

IN THE MATTER OF

TOWER LOAN OF MISSISSIPPI, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
TRUTH IN LENDING ACT, REGULATION Z, AND
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket 9241. Complaint, June 27, 1990--Decision, Feb. 10, 1992*

This consent order requires, among other things, the respondent to: accurately disclose the annual percentage rate, finance charge, and amount financed in accordance with the Truth in Lending Act; offer its customers an opportunity to cancel the credit insurance written on their loans and to obtain cash refunds or credits to their accounts; and provide future customers with a separate disclosure that sets out the costs of the loan with and without credit insurance and that emphasizes that the purchase of credit insurance is not required as a condition to obtaining a loan.

Appearances

For the Commission: *Stephen Cohen* and *Sandra M. Wilmore*.

For the respondent: *Stephen E. Gardner* and *Pat H. Scanlon*,
Young, Scanlon & Sessums, P.A., Jackson, MS. *Nancy L. Buc* and
Sheldon Feldman, Weil, Gotshal & Manges, Washington, D.C.
Robert L. Lepri, Trizna & Lepri, Chicago, IL.

COMPLAINT

The Federal Trade Commission, having reason to believe that Tower Loan of Mississippi, Inc., a corporation, hereinafter sometimes referred to as respondent, has violated the Federal Trade Commission Act, 15 U.S.C. 45-58, as amended, and the Truth in Lending Act ("TILA"), 15 U.S.C. 1601-1667, as amended, and its implementing Regulation Z, 12 CFR 226, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint and alleges:

PARAGRAPH 1. Tower Loan of Mississippi, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Mississippi, with its office and principal place of business located at 131 Channel 16 Way, Jackson, Mississippi.

PAR. 2. Respondent has been and is now engaged in the business of offering consumer credit to the public and is a creditor as defined in the Truth in Lending Act and Regulation Z.

PAR. 3. The acts and practices of respondent alleged in this complaint have been and are in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondent, in the course and conduct of its business, has, on numerous occasions, required consumers to purchase credit life, accident, health or loss-of-income insurance in connection with an extension of credit, has failed to include the premiums for the insurance in the finance charge and the annual percentage rate disclosed to the consumer, and has wrongfully included the premiums for the insurance in the amount financed disclosed to the consumer.

PAR. 5. Respondent's aforesaid practice violates Sections 106, 107 and 128 of the TILA, 16 U.S.C. 1605, 1606 and 1638, respectively, and Sections 226.4(d), 226.22 and 226.18 (b), (d) and (e) of Regulation Z, 12 CFR 226.4 (d), 226.22 and 226.18(b), (d) and (e), respectively, and constitutes an unfair and deceptive act or practice in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

PAR. 6. Respondent, in the course and conduct of its business, has, on numerous occasions, in connection with its requirement that consumers purchase credit insurance as a condition of the extension of credit, required those consumers to execute statements to the effect that insurance was voluntarily chosen, when, in fact, insurance was required.

PAR. 7. Respondent's aforesaid practice, is unfair and violates Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. 45(a).

Decision and Order

115 F.T.C.

APPENDIX A

Dear [Consumer]:

Tower Loan made an error in determining the finance charge on your loan with us. For this reason, the Federal Trade Commission in Washington, D.C. ordered us to send this letter.

Because of our error, we are refunding to you \$ _____ .

If you have any questions about this letter, you may contact the Federal Trade commission at (202) 326- .

Sincerely,

Jack R. Lee, President
Tower Loan of Mississippi, Inc.

DECISION AND ORDER

The Federal Trade Commission having issued its complaint charging Tower Loan of Mississippi, Inc., a corporation, with violations of the Truth in Lending Act and Section 5 of the Federal Trade Commission Act, and the respondent having been served with a copy of that complaint, together with a notice of contemplated relief; and

The respondent, its attorneys, 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 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 provisions as required by the Commission's Rules; and

The Secretary of the Commission having thereafter withdrawn this matter from adjudication in accordance with Section 3.25(c) of its Rules; and

