

IN THE MATTER OF
TAYLOR MOBILE HOMES, INC., ET AL.

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

Docket C-2374. Complaint, April 2, 1973—Decision, April 2, 1973.

Consent order requiring an Alcoa, Tenn., mobile home dealer to cease, among other things, misrepresenting selling prices, mark-ups, or wholesale costs; failing to disclose additional charges added to the advertised price; representing free service or products unless such are provided free of extra charges; and to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of credit, such information as required by Regulation Z of said Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and of the Truth in Lending Act and the implementing regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Taylor Mobile Homes, Inc., Taylor Mobile Homes of Knoxville, Inc., Pioneer Mobile Homes, Inc., corporations, and Magic Castle Homes, Inc., a corporation doing business as Taylor Mobile Homes Jr. of Alcoa, Taylor Mobile Homes Jr. of Knoxville and Big Orange Trading Center, and L. Eugene Taylor and Larry J. Taylor, individually and as officers of said corporations, 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:

PAR. 1. Respondents Taylor Mobile Homes, Inc., Taylor Mobile Homes of Knoxville, Inc., Pioneer Mobile Homes, Inc., and Magic Castle Homes, Inc., doing business as Taylor Mobile Homes Jr. of Alcoa, Taylor Mobile Homes Jr. of Knoxville, and Big Orange Trading Center, are corporations organized, existing and doing business under and by virtue of the laws of the State of Tennessee, with their principal place of business and office located at Route 3, Alcoa, Tennessee.

Respondents L. Eugene Taylor and Larry J. Taylor are the principal officers of the corporate respondents. Together they formulate, direct and control the policies, acts and practices of the corporate respondents, including the acts and practices hereinafter set forth. Their business address is the same as that of the corporate respondents.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and delivery of new and used mobile homes to the public.

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, their said products, when sold, to be transported from their place of business located as aforesaid in the State of Tennessee to purchasers thereof located in various other states, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business as aforesaid, and for the purpose of inducing the purchase of their products, respondents have made certain statements and representations with respect thereto in advertisements inserted in newspapers of general circulation, and through other advertising media, of which the following are typical and illustrative but not all inclusive:

All Homes Going at Just 3% over cost

Sample Selection

New 1971 60 x 12

Full Price	\$3995
New 1971 12 x 48	
Cost \$2993	

New 24 x 40 3 bedroom Total Electric Fully Furnished
Cost \$5527

Taylor's 3% SALE All Homes Reduced 3% over our cost

Sample Cost

New 1971 60 x 12 2 bedroom \$3693

New 1971 60 x 12 3 bedroom \$3793

Nobody but Taylor can sell for just OVER 3% COST Brand New 1971 60 x 12

Free set-up, Free delivery, even free escort service.

This one low price includes everything FULL PRICE \$3995

Taylor has marked a selected group of homes to just 3% over their cost on the Taylor and Taylor Jr. Lots * * * Just 3% over cost - That's All! Plus you'll get free service and delivery.

PAR. 5. By and through the use of the aforesaid statements and representations and others of similar import and meaning not specifically set forth herein, respondents have represented directly and by implication that:

1. Respondents' selling prices for mobile homes represent a 3 percent markup over wholesale cost.
2. Amounts shown in advertisements for certain mobile homes represent respondents' wholesale cost.
3. Amounts advertised for certain mobile homes represent the total purchase price or cost to customers.
4. Mobiles homes purchased from respondents are serviced free of charge.

PAR. 6. In truth and in fact:

1. Respondents' mobile homes are not customarily sold at prices representing a 3 percent markup over wholesale cost. In fact respondents' markup over wholesale cost is substantially more than 3 percent.
2. Amounts advertised as wholesale cost for certain mobile homes substantially exceed respondents' actual wholesale cost.
3. Amounts advertised as the total purchase price or cost for mobile homes are substantially less than the actual total purchase price or cost to customers. In most instances customers are required to pay additional amounts for taxes, official fees and service.
4. Mobile homes purchased from respondents are not serviced free of charge. In fact an additional amount is added to the selling price of most mobile homes to cover the cost of servicing such units.

