

subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.

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.

IN THE MATTER OF

TOWN & COUNTRY AUTO SALES, INC., ET AL.

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

Docket C-2129. Complaint, Jan. 5, 1972—Decision, Jan. 5, 1972

Consent order requiring a Cleveland, Ohio, seller of used automobiles to cease violating the Truth in Lending Act by failing to make certain consumer credit cost disclosures required by Regulation Z of said Act, failing to provide customers with a Notice of their right to rescind, and failing to give notice that if the customer's note is sold payments must be made to the new owner.

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 Town & Country Auto Sales, Inc., a corporation, and Harry Eisner and Susan Eisner, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and 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 Town & Country Auto Sales, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Ohio, with its principal office and place of business located at 15500 Brookpark Road, Cleveland, Ohio.

Respondent Harry Eisner is the president and respondent Susan Eisner is the secretary/treasurer of said corporation. Respondents Harry Eisner and Susan Eisner, as husband and wife, formulate,

direct, and control the policies, acts and practices of said corporation, including the acts and practices hereinafter set forth. Respondents' address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the offering for sale and sale of used automobiles to the public at retail.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents arrange for the extension of consumer credit or offer to extend or arrange for the extension of such 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 credit sales as the term "credit sale" is defined in Regulation Z, are now engaged, and for some time last past have been engaged, in the extension of credit as the term "credit" is defined in Regulation Z.

Respondents many times have caused, and are now causing, their customers to execute a Bill of Sale for the purchase of a used automobile on credit at the time the automobile is selected, and a down-payment is made. Such Bills of Sale do not contain consumer credit cost disclosures as required by Regulation Z. Respondents many times have caused, and are now causing, their customers to execute one or more blank or incomplete Retail Installment Contracts and one or more blank or incomplete Cognovit Notes for the purchase of a used automobile on credit. Such Retail Installment Contracts and Cognovit Notes are not properly completed as to consumer credit cost disclosures required by Regulation Z until some time after the transaction has been consummated. Further, respondents many times have failed to provide their customers with a copy of the executed Retail Installment Contract and Cognovit Note at the time of the consummation of the sale or at any time thereafter.

Respondents have caused, and are now causing, their customers to execute a Promissory Note containing a confession of judgment clause (also known as a Cognovit Note provision). Pursuant to Sections 226.9(a) and 226.202 of Regulation Z, the note constitutes a security interest which respondents retain in real property which is used or is expected to be used by some customers as their principal residence. Pursuant to Section 226.9(a) of Regulation Z, those customers therefore have the right to rescind the credit transaction as provided therein.

Respondents, many times, in the ordinary course of their business, negotiate to third parties installment sales contracts or other instruments of indebtedness executed in connection with credit purchases.

PAR. 5. By and through the use of the practices set forth in Paragraph Four, respondents:

[1] Fail to make consumer credit cost disclosures required by Regulation Z, before the transaction is consummated, as required by Section 226.8(a) of the Regulation.

[2] Fail to furnish each customer with a duplicate of the Retail Installment Contract and Cognovit Note or with a statement by which the required consumer credit cost disclosures are made, as required by Section 226.8(a) of Regulation Z.

[3] Fail to provide those customers with the required notice of the right to rescind, in the manner and form specified in Section 226.9 (b) of Regulation Z.

PAR. 6. Pursuant to Section 103(q) of the Truth In Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and pursuant to Section 108 thereof, respondents thereby violate 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 Cleveland Field Office 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 of the Truth In Lending Act and the regulations promulgated thereunder; 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 are 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 Acts, and that complaint should issue stating its charges in that respect and having thereupon accepted the exe-

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cutted consent agreement and placed such agreement on the public record for a period of thirty (30) days, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Town & Country Auto Sales, Inc., is a corporation organized, existing, and doing business under and by virtue of the Laws of the State of Ohio, with its sole office and place of business located at 15500 Brookpark Road, Cleveland, Ohio.

Respondents Harry Eisner and Susan Eisner are individuals and are officers of the corporate respondent. They formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their 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.

ORDER

It is ordered, That respondents Town & Country Auto Sales, Inc., a corporation, and Harry Eisner and Susan Eisner, individually and as officers of said corporation, and respondents' agents, representatives, and employees, directly or through any corporate or other device in connection with any extension or offer to extend or arrange for the extension of consumer credit as "consumer credit" is defined in Regulation Z (12 CFR §226) of the Truth In Lending Act (Pub.L. 90-321, 15 U.S.C. 1601 et seq.), do forthwith cease and desist from:

[1] Failing to make the consumer credit cost disclosures required by Regulation Z before the transaction is consummated, as required by Section 226.8(a) of the Regulation.

[2] Failing to furnish each customer, prior to the consummation of the transaction, with a duplicate of the Retail Installment Contract and Cognovit Note or with a statement by which the required consumer credit cost disclosures are made, as required by Section 226.8(a) of Regulation Z.

[3] Failing, in any transaction in which respondents retain or acquire a security interest in real property which is used or is expected to be used as the principal residence of the customer, to provide each customer with the notice of the right to rescind,

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in the form and manner specified in Section 226.9(b) of Regulation Z, unless provision is made for waiver of the security interest or lien upon such real property which is used or is expected to be used as the principal residence of the customer.

[4] Failing, in any consumer credit transaction, to make all disclosures required by Sections 226.4, 226.5, 226.6, 226.7, and 226.8, and in any advertising in which consumer credit terms are mentioned, to make full disclosures as required by Section 226.10, all such disclosures to be made in the manner, form, and amount prescribed by Regulation Z.

It is further ordered, That respondents cease and desist from:

Failing, in any consumer credit transaction, to provide each customer with the following statement, which shall be made in writing and in duplicate prior to the consummation of the transaction, with such conspicuousness and clarity as is likely to be read and understood by the purchaser and with provision for the purchaser to retain a copy of such notice and to acknowledge receipt of such notice.

NOTICE

If you are obtaining credit in connection with this purchase, you will be required to sign a promissory note, a sales contract or other instrument of indebtedness which may be purchased from the seller by a bank, finance company, or any other third party. If such is the case, you will be required to make your payments to someone other than the seller. You should be aware that if this happens you may have to pay the note, contract, or other instrument of indebtedness in full to its new owner even if your purchase contract is not fulfilled.

It is further ordered, That respondents prominently display no less than two signs on the premises which will clearly and conspicuously state that a customer must receive a completed copy of the consumer credit cost disclosures, as required by the Truth In Lending Act, in any transaction which is financed, before the transaction is consummated.

It is further ordered, That respondents 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 arrangement for the extension of consumer credit or in any aspect of the preparation, creation, or placing of advertising, and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents notify the Commission, within thirty (30) days, of any proposed change in the corporate

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respondent, such as dissolution, assignment or sale resultant in the emergence of a successor corporation, or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That respondents shall, within sixty (60) days after service upon them of this order, file with the Commission