The Commission having considered the matter and having thereupon accepted the executed consent agreement and placed such

agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 3.25 of its Rules, now in further conformity with the procedure prescribed in Section 3.25(f) of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Tower Loan of Mississippi, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Mississippi, with its office and principal place of business located at 131 Channel 16 Way, Jackson, Mississippi.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That respondent Tower Loan of Mississippi, Inc., its successors and assigns, and its officers, agents representatives, and employees, directly or through any corporate or other device, in connection with any closed-end credit transaction originated by respondent, do forthwith cease and desist from:

A. Failing to include in the finance charge and the annual percentage rate disclosed to the consumer, as required by Sections 106, 107, and 128 of the Truth in Lending Act, 15 U.S.C. 1605, 1606, and 1638, and Sections 226.4(d), 226.22, and 226.18(d) and (e) of Regulation Z, 12 CFR 226.4(d), 226.22, and 226.18(d) and (e), the premiums for credit life or accident and health insurance (hereinafter referred to as "credit-related insurance premiums") that consumers are required to purchase;

B. Failing to exclude from the amount financed disclosed to the consumer, as required by Section 128 of the Truth in Lending Act, 15 U.S.C. 1638 and Section 226.18(b) of Regulation Z, 12 CFR 226.18(b), the premiums for credit life or accident and health insurance that consumers are required to purchase; and

C. Failing to make all disclosures, determined in accordance with Sections 106 and 107 of the Truth in Lending Act, 15 U.S.C. 1605 and 1606, and Sections 226.4 and 226.22 of Regulation Z, 12 CFR 226.4 and 226.22, in the manner, form, and amount required by Sections 226.17, 226.18, 226.19, and 226.20 of Regulation Z, 12 CFR 226.17, 226.18, 226.19, and 226.20.

II.

REFUND PROGRAM

It is further ordered, That, no later than thirty (30) days following the date of service of this order, respondent shall provide Baird, Kurtz & Dobson, 400 W. Capitol Street, Suite 2500, Little Rock, AR., ("independent agent") with an itemized list containing the name and address of all consumers, and the name and address of the persons insured, if different, who have an account with respondent opened during the two-year period immediately preceding service of this order as to which payments are still owed on such date of service, on which credit-related insurance was written through respondent, excluding any consumer who has received a credit life or accident and health benefit from a policy written through respondent ("List 1"). Those consumers whose account is two or more payments delinquent at the time of service of this order shall be listed separately ("List 2"). No later than five (5) days thereafter, the independent agent shall send the letter contained in Appendix A ("refund letter") to each consumer on List 1 and the letter contained in Appendix B to each consumer on List 2 by first class mail. If any refund letter is returned as undeliverable, respondent shall make every reasonable effort to contact the consumer, including sending additional refund letters to the consumer's place of business, relatives, or any other location at which the consumer may be contacted based on information available to respondent.

For each such consumer on List 1 who, within sixty (60) days of the date of the postmark on the envelope containing Appendix A, returns that refund letter to the independent agent with the indication that the consumer does not desire to retain credit-related insurance, Tower shall within thirty (30) days after notice of the consumer's

election to cancel credit-related insurance: (1) adjust the consumer's account by refunding in one lump-sum payment the dollar amount of all credit-related insurance premiums and the related finance charges paid by the consumer to Tower prior to the date of the adjustment; and (2) adjust the consumer's account by reducing the consumer's remaining monthly payments by the dollar amount of all credit-related insurance premiums and the finance charges calculated thereon.

For each such consumer on List 2 who, within sixty (60) days of the date of receipt of Appendix B, returns that refund letter to the independent agent with the indication that the consumer does not desire to retain credit-related insurance, Tower shall within thirty (30) days after notice of the consumer's election to cancel credit-related insurance: (1) adjust the consumer's account by crediting the dollar amount of all credit-related insurance premiums and the related finance charges paid by the consumer to Tower prior to the date of the adjustment; and (2) adjust the consumer's account by reducing the consumer's remaining monthly payments by the dollar amount of all credit-related insurance premiums and the finance charges calculated thereon. If the amount of any such credit shall exceed the amount of the delinquency, respondent shall refund to the consumer the amount that exceeds the delinquency.

On any transaction with two or more borrowers, the refund letter must be directed to all borrowers and signed by all borrowers before the credit-related insurance shall be canceled. If the refund letter is returned with only one signature, the independent agent shall use Appendix E to return the refund letter to the borrower who has not signed.

