

IN THE MATTER OF
COMMERCIAL CREDIT COMPANY

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND TRUTH IN LENDING ACTS

Docket C-2420. Decision, June 26, 1973—Modifying Order, Sept. 29, 1981

This order reopens the proceeding and modifies the Commission's order issued on June 26, 1973 (38 F.R. 20229; 82 F.T.C. 1841) against one of the nation's largest finance companies by substituting for the order in its entirety, a modified order which deletes language requiring the company to obtain a "Personal Insurance Authorization" form from each borrower before the loan could be completed. For the next five years, the modified order requires the company to give borrowers who elect to purchase insurance a notice entitled "Your Right To Cancel Insurance," and give the customer the right to cancel credit insurance within 15 days of signing for a loan and receive a full refund of insurance funds.

ORDER REOPENING THE PROCEEDING AND MODIFYING CEASE AND
DESIST ORDER

Upon consideration of a request by respondent to reopen the proceeding and modify the Cease and Desist Order entered by consent against respondent in this matter on June 26, 1973, with the concurrence of the Divisions of Credit Practices and Compliance, and with the Director of the Bureau of Consumer Protection having recommended that the requested modifications of the Order be granted, the Commission has concluded on the basis of the foregoing that respondent's request should be granted,

It is therefore ordered, That this proceeding be reopened and that the following Modified Final Order be substituted and issued in lieu of the Order entered on June 26, 1973:

MODIFIED FINAL ORDER

I. *It is ordered,* That respondent Commercial Credit Company, its successors and assigns, and its officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the granting of consumer loans subject to the provisions of Regulation Z, 12 C.F.R. 226.8 (1980), after April 1, 1982 12 C.F.R. 226.17 and 226.18 (1981), and the Truth in Lending Act, 15 U.S.C. 1601 *et seq.*, as amended, do forthwith cease and desist from:

1. Failing, when the charges for credit life insurance are

credit accident and health insurance are not included in the finance charge:

(a) To quote monthly payments, whether on the telephone, in person, or otherwise, which exclude the cost of credit life insurance and/or credit accident and health insurance.

(b) If monthly payments do reflect credit life insurance and/or credit accident and health insurance, such payments may be quoted only if the consumer is clearly told that:

(i) credit life insurance and/or credit accident and health insurance are optional; and

(ii) the consumer's choice regarding the insurance coverage will not be considered in respondent's approval of the consumer's credit.

2. Failing to include in the finance charge, charges for credit life insurance and/or credit accident and health insurance written in connection with the credit transaction unless:

(a) The insurance coverage is not required by the respondent and is not a factor in the approval by the respondent of the extension of credit and this fact is clearly and conspicuously disclosed in writing to the customer; and,

(b) Any customer desiring such insurance coverage gives specifically dated and separately signed affirmative written indication of such desire after receiving written disclosure to the customer of the cost of such insurance, as required by 12 C.F.R. 226.4(a)(5) (1980) (12 C.F.R. 226.4(d) (1981) after April 1, 1982).

3. When the charges for credit life insurance and/or credit accident and health insurance are not included in the finance charge:

(a) Misrepresenting, orally or otherwise, directly or by implication, that credit life and/or credit accident and health insurance are required as a condition for obtaining credit from respondent.

(b) Discouraging, by misrepresentation, oral or otherwise, directly or by implication, the declination of credit life and/or credit accident and health insurance.

4. When the charges for credit life insurance and/or credit accident and health insurance are not included in the finance charge, failing:

(a) To grant each borrower who is covered by credit life and/or credit accident and health insurance a period of not less than fifteen

days in which to cancel such insurance and receive a full refund of insurance funds. Such cancellation period shall begin to run on the day that respondent delivers to the borrower the notice of "Cancellation Right" and "Cancellation Request" referred to in section (b) and (c) of this paragraph 4. A borrower's notification to respondent of cancellation of his or her insurance coverage shall be considered given on the date mailed or otherwise delivered to respondent.

(b) To deliver to each borrower who is covered by credit insurance a notice entitled "Your Right to Cancel Insurance." Such notice shall:

(i) be printed on paper of a color different from other loan documents;

(ii) be printed in print not smaller than the print of Attachment A hereto;

(iii) be substantially similar to the content of Attachment A hereto;

(iv) be the last document delivered to the borrower at the time of closing together with an acknowledgement of receipt which is specifically dated and separately signed by the borrower.