Therefore the statements and representations set forth in Paragraph Five hereof were, and are, false, misleading and deceptive.

PAR. 7. In a substantial number of instances and in the usual course of their business, respondents sell and transfer their customers' conditional sales contracts, promissory notes or other instruments of indebtedness to various financial institutions. As a general rule these financial institutions or other purchasers take such instruments free from any claims or defenses which the obligor may have against respondents for respondents' failure to perform or for certain other unfair, false, misleading or deceptive acts and practices. In any subsequent legal action by the financial institution or other purchaser to collect on such

instruments, these claims or defenses of the obligor may be cut off.

Therefore the acts and practices as set forth herein were, and are, unfair, false, misleading and deceptive.

PAR. 8. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporation, firms and individuals in the sale of merchandise of the same general kind and nature as that sold by respondents.

PAR. 9. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondents' merchandise because of such erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondents, as alleged herein, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

COUNT II

Alleging violations of the Truth in Lending Act, and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 11. In the ordinary course 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. 12. Subsequent to July 1, 1969, in the ordinary course of their business as aforesaid, and in connection with their credit sales, as "credit sale" is defined in Regulation Z, respondents have caused and are causing their customers to enter into contracts for the sale of respondents' goods and services. On these contracts, hereinafter referred to as "the contract," respondents provide certain consumer credit cost information. Respondents do not provide these customers with any other consumer credit cost disclosures prior to the consummation of

the "credit sale" as required by Section 226.8(a) of Regulation Z.

By and through the use of the contract, respondents:

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

2. Fail to include the amount of premiums for credit life insurance in the finance charge, as required by Section 226.8(c)(8)(i) of Regulation Z, since respondents fail to disclose that credit life insurance is not required and fail to obtain separately signed and specifically dated affirmative requests for the credit life insurance, in accordance with Section 226.4(a)(5) of Regulation Z.

3. Fail to disclose 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.

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

5. Fail to identify the method of computing any unearned finance charge in event of prepayment of the obligations and a statement of the amount or method of computation of any charges that may be deducted from the amount of any rebate of such unearned finance charge that will be credited to the obligation or refunded to the customer, as required by Section 226.8(b)(7) of Regulation Z.

6. Fail to make all the disclosures specified in Section 226.8 of Regulation Z on a single side of a document or statement identifying the transaction, as required by Section 226.8(a) of Regulation Z.

PAR. 13. In the ordinary course of their business as aforesaid, respondents cause to be published advertisements of their goods and services, as "advertisement" is defined in Regulation Z. These advertisements aid, promote, or assist directly or indirectly extensions of consumer credit in connection with the sale of these goods and services. By and through the use of the advertisements, respondents:

State the amount of the downpayment required and the amount of monthly installment payments which can be arranged in connection with a consumer credit transaction, without also stating all of the following items, in terminology prescribed

under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) thereof:

- (i) The cash price;
- (ii) The amount of the downpayment required or that no downpayment is required, as applicable;
- (iii) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
- (iv) The amount of the finance charge expressed as an annual percentage rate; and
- (v) The deferred payment price.

PAR. 14. 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 have 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 Atlanta Regional 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 the Truth in Lending Act and the implementing regulation 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 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 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 Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondents Taylor Mobile Homes, Inc., Taylor Mobile Homes of Knoxville, Inc., Pioneer Mobile Homes, Inc., and Magic Castle Homes, Inc., doing business as Taylor Mobile Homes Jr. of Alcoa, Taylor Mobile Homes Jr. of Knoxville and Big Orange Trading Center, are corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee, with their principal place of business and office located at Route 3, Alcoa, Tennessee.

Respondents L. Eugene Taylor and Larry J. Taylor are the principal officers of said corporations. Together they formulate, direct and control the policies, acts and practices of said corporations and their address is the same as that of said corporations.

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

I.