If the borrowers reside at different addresses, the independent agent shall mail a copy of the refund letter to each address. A copy of the refund letter shall also be mailed to the co-signer on the transaction, if any, with the word "COPY" stamped in red on the letter.

For each such consumer excluded from either List 1 or List 2 because of receipt of a credit life or accident and health benefit, respondent shall provide the Associate Director for Credit Practices of the Federal Trade Commission with the consumer's name and address and a complete copy of the benefit check(s) (front and back) paid to each.

Tower shall bear all costs for the administration of the refund program.

III.

It is further ordered, That during the sixty (60) day period during which consumers are given the opportunity to cancel credit-related insurance, respondent and staff of the Federal Trade Commission shall not otherwise communicate directly with the consumers listed on Lists 1 and 2, orally or in writing, concerning the refund program, except to refer such consumers to the independent agent, which shall limit its conversations with such consumers to the text of a prepared statement that shall not deviate in substance from that attached hereto as Appendix C.

IV.

It is further ordered, That respondent shall, in connection with any closed-end credit transaction originated by respondent, cease and desist from requiring any consumer to sign or initial a statement that credit-related insurance has been voluntarily chosen if the consumer's purchase of such insurance was required.

V.

It is further ordered, That respondent shall, in connection with any closed-end credit transaction originated by respondent following the date of service of the order, cease and desist from failing to provide to each consumer before consummation of the transaction, a written statement containing the proposed monthly payment without credit-related insurance premiums and the proposed monthly payment with credit-related insurance premiums in accordance with the form attached hereto as Appendix D. This statement shall be signed by the consumer in duplicate with a copy given to the consumer and a copy retained in the consumer's loan file.

VI.

It is further ordered, That respondent shall maintain for at least three (3) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal

Trade Commission for inspection and copying all records and documents necessary to demonstrate fully its compliance with this order.

VII.

It is further ordered, That respondent, its successors and assigns, shall distribute a copy of this order to any present or future officers, agents, representatives, and employees having responsibility with respect to the subject matter of this order and that respondent, its successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

VIII.

It is further ordered, That respondent, for a period of six (6) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

IX.

It is further ordered, That respondent shall, within one hundred and eighty (180) days of the date of service 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.

Commissioner Azcuenaga not participating.

APPENDIX A

Dear [Consumer]:

When you got your loan from us, you bought credit life [and accident and health] insurance. Credit life insurance benefits are paid to you [or insured], less the balance of your loan, in the event of your [or insured's] death. Credit accident and health insurance benefits make your loan payments in the event you [or insured] become[s] totally disabled and are out of work for more than two weeks. The cost of this insurance was included in your monthly payment and this insurance coverage continues to be in force.

In settlement of an action brought by the Federal Trade Commission, Tower Loan has agreed to give you an opportunity to cancel your [or insured's] credit life [and accident and health] insurance.

If you did not want credit life [and accident and health] insurance when you got your loan, we will be happy to refund to you the amount of the insurance premiums you have paid plus the finance charges on the premiums, and cancel all future insurance payments. The following chart explains how this decision will affect your loan.

Your refund if you cancel insurance	\$ _____
Your present monthly payment with insurance	\$ _____
Your new monthly payment without insurance	\$ _____

If you cancel the insurance, you [or insured] will not have any insurance to pay off the loan in case of death or to make your monthly payments in case of total disability. Therefore, if you wish to keep your credit insurance coverage, you do not need to do anything in response to this letter and your insurance coverage will continue as before.

If you want to cancel the insurance, please date and sign this letter and return it in the postage paid envelope provided. If there is more than one borrower, each borrower must sign the letter. You must do so within 60 days from the postmark date on the envelope containing this letter. **THIS IS THE ONLY CHANCE YOU HAVE TO RESPOND TO THIS OFFER.**

If you have any questions concerning this letter, please contact _____ at _____'s toll-free number at xxx-xxx-xxxx. Please do not contact us.

You must keep paying your monthly installments on your loan from us, even if you cancel the insurance and request a refund. We value you as a customer and hope to serve your financial needs in the future.

Sincerely,

Jack R. Lee, President
Tower Loan of Mississippi, Inc.

