

IN THE MATTER OF
MARCOR, INC., ET AL.

DISMISSAL ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND EQUAL CREDIT
OPPORTUNITY ACTS

Docket 9092. Complaint, Nov. 23, 1976 — Dismissal Order, Sept. 20, 1977

This order dismisses, without prejudice, a complaint issued against a Chicago, Ill. corporation and its department store chain, for alleged violations of Federal Reserve Board regulation and the Federal Trade Commission Act, in connection with the extension of consumer credit. The complaint has been dismissed because newly-finalized amendments to Federal Reserve Board regulation necessitate further investigation as to firm's compliance with the amendments, and proceeding on the basis of the present complaint would be against the public interest.

Appearances

For the Commission: *Lewis H. Goldfarb.*

For the respondents: *Patrick Head* and *Karl J. Bemserderfer*, Chicago, Ill. *Joseph L. Gibson* and *Spencer H. Heine*, Washington, D.C.

COMPLAINT

Pursuant to the provisions of the Equal Credit Opportunity Act, as amended, and its implementing regulation, Regulation B, and the Federal Trade Commission Act, the Federal Trade Commission, has reason to believe that Marcor Inc., a corporation, and Montgomery Ward and Company Inc., a corporation, ("respondents,") have violated the provisions of said Acts and regulation. It appears to the Commission that a proceeding by it in respect thereof would be in the public interest. The Commission hereby issues its complaint stating its charges as follows:

PARAGRAPH 1. Respondent Marcor, Inc. ("Marcor") is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal place of business and office located at 619 West Chicago Ave., Chicago, Illinois.

Marcor wholly owns respondent Montgomery Ward and Company Inc. and formulates, controls and directs its policies, acts and practices, including the acts and practices set forth in Paragraphs Two through Six.

Respondent Montgomery Ward and Company, Incorporated, ("Montgomery Ward") a wholly-owned subsidiary of Marcor, is a

corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal place of business and office located at 619 West Chicago Ave., Chicago, Illinois. All references to "respondent" in Paragraphs Two through Five below will refer to Montgomery Ward.

PAR. 2. Respondent regularly extends credit to persons through the issuance of credit cards and through the use of retail installment contracts which enables those persons to purchase property or services from respondent and to defer payment therefor.

PAR. 3. Respondent regularly accepts applications for credit to determine which "applicants," as that term is defined in Regulation B, qualify for an extension of credit. When an application for credit is received by respondent, it is reviewed to determine whether, on the basis of the information provided therein, the applicant meets respondent's standards of creditworthiness also known as its "credit risk evaluation system."

PAR. 4. A substantial number of the applicants referred to in Paragraph Three fail to satisfy respondent's standards of creditworthiness and are informed by respondent that credit has been denied. A substantial number of these applicants subsequently request respondent to provide them with the reasons for the denial of credit as required by Section 202.5(m)(2) of Regulation B.

PAR. 5. In response to its applicants' requests for the reasons for denial, respondent furnishes a standard response (Attachment A) stating that it uses a "credit risk evaluation system" which assigns points to various items appearing on the credit application. The respondent further states that the applicant's total point score failed to meet respondent's minimum required point level and, for this reason, the applicant's request for credit was rejected. This response to its applicants' request for the reasons for denial constitutes a failure to provide applicants with the reasons for denial in violation of Section 202.5(m)(2) of Regulation B.

PAR. 6. Pursuant to Section 702(g) of the Equal Credit Opportunity Act, respondents' aforesaid failure to comply with Regulation B constitutes a violation of that Act, and pursuant to Section 704(c) thereof respondents have violated Section 5(a)(1) of the Federal Trade Commission Act.

ATTACHMENT A

[MONTGOMERY WARD LETTERHEAD]

This is in response to your request for a more detailed explanation of the reason for denial of your credit application request.

In considering credit applications, Montgomery Ward employs a "Credit Risk

Evaluation System" based upon our experience with thousands of applicants like yourself, over a period of years.

In this system, points are assigned to various items appearing on the credit application and added together to produce a total point score for the application. In your case, this score was below our minimum required level.

This is an economic decision, in no way should you construe it as a reflection on your personal integrity.

Sincerely yours,

/s/ J. Ebbert

Credit Manager

AD-4
34654

ORDER DISMISSING COMPLAINT

The Commission withdrew this matter from adjudication upon joint motion of the parties on April 19, 1977 for the purpose of considering a negotiated settlement. On June 28, 1977 the Commission rejected the proposed settlement and, having directed the staff to attempt further negotiations, was thereupon informed that such negotiations had proved unsuccessful.

Since the Commission originally issued its complaint in this matter on November 23, 1976, the Federal Reserve Board has finalized amendments to Regulation B (12 C.F.R. 202, *et seq.*) which bear directly on issues raised in the complaint. Having taken official notice of these changes in Regulation B and having been advised by staff that further investigation would be necessary to determine respondent's compliance with the regulation, as amended, the Commission has concluded that it is no longer in the public interest to conduct further proceedings on the basis of the complaint as presently drafted.

Accordingly, *it is ordered, sua sponte*, pursuant to Rule 3.25(f)(3), that the complaint in the above-captioned matter be dismissed without prejudice to any further action the Commission may deem appropriate, including direct enforcement of the provisions of Regulation B in Federal district court pursuant to section 704(c) of the Equal Credit Opportunity Act, as amended (15 U.S.C. 1691c(c)), and section 5(m)(1)(A) of the Federal Trade Commission Act, as amended (15 U.S.C. 45(m)(1)(A)).

In light of the Commission's action, respondent's motion to dismiss the complaint, filed on July 28, 1977, is denied as moot.

Complaint

90 F.T.C.

IN THE MATTER OF
SECURITY INDUSTRIAL LOAN ASSOCIATION
ORDER, OPINION, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND TRUTH IN LENDING
ACTS

Docket 9006. Complaint, Jan. 28, 1975 — Final Order, Sept. 21, 1977

This order, among other things, requires a Richmond, Va. finance company to cease failing to provide consumers, in connection with the extension of credit, relevant information and disclosures required by Federal Reserve Board regulations.

Appearances

For the Commission: *Bernard Rowitz and Alan L. Cohen.*

For the respondent: *Albert G. Seidman, Port St. Lucie, Fla.*

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 Security Industrial Loan Association, a corporation, hereinafter sometimes referred to as respondent, has violated the provisions of said Acts, and the implementing regulation promulgated under the Truth in Lending Act, 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 Security Industrial Loan Association is a corporation, organized, existing and doing business under and by virtue of the laws of the Commonwealth of Virginia with its principal office and place of business located at 312 East Main St., Richmond, Virginia.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the lending of money to the general public directly and through brokers and finders.

PAR. 3. In the ordinary course and conduct of its business as aforesaid, respondent regularly extends 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.

[2] PAR. 4. Subsequent to July 1, 1969, in the ordinary course of