It is ordered, That respondents Taylor Mobile Homes, Inc., Taylor Mobile Homes of Knoxville, Inc., Pioneer Mobile Homes, Inc., corporations, and Magic Castle Homes, Inc., a corporation doing business as Taylor Mobile Homes Jr. of Alcoa, Taylor Mobile Homes Jr. of Knoxville, and Big Orange Trading Center, and their successors and assigns, and their officers, and L. Eugene Taylor and Larry J. Taylor, individually and as officers of said corporations, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale and delivery of mobile homes or any other products or services in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, that any product or service may be purchased for any dollar amount or percentage over wholesale cost unless substantial sales are made at the stated markup over respondents' actual wholesale cost, or misrepresenting in any manner respondents' selling prices or markups.

2. Representing, directly or by implication, that any price or amount for any product or service is respondents' wholesale cost unless such price or amount accurately represents respondents' actual wholesale cost, or misrepresenting in any manner respondents' wholesale costs.

3. Failing to disclose any additional amounts, fees or

charges that will be added to the price or amount advertised as the total cost of any product or service.

4. Representing, directly or by implication, that respondents provide free service or products unless such services or products are provided free of extra charges.

It is further ordered, That for a period of five (5) years respondents maintain records which disclose the factual basis for any representation of respondents' cost or special prices for any products or services or any representation of free goods or services.

II.

It is further ordered, That respondents Taylor Mobile Homes, Inc., Taylor Mobile Homes of Knoxville, Inc., Pioneer Mobile Homes, Inc., corporations, and Magic Castle Homes, Inc., a corporation doing business as Taylor Mobile Homes Jr. of Alcoa, Taylor Mobile Homes Jr. of Knoxville and Big Orange Trading Center, their successors and assigns, and their officers, and L. Eugene Taylor and Larry J. Taylor, individually and as officers of said corporations, and respondents' agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or any advertisement of consumer credit, as "consumer credit" and "advertisement" are 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 use the term "total downpayment" to describe the sum of the "cash downpayment" and the "trade-in," made in connection with any credit sale, as required by Section 226.8(c)(2) of Regulation Z.

2. Failing in any credit sale to include the amount of premiums for credit life insurance in the finance charge, as required by Section 226.8(c)(8)(i) of Regulation Z, unless respondents disclose that credit life insurance is not required and obtain a separately signed and specifically dated signature requesting the insurance in accordance with Section 226.4(a)(5) of Regulation Z.

3. Failing in any credit sale to disclose 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.

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

5. Failing in any credit sale to identify the method of comput-

ing any unearned portion of the finance charge in the event of prepayment of the obligation, or failing to state the amount or method of computation of any charge that may be deducted from the amount of any rebate of such finance charge that will be credited to the obligation or refunded to the customer, whether by failing to state that such charge will be deducted before or after computation of the unearned portion or otherwise, as required by Section 226.8(b)(7) of Regulation Z.

6. Failing in any credit sale to make all the disclosures specified in Section 226.8 of Regulation Z on a single side of a document or statement identifying the transaction, as required by Section 226.8(a) of Regulation Z.

7. Failing in any credit sale to make all disclosures required by Section 226.8 of Regulation Z, in the manner and form prescribed therein.

8. Stating in any advertisement the amount of the downpayment required or the amount of monthly installment payments which can be arranged in connection with a consumer credit transaction, without also stating all of the following items, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) thereof:

- (i) The cash price;
- (ii) The amount of the downpayment required or that no downpayment is required, as applicable;
- (iii) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
- (iv) The amount of the finance charge expressed as an annual percentage rate; and
- (v) The deferred payment price.

9. Failing in any consumer credit transaction or advertisement to make all disclosures, determined in accordance with Sections 226.4 and 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.

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 sale or extension of consumer credit or in any aspect of 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

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Complaint

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

It is further ordered, That the individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with a new business or employment. Such notice shall include respondents' current business or employment in which they are engaged as well as a description of their duties and responsibilities.

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.