I did not want credit life [and accident and health] insurance. Please cancel my credit life [and accident and health] insurance and send me a refund.

[consumer's name] date

[consumer's name] date

APPENDIX B

Dear [Consumer]:

When you got your loan from us, you bought credit life [and accident and health] insurance. Credit life insurance benefits are paid to you [or insured], less the balance of your loan, in the event of your [or insured's] death. Credit accident and health insurance benefits make your loan payments in the event you [or insured] become[s] totally disabled and are out of work for more than two weeks. The cost of this insurance was included in your monthly payment and this insurance coverage continues to be in force.

In settlement of an action brought by the Federal Trade Commission, Tower Loan has agreed to give you an opportunity to cancel your [or insured's] credit life [and accident and health] insurance.

If you did not want credit life [and accident and health] insurance when you got your loan, we will credit your account for the amount of the insurance premiums you have paid plus the finance charges on the premiums, and cancel all future insurance payments. The following chart explains how this decision will affect your loan.

Your present loan balance	\$ _____
Your credit if you cancel insurance	\$ _____
Your new loan balance	\$ _____
Your present monthly payment with insurance	\$ _____
Your new monthly payment without insurance	\$ _____

If you cancel the insurance, you [or insured] will not have any insurance to pay off the loan in case of death or to make your monthly payments in case of total disability. Therefore, if you wish to keep your credit insurance coverage, you do not need to do anything in response to this letter and your insurance coverage will continue as before.

If you want to cancel the insurance, please date and sign this letter and return it in the postage paid envelope provided. If there is more than one borrower, each borrower must sign the letter. You must do so within 60 days of the postmark date on the envelope containing this letter. **THIS IS THE ONLY CHANCE YOU HAVE TO RESPOND TO THIS OFFER.**

If you have any questions concerning this letter, please contact _____ at _____'s toll-free number at xxx-xxx-xxxx. Please do not contact us.

You must keep paying your monthly installments on your loan from us, even if you cancel the insurance and request a credit to your account. We value you as a customer and hope to serve your financial needs in the future.

Sincerely,

Jack R. Lee, President
Tower Loan of Mississippi, Inc.

I did not want credit life [and accident and health] insurance. Please cancel my credit life [and accident and health] insurance and credit my account.

[consumer's name] date

[consumer's name] date

APPENDIX C

1. Q. Why did I get this letter?
A. This letter is being sent to all of Tower's customers who have taken out a loan in the last two years. Tower has agreed to send this letter to settle an action brought by the Federal Trade Commission, a federal agency in Washington, D.C.
2. Q. What was the action about?
A. The Federal Trade Commission alleged that Tower violated the Truth in Lending Act by requiring its customers to purchase credit-related insurance and then failing to include the cost in the annual percentage rate. Tower denies any wrongdoing.
3. Q. What is credit life insurance?
A. Credit life insurance provides you with financial protection in case you should die. When you got your loan from Tower, you purchased credit life insurance. This means that if you [or insured] should die before you finish paying your loan with Tower, the life insurance company will pay off your loan and give your beneficiary the balance of the insurance proceeds, if any.
4. Q. I don't understand.
A. [If insured has level-term insurance, state:] Let me give you an example. Let's assume your original loan was \$1,000 and your monthly payments were \$100. If after 5 payments you were to die, the insurance company would pay \$500 to Tower to pay off your loan and \$500 to your beneficiary or your estate.
[If insured has decreasing-term insurance, state:] Let me give you an example. If the balance due on your loan is \$500 and you should die, the insurance company would pay Tower \$500 and you would not owe Tower any more money.
5. Q. What if I already have a life insurance policy?
A. The credit life insurance you purchased through Tower is in addition to any other life insurance policies you may have .
6. Q. What is accident and health insurance?
A. Accident and health insurance provides you with financial protection in case you become sick or injured. When you got your loan from Tower, you [or insured] purchased accident and health insurance. This means that if you [or insured] should become totally disabled and cannot work for more than two weeks in a row, the insurance company will make your monthly payments for you. Of course, once you [or insured] are able to return to work, the insurance company no longer makes these payments.
7. Q. What does this letter mean or why am I being given the chance to cancel my insurance?
A. Tower does not require borrowers to buy credit life or accident and health insurance to get a loan from it. This opportunity to cancel the insurance is being offered to you in case you believe you were required to purchase insurance or you did not wish to buy this insurance when you got the loan.
8. Q. What should I do if I want to cancel the insurance?
A. Sign the letter at the bottom and return it in the envelope provided. If there is more than one borrower, each must sign the letter.
9. Q. What should I do if I want to keep the insurance?

