.

(8) Failing to disclose the sum of all charges made to the customer which are required by Section 226.4 of Regulation Z to be included in the finance charge, and to describe that sum as the "finance charge," as required by Section 226.8(c)(8)(i) of Regulation Z.

(9) Failing in any credit sale to disclose accurately the sum of the cash price, all charges which are included in the amount financed but which are not part of the finance charge, and the finance charge, and to describe that sum as the "deferred pay-

ment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

(10) Failing to disclose the annual percentage rate accurately to the nearest quarter of one percent, in accordance with Section 226.5 of Regulation Z, as required by Section 226.8(b)(2) of Regulation Z.

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

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

(13) Failing to disclose the amount or method of computing the amount of any default delinquency, or similar charges payable in the event of late payments, as required by Section 226.8(b)(4) of Regulation Z.

(14) Failing to describe the type of any security interest in property held, or to be retained or acquired in connection with any extension of credit, as required by Section 226.8(b)(5) of Regulation Z.

(15) Failing to identify the method of computing any unearned portion of the finance charge in the event of repayment of the obligation, as required by Section 226.8(b)(7) of Regulation Z.

(16) Engaging in a consumer credit transaction or disseminating any advertising within the meaning of Regulation Z of the Truth in Lending Act without making all disclosures that are required by Sections 226.6, 226.8 and 226.10 of Regulation Z in the amount, manner and form specified therein.

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the consummation of any extension of consumer credit or in any aspect of preparation, creation, or placing of advertising, and that respondent secure a signed statement acknowledging receipt of said order from each such person.

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, resultant 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.

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Complaint

It is further ordered, That 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.