(c) To deliver to each borrower who is covered by credit insurance a borrower's copy of the "Cancellation Request" which contains only the contents of Attachment B hereto, and an envelope addressed to respondent.

(d) To mail or personally deliver to each borrower covered by credit insurance who orally inquires about cancellation, the notice of cancellation right described in section (b) and the envelope described in section (c).

(e) However, where the respondent receives a request for an extension of credit by mail, telephone, or written communication without personal solicitation, the provisions of this paragraph 4 shall not be applicable if the respondents' printed material delivered or made available to the customer clearly sets forth the disclosures required by 12 C.F.R. 226.4(a)(5) (1980) (12 C.F.R. 226.4(d) (1981) after April 1, 1982), and also sets forth the scheduled amount of payments both including the cost of credit and/or credit accident and health insurance and excluding the cost of credit and/or credit accident and health insurance, and which otherwise meets the requirements of 12 C.F.R. 226.8(g)(2) (1980) (12 C.F.R. 226.17(g) (1981) after April 1, 1982).

5. Failing to compute and disclose accurately the finance charge,

as required by 12 C.F.R. 226.4(a)(5) and 226.8(d) (1980) (12 C.F.R. 226.4(d) and 226.18(b) and (c) (1981) after April 1, 1982).

6. Failing to compute and disclose accurately the annual percentage rate to the nearest quarter of one percent as required by 12 C.F.R. 226.5(b) and 226.8(b) (1980) (12 C.F.R. 226.22 and 226.18 (1981) after April 1, 1982).

7. Failing, in any consumer loan transaction or advertisement to make all disclosures, determined in accordance with 12 C.F.R. 226.4 and 226.5 (1980) (12 C.F.R. 226.4 and 226.22 (1981) after April 1, 1982) in the manner, form and amount required by 12 C.F.R. 226.6, 226.8, 226.9, and 226.10 (1980) (12 C.F.R. 226.17, 226.18, 226.23, and 226.24 (1981) after April 1, 1982).

II. *It is further ordered*, That the respondent's obligations under the Order issued on June 26, 1973, shall remain effective and binding upon any of the consumer loan offices of respondent until such office is in compliance with paragraph 4 of this modified order, *provided, however*, that all of respondent's consumer loan offices shall be in compliance with paragraph 4 of this modified order not later than six months from the date of service of this modified order. Each of respondent's consumer loan offices shall be obligated to comply with paragraph 4 of this modified order only for the period of five years following immediately after the day on which the loan office is in compliance with such paragraph 4.

III. *It is further ordered*, That respondent shall maintain for a three year period, by individual consumer loan offices, records of the total number of borrowers and the names and addresses of each borrower who exercises his or her right to cancel credit insurance. At the request of the Commission staff, the respondent shall maintain records for an additional two-year period. The records required by this paragraph shall be available for inspection and copying by Commission staff upon request.

IV. *It is further ordered*, That respondent, shall not later than six months after the service of this Order upon it, deliver a copy of this order to Cease and Desist to all present and future personnel of respondent at its general offices in Baltimore and in each of its subsidiary or other loan offices who are engaged in the extension of consumer loans.

V. *It is further ordered*, That respondent notify the Commission within thirty (30) days of any change in the corporate respondent which may affect compliance obligations with regard to the exten-

COMMERCIAL CREDIT CO.

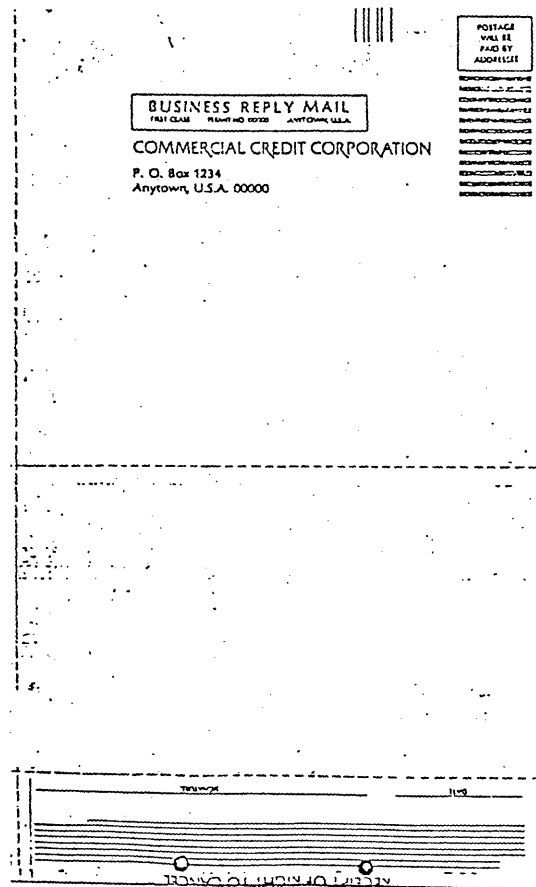
783

Modifying Order

sion of consumer loans arising out of this Order, 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 with regard to the extension of consumer loans which may affect compliance obligations arising out of this Order.

VI. *It is further ordered,* That respondent shall within two hundred ten (210) days after service upon it of this Order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this Order.

98 F.T.C.



COMMERCIAL CREDIT CO.

100

783

Modifying Order

ATTACHMENT A	
YOUR RIGHT TO CANCEL	
Borrower's Record of Cancellation Request Amount of: Credit Life Premium \$ _____ Credit Disability Premium \$ _____ In connection with your loan on the above date, you purchased credit insurance for the total premium set out immediately above. Credit insurance is not required in connection with this loan. Your decision to purchase credit insurance will not affect the amount of credit which has been approved for you or in any way affect your chances of getting another loan with us. To ensure that your decision to buy credit insurance was completely your own, we offer a 15-day Cancellation period. Your cancellation request will go directly to our regional office. You have the right to cancel the credit insurance you purchased and to receive a full refund of the premium by notifying us by completing the cancellation form on the attached envelope and returning it to us no later than 15 days after the date of this loan. You may cancel this insurance at any time. However, if you cancel later than 15 days after the date of your loan, you will receive a refund of any unearned premium.	Amount of: Credit Life Premium \$ _____ Credit Disability Premium \$ _____ In connection with your loan on the above date, you purchased credit insurance for the total premium set out immediately above. Credit insurance is not required in connection with this loan. Your decision to purchase credit insurance will not affect the amount of credit which has been approved for you or in any way affect your chances of getting another loan with us. To ensure that your decision to buy credit insurance was completely your own, we offer a 15-day Cancellation period. Your cancellation request will go directly to our regional office. You have the right to cancel the credit insurance you purchased and to receive a full refund of the premium by notifying us by completing the cancellation form on the attached envelope and returning it to us no later than 15 days after the date of this loan. You may cancel this insurance at any time. However, if you cancel later than 15 days after the date of your loan, you will receive a refund of any unearned premium.
ATTACHMENT B	
CANCELLATION REQUEST	
Please cancel the Credit Insurance I purchased and refund the premium to me.	
NAME	SIGNATURE
_____	_____
DATE	ADDRESS
_____	_____

Complaint

98 F.T.C.

IN THE MATTER OF

ALDENS, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3076. Complaint, Oct. 8, 1981—Decision, Oct. 8, 1981*

This consent order requires, among other things, a Chicago, Illinois mail order house to cease, in connection with the collection of debts, improperly contacting consumers or third parties. Except to advise consumers of legal remedies usually taken to collect debts, respondents are prohibited from communicating with consumers who have written the firm indicating that they will not pay the debt or wish no further contact regarding the debt. Additionally, for a five-year period, the order requires the insertion of a prescribed statement in all charge account agreements, which states that the company will limit discussions with third parties to information necessary to locate the consumer. The order also provides that should the Commission promulgate a trade regulation rule applicable to respondent's third party contacts, compliance with that rule will be considered part of the order.

Appearances

For the Commission: *Alan D. Reffkin.*

For the respondent: *Lawrence F. Henneberger and Christopher Smith, Arent, Fox, Kintner, Plotkin & Kahn, Washington, D.C.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe Aldens, Inc., a corporation, hereinafter referred to as Aldens or respondent, has violated the provisions of said 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, Aldens, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and only place of business located at 5000 West Roosevelt Road, Chicago, Illinois.

PAR. 2. Respondent is now and for some time in the past has been actively engaged in the sale of consumer products by catalog and direct mail merchandising to consumers residing throughout the United States. All orders, whether for cash or credit (extended by