- A. You do not have to do anything. Your insurance coverage will remain in force.
10. Q. What happens to my loan if I cancel the insurance?
- A. If you are not two or more months past due in making your payments, you will receive a refund of all the insurance premiums you have paid plus any finance charges. The amount of the refund is on the letter Tower sent you. In addition, your monthly payment will be reduced so that you will not pay for insurance in the future. The amount of your new monthly payments are also listed on the letter Tower sent you.
11. Q. What if I am delinquent?
- A. If you are two or more months past due in making your payments, your account will be credited for all of the insurance premiums you have paid plus any finance charges. If the amount of the refund is more than what you owe Tower, the balance will be refunded to you. The amount of the credit is on the letter Tower sent you. In addition, your monthly payment will be reduced so that you will not pay for insurance in the future. The amount of your new monthly payment is also listed on the letter Tower sent you.
12. Q. If I cancel the credit life insurance and then die before the loan is paid in full, what will happen?
- A. [If principal borrower is insured, state:] You will not have credit life insurance through Tower to pay off your loan.
[If principal borrower is not insured, state:] You are not the person insured on this loan. That means if you died, the insurance would not pay off the loan anyway. The insurance would only pay off the loan if [insured] died.
13. Q. If I cancel the accident and health insurance and then get sick or become disabled before the loan is paid in full, what will happen?
- A. [If principal borrower is insured, state:] If you cannot work for more than two weeks in a row because of sickness or disability, you will not have insurance through Tower to make your monthly payments and you would still have to make the monthly payments.
[If principal borrower is not insured, state:] You are not the person insured on this loan. That means if you cannot work, the insurance would not make your monthly payments to Tower anyway. The insurance would only make the monthly payments if [insured] became sick or disabled.
14. Q. If I cancel the insurance, will Tower be willing to lend to me in the future?
- A. Canceling the insurance will not affect your ability to get credit from Tower in the future.

APPENDIX D

DO YOU WANT TO PURCHASE OPTIONAL CREDIT INSURANCE?

Tower Loan offers credit life, and accident and health insurance in connection with its loans. **Purchase of this insurance is not required to obtain a loan with us.** We are providing you with the following information to help you decide whether you want to buy this credit insurance.

Loan amount:	\$ _____
Your monthly payment without optional insurance:	\$ _____
Life insurance premium:	\$ _____
Accident and Health insurance premium:	\$ _____
Your monthly payment with optional insurance:	\$ _____

TRUTH IN LENDING DISCLOSURE

Insurance

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance _____ Signature
Credit Disability		I want credit disability insurance _____ Signature

APPENDIX E

Dear [Consumer]:

We have received a request to cancel your credit life [and accident and health] insurance. Before we can cancel the insurance and issue you a refund [credit], we need your signature also. If you wish to cancel the insurance, please sign the attached letter and return it in the envelope provided. You must do so within 30 days of the date of this notice or the insurance will not be cancelled.

IN THE MATTER OF

SERVICE CORPORATION INTERNATIONAL

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-3372. Complaint, Feb. 25, 1992--Decision, Feb. 25, 1992

This consent order requires, among other things, a Houston, Texas, based corporation to divest, within twelve months, four Pierce Brothers funeral homes, and, for ten years, to obtain prior Commission approval before acquiring any additional funeral homes in the San Bernardino/Riverside, California, areas.

Appearances

For the Commission: *Katharine B. Alphin* and *John D. Jacobs*.

For the respondent: *Michael Byowitz, Wachtell, Lipton, Rosen & Katz*, New York, N.Y. and *Marcel Gremillow*, Service Corporation International, Houston, TX.

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 that Service Corporation International, a corporation, hereinafter sometimes referred to as respondent, has entered into an agreement with Pierce Brothers Holding Company, a corporation, that violates 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 as follows: