

Complaint

IN THE MATTER OF

NORM REEVES, INC.**D/B/A****NORM REEVES HONDA SUPERSTORE**

CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT, THE TRUTH
IN LENDING ACT, THE CONSUMER LEASING ACT, REGULATION M,
AND REGULATION Z

Docket No. C-4436; File No. 132 3151

Complaint, February 20, 2014 – Decision, February 20, 2014

This consent order addresses Norm Reeves, Inc.’s advertising of lease and financing offers and failure to clearly and conspicuously disclose the costs and terms of certain leases offered and the amount or percentage of the downpayment, despite the respondent’s use of certain triggering terms in the advertisements. The complaint alleges that the respondent has advertised that consumers can pay “\$0” up-front to lease a car, and has depicted several cars in its advertisements to which this offer applies, listing a specific monthly lease payment for each such car. The complaint further alleges that, in fact, for a \$0 up-front payment, consumers cannot lease the cars shown in the advertisements for the advertised monthly payment amounts, and that instead, consumers must also pay a security deposit and/or significant fees, including but not limited to an acquisition fee. The complaint further alleges, in connection with its advertising of financing offers, that the respondent has advertised that it offers 0% APR financing on all new cars without disclosing adequately that consumers who finance more than a certain amount -- *e.g.*, \$12,000 -- will be charged more than 0% APR. The consent order requires that the respondent clearly and conspicuously make all of the disclosures required by the Consumer Leasing Act, the Truth in Lending Act and Regulations M and Z when any of its advertisements states relevant triggering terms. The order also prohibits the respondent from misrepresenting the cost of: (1) leasing a vehicle, including but not limited to the total amount due at lease inception, the downpayment, amount down, acquisition fee, capitalized cost reduction, any other amount required to be paid at lease inception, and the amounts of all monthly or other periodic payments; or (2) purchasing a vehicle with financing, including but not necessarily limited to the amount or percentage of the downpayment, the number of payments or period of repayment, the amount of any payment, the annual percentage rate or any other finance rate, and the repayment obligation over the full term of the loan, including any balloon payment.

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Participants

For the *Commission*: Sana Chriss, Mark Glassman, John Jacobs, Carole Reynolds, Jason Schall, Christina Tusan, and Katherine Worthman.

For the *Respondent*: Aaron Jacoby and Melanie Joo, Arent Fox LLP.

COMPLAINT

The Federal Trade Commission, having reason to believe that Norm Reeves, Inc., a corporation also doing business as Norm Reeves Honda Superstore (“respondent”), has violated provisions of the Federal Trade Commission Act (“FTC Act”), the Consumer Leasing Act (“CLA”), and its implementing Regulation M, and the Truth in Lending Act (“TILA”), and its implementing Regulation Z, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Norm Reeves, Inc. is a California corporation, also doing business as Norm Reeves Honda Superstore, with its principal office or place of business at 18500 Studebaker Road, Cerritos, California 90703. Respondent offers automobiles for sale or lease to consumers.
2. The acts or practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.
3. Since at least March 16, 2013, respondent has disseminated or caused to be disseminated advertisements to the public promoting the purchase, finance, and leasing of automobiles.
4. Respondent has disseminated or caused to be disseminated advertisements promoting consumer leases for automobiles, as the terms “advertisement” and “consumer lease” are defined in Section 213.2 of Regulation M, 12 C.F.R. § 213.2, as amended.
5. Respondent has disseminated or caused to be disseminated advertisements to the public promoting credit sales and other

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extensions of closed-end credit in consumer credit transactions, as the terms “advertisement,” “closed-end credit,” “credit sale,” and “consumer credit” are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2, as amended.

6. Respondent has placed numerous such advertisements promoting consumer leases for automobiles and credit sales and other extensions of closed-end credit in consumer credit transactions in the *Los Angeles Times* newspaper. A copy of one such advertisement that appeared in the *Los Angeles Times* is attached as Exhibit A. This advertisement contains the statements and depictions described in Paragraphs 7 through 8 below. Respondent’s advertisements in other editions of the *Los Angeles Times* contain substantially similar statements and depictions.

7. Respondent’s advertisements deceptively promote lease offers with \$0 due at lease inception.

- a. For example, the following statement is prominently featured at the top of the advertisement attached as Exhibit A:



- b. Photographs of several different 2013-model-year automobiles appear below this statement. Each automobile appears in a separate box that includes a bold graphic stating “**\$0 DOWN**,” in addition to a specific monthly payment amount.
- c. Additional terms are also included below each car in very small print. This fine print states: “All-New 2013 [model name] closed end lease for \$[monthly payment amount shown above] per month plus security deposit, acquisition fee, tax, title and license fees for 36 months on approved credit. \$0 due at lease signing.”
- d. Additional fine print appears at the very bottom of each of respondent’s advertisements, which states:

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“All advertised prices exclude government fees and taxes, any finance charges, any dealer document processing charge, any electronic filing charge, and any emission testing charge.”

- e. Thus, consumers cannot pay the “\$0 DUE AT LEASE SIGNING” that is prominently stated at the top. They must also pay a security deposit and/or fees, including but not limited to an acquisition fee.

8. Respondent’s advertisements also deceptively promote “0% APR” financing on a vehicle purchase. For example, the advertisement attached as Exhibit A includes the following statements and depictions.

- a. The following statement promoting “0% APR” financing on all new Hondas is prominently featured at or near the top of the advertisement:



- b. The advertisement also includes the following statement promoting 0% APR financing on new models of the “2012 Honda Civic Natural Gas”:



- c. However, the text in fine print below each of the statements depicted immediately above states that the 0% APR does not apply if consumers finance more than a certain amount. For example, the fine print

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under the statement promoting 0% APR financing on all new Hondas states the following:

0% APR financing available up to \$12,000 financed on approved tier one credit. 0% APR financing for 60 months on all new Honda models is \$16.67 per month per \$1,000 financed. If more than \$12,000 is financed, then the 0% goes to 0.9% on approved tier one credit. Dealer participation may affect consumer cost.

FEDERAL TRADE COMMISSION ACT VIOLATIONS**Count I****Misrepresentation of Amount Due at Lease Inception**

9. Through the means described in Paragraph 7, respondent has represented, expressly or by implication, that consumers can pay \$0 at lease inception to lease the vehicles shown in the advertisements for the advertised monthly payment amount.

10. In truth and in fact, consumers cannot pay \$0 at lease inception to lease the vehicles shown in the advertisement for the advertised monthly payment amount. Consumers must also pay a security deposit and/or significant fees, including but not limited to an acquisition fee. Therefore, the representation set forth in Paragraph 9 was, and is, false or misleading.

11. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II**Failure to Adequately Disclose APR**

12. Through the means described in Paragraph 8, respondent has represented that consumers who finance new vehicles purchased from respondent will be charged 0% APR on the amount financed. Respondent has failed to disclose adequately that consumers who finance more than a certain amount will be charged more than 0% APR. This fact would be material to

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consumers. The failure to disclose this fact, in light of the representations made, was, and is, a deceptive practice.

13. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**VIOLATION OF THE CONSUMER LEASING ACT AND
REGULATION M**

14. Under Section 184 of the CLA and Section 213.7 of Regulation M, advertisements promoting consumer leases are required to make certain disclosures ("CLA additional terms") if they state any of several terms, such as the amount of any payment ("CLA triggering terms"). 15 U.S.C. § 1667c; 12 C.F.R. § 213.7.

15. Respondent's advertisements promoting consumer leases, including but not necessarily limited to the advertisements described in Paragraphs 6 and 7, are subject to the requirements of the CLA and Regulation M.

Count III

**Failure to Disclose or to Disclose Clearly and Conspicuously
Required Lease Information**

16. Respondent's advertisements promoting consumer leases, including but not necessarily limited to the advertisements described in Paragraphs 6 and 7, have included CLA triggering terms, but have failed to disclose or to disclose clearly and conspicuously CLA additional terms required by the CLA and Regulation M, including one or more of the following:

- a. That the transaction advertised is a lease.
- b. The total amount due prior to or at consummation or by delivery, if delivery occurs after consummation.
- c. Whether or not a security deposit is required.

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- d. The number, amount, and timing of scheduled payments.
- e. With respect to a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the property, that an extra charge may be imposed at the end of the lease term.

17. Therefore, the practices set forth in Paragraph 16 of this Complaint have violated Section 184 of the CLA, 15 U.S.C. § 1667c, and Section 213.7 of Regulation M, 12 C.F.R. § 213.7.

**VIOLATIONS OF THE TRUTH IN LENDING ACT AND
REGULATION Z**

18. Under Section 144 of the TILA and Section 226.24(d) of Regulation Z, as amended, advertisements promoting closed-end credit in consumer credit transactions are required to make certain disclosures (“TILA additional terms”) if they state any of several terms, such as the monthly payment (“TILA triggering terms”).

19. Respondent’s advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 8, are subject to the requirements of the TILA and Regulation Z.

Count IV

**Failure to Disclose or Disclose Clearly and Conspicuously
Required Credit Information**

20. Respondent’s advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraph 8, have included TILA triggering terms, but have failed to disclose or disclose clearly and conspicuously TILA additional terms required by the TILA and Regulation Z, including one or more of the following:

- a. The amount or percentage of the downpayment.
- b. The terms of repayment, including any balloon payment.

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- c. The “annual percentage rate,” using that term, and, if the rate may be increased after consummation, that fact.

21. Therefore, the practices set forth in Paragraph 20 of this Complaint have violated Section 144 of the TILA, 15 U.S.C. § 1664, and Section 226.24(d) of Regulation Z, 12 C.F.R. § 226.24(d), as amended.

THEREFORE, the Federal Trade Commission, this twentieth day of February, 2014, has issued this complaint against respondent.

By the Commission.

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Exhibit A

NORM REEVES HONDA SUPERSTORE
Cerritos Auto Square

#1 Honda Dealer IN THE U.S.A!
A professional and experienced dealer

OVER 3000 Hondas AVAILABLE

\$0 \$0 \$0 \$0 All New Hondas
FIRST MONTH PAYMENT DRIVE OFF SECURITY DEPOSIT ONE AT LEASE SIGNING

FREE \$20 GAS CARD
MONTHLY \$2000

0% APR FOR 60 MONTHS
On All New Hondas

ALL-NEW 2013 Honda Civic LX 4 DOOR AUTOMATIC
LEASE FOR ONLY **\$159** PER MO. FOR 36 MONTHS
5 AT THIS PAYMENT **\$0 DOWN**

ALL-NEW 2013 Honda Accord LX 4 DOOR AUTOMATIC
LEASE FOR ONLY **\$199** PER MO. FOR 36 MONTHS
5 AT THIS PAYMENT **\$0 DOWN**

NEW 2013 Honda CR-V LX 4 DOOR AUTOMATIC
LEASE FOR ONLY **\$219** PER MO. FOR 36 MONTHS
5 AT THIS PAYMENT **\$0 DOWN**

NEW 2013 Honda Odyssey LX 4 DOOR AUTOMATIC
LEASE FOR ONLY **\$259** PER MO. FOR 36 MONTHS
5 AT THIS PAYMENT **\$0 DOWN**

NEW 2013 Honda Pilot LX 4 DOOR AUTOMATIC
LEASE FOR ONLY **\$289** PER MO. FOR 36 MONTHS
5 AT THIS PAYMENT **\$0 DOWN**

NEW 2012 Honda Civic Natural Gas 4 DOOR AUTOMATIC
FREE \$3000 GAS CARD **0% APR FOR 60 MONTHS** **\$0 DOWN**

PRICE PROTECTION GUARANTEE
If you find the same new Honda for less within 30 days, Norm Reeves will pay you the difference or any price reduction.

18500 STUDERAKER RD. CERRITOS, CA 90703 (877) 892-5294
NormReevesCerritos.com

Decision and Order

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of respondent named in the caption hereof, and respondent having been furnished thereafter with a copy of a draft complaint which the Western Region-Los Angeles proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act ("FTC Act"), the Consumer Leasing Act ("CLA"), and the Truth in Lending Act ("TILA"); and

Respondent, respondent's attorney, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order ("Consent Agreement"), which includes: a statement by Respondent that it neither admits nor denies any of the allegations in the draft complaint, except as specifically stated in the Consent Agreement, and, only for purposes of this action, admits the facts necessary to establish jurisdiction; 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 respondent has violated the FTC Act, the TILA, and the CLA, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent, Norm Reeves, Inc., is a California corporation with its principal office or place of business at 18500 Studebaker Road, Cerritos, California 90703.
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.

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ORDER**DEFINITIONS**

For the purposes of this order, the following definitions shall apply:

- A. Unless otherwise specified, “respondent” shall mean Norm Reeves, Inc., and its successors and assigns.
- B. “Advertisement” shall mean a commercial message in any medium that directly or indirectly promotes a consumer transaction.
- C. “Clearly and conspicuously” shall mean as follows:
 - 1. In a print advertisement, the disclosure shall be in a type size, location, and in print that contrasts with the background against which it appears, sufficient for an ordinary consumer to notice, read, and comprehend it.
 - 2. In an electronic medium, an audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. A video disclosure shall be of a size and shade and appear on the screen for a duration, and in a location, sufficient for an ordinary consumer to read and comprehend it.
 - 3. In a television or video advertisement, an audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. A video disclosure shall be of a size and shade, and appear on the screen for a duration, and in a location, sufficient for an ordinary consumer to read and comprehend it.
 - 4. In a radio advertisement, the disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it.

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5. In all advertisements, the disclosure shall be in understandable language and syntax. Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement or promotion.
- D. “Consumer credit” shall mean credit offered or extended to a consumer primarily for personal, family, or household purposes, as set forth in Section 226.2(a)(12) of Regulation Z, 12 C.F.R. § 226.2(a)(12), as amended.
- E. “Consumer lease” shall mean a contract in the form of a bailment or lease for the use of personal property by a natural person primarily for personal, family, or household purposes, for a period exceeding four months and for a total contractual obligation not exceeding the applicable threshold amount, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease, as set forth in Section 213.2 of Regulation M, 12 C.F.R. § 213.2, as amended.
- F. “Lease inception” shall mean prior to or at consummation of the lease or by delivery, if delivery occurs after consummation.
- G. “Material” shall mean likely to affect a person’s choice of, or conduct regarding, goods or services.
- H. “Motor vehicle” or “vehicle” shall mean:
1. Any self-propelled vehicle designed for transporting persons or property on a street, highway, or other road;
 2. Recreational boats and marine equipment;
 3. Motorcycles;
 4. Motor homes, recreational vehicle trailers, and slide-in campers; and

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5. Other vehicles that are titled and sold through dealers.

I.

IT IS HEREBY ORDERED that respondent and its officers, agents, representatives, and employees, directly or indirectly, in connection with any advertisement for the purchase, financing, or leasing of motor vehicles, shall not, in any manner, expressly or by implication:

- A. Misrepresent the cost of:
 1. Leasing a vehicle, including but not necessarily limited to, the total amount due at lease inception, the downpayment, amount down, acquisition fee, capitalized cost reduction, any other amount required to be paid at lease inception, and the amounts of all monthly or other periodic payments; or
 2. Purchasing a vehicle with financing, including but not necessarily limited to, the amount or percentage of the downpayment, the number of payments or period of repayment, the amount of any payment, the annual percentage rate or any other finance rate, and the repayment obligation over the full term of the loan, including any balloon payment; or
- B. Misrepresent any other material fact about the price, sale, financing, or leasing of any vehicle.

II.

IT IS FURTHER ORDERED that respondent and its officers, agents, representatives, and employees, directly or indirectly, in connection with any advertisement for the purchase or financing of motor vehicles, shall not in any manner, expressly or by implication, make any representation regarding an annual percentage rate or other interest rate, unless the representation clearly and conspicuously discloses any material limitation on

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obtaining the rate, including whether different rates apply based on the amount financed, and if so, the different rates that apply.

III.

IT IS FURTHER ORDERED that respondent and its officers, agents, representatives, and employees, directly or indirectly, in connection with any advertisement for any consumer lease, shall not, in any manner, expressly or by implication:

- A. State the amount of any payment or that any or no initial payment is required at lease inception without disclosing clearly and conspicuously the following terms:
 - 1. That the transaction advertised is a lease;
 - 2. The total amount due at lease signing or delivery;
 - 3. Whether or not a security deposit is required;
 - 4. The number, amounts, and timing of scheduled payments; and
 - 5. That an extra charge may be imposed at the end of the lease term in a lease in which the liability of the consumer at the end of the lease term is based on the anticipated residual value of the vehicle; or
- B. Fail to comply in any respect with Regulation M, 12 C.F.R. Part 213, as amended, and the Consumer Leasing Act, 15 U.S.C. §§ 1667-1667f, as amended.

IV.

IS FURTHER ORDERED that respondent and its officers, agents, representatives, and employees, directly or indirectly, in connection with any advertisement for any extension of consumer credit, shall not, in any manner, expressly or by implication:

- A. State the amount or percentage of any downpayment, the number of payments or period of repayment, the

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amount of any payment, or the amount of any finance charge, without disclosing clearly and conspicuously all of the following terms:

1. The amount or percentage of the downpayment;
 2. The terms of repayment; and
 3. The annual percentage rate, using the term “annual percentage rate” or the abbreviation “APR.” If the annual percentage rate may be increased after consummation of the credit transaction, that fact must also be disclosed; or
- B. State a rate of finance charge without stating the rate as an “annual percentage rate” or the abbreviation “APR,” using that term; or
- C. Fail to comply in any respect with Regulation Z, 12 C.F.R. Part 226, as amended, and the Truth in Lending Act, as amended, 15 U.S.C. §§ 1601-1667.

V.

IT IS FURTHER ORDERED that respondent shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

- A. All advertisements and promotional materials containing the representation;
- B. All materials that were relied upon in disseminating the representation;
- C. All evidence in its possession or control that contradicts, qualifies, or calls into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations; and

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- D. Any documents reasonably necessary to demonstrate full compliance with each provision of this order, including but not limited to all documents obtained, created, generated, or that in any way relate to the requirements, provisions, or terms of this order, and all reports submitted to the Commission pursuant to this order.

VI.

IT IS FURTHER ORDERED that respondent shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondent shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

VII.

IT IS FURTHER ORDERED that respondent shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. *Provided, however,* that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. Unless otherwise directed by a representative of the Commission in writing, all notices required by this Part shall be emailed to Debrief@ftc.gov or sent by overnight courier (not U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600

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Pennsylvania Avenue, NW, Washington, DC, 20580. The subject line must begin: FTC v. Norm Reeves, Inc.

VIII.

IT IS FURTHER ORDERED that respondent, within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of its own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, it shall submit additional true and accurate written reports.

IX.

This order will terminate on February 20, 2034, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. Any Part in this order that terminates in less than twenty (20) years;
- B. This order's application to any respondent that is not named as a defendant in such complaint;
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

Analysis to Aid Public Comment

ANALYSIS OF CONSENT ORDER TO AID PUBLIC COMMENT

The Federal Trade Commission (“FTC”) has accepted, subject to final approval, an agreement containing a consent order from Norm Reeves, Inc. The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the FTC will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement’s proposed order.

The respondent is a motor vehicle dealer. According to the FTC complaint, respondent has advertised cars for leasing, and has also advertised financing offers. In connection with its advertising of lease offers, the complaint alleges, the respondent has advertised that consumers can pay “\$0” up-front to lease a car, and has depicted several cars in its advertisements to which this offer applies, listing a specific monthly lease payment for each such car. The complaint alleges that, in fact, for a \$0 up-front payment, consumers cannot lease the cars shown in the advertisements for the advertised monthly payment amounts, and that instead, consumers must also pay a security deposit and/or significant fees, including but not limited to an acquisition fee. The complaint alleges that, therefore, the respondent’s representations are false or misleading in violation of Section 5 of the FTC Act. In addition, the complaint alleges a violation of the Consumer Leasing Act and Regulation M for failing to clearly and conspicuously disclose the costs and terms of certain leases offered, despite the respondent’s use of certain triggering terms in the advertisements.

The complaint further alleges, in connection with its advertising of financing offers, that the respondent has advertised that it offers 0% APR financing on all new cars. According to the complaint, the respondent’s advertisements have failed to disclose adequately that consumers who finance more than a certain amount -- *e.g.*, \$12,000 -- will be charged more than 0% APR. The complaint alleges that, therefore, the respondent’s representations are deceptive in violation of Section 5 of the FTC

Analysis to Aid Public Comment

Act. In addition, the complaint alleges a violation of the Truth in Lending Act and Regulation Z for failing to clearly and conspicuously disclose the amount or percentage of the downpayment, despite the respondent's use of certain triggering terms in the advertisements.

The proposed order is designed to prevent the respondent from engaging in similar deceptive practices and law violations in the future. Part I.A prohibits the respondent from misrepresenting the cost of: (1) leasing a vehicle, including but not limited to the total amount due at lease inception, the downpayment, amount down, acquisition fee, capitalized cost reduction, any other amount required to be paid at lease inception, and the amounts of all monthly or other periodic payments; or (2) purchasing a vehicle with financing, including but not necessarily limited to the amount or percentage of the downpayment, the number of payments or period of repayment, the amount of any payment, the annual percentage rate or any other finance rate, and the repayment obligation over the full term of the loan, including any balloon payment. Part I.B prohibits the respondent from misrepresenting any other material fact about the price, sale, financing, or leasing of any vehicle.

Part II of the proposed order prohibits the respondent from making any representation regarding an annual percentage rate or other interest rate, unless the representation clearly and conspicuously discloses any material limitation on obtaining the rate, including whether different rates apply based on the amount financed, and if so, the different rates that apply.

Part III of the proposed order addresses the CLA allegation. It requires that the respondent clearly and conspicuously make all of the disclosures required by CLA and Regulation M when any of its advertisements states relevant triggering terms. In addition, Part III prohibits any other violation of CLA and Regulation M.

Part IV of the proposed order addresses the TILA allegation. It requires that the respondent make all of the disclosures required by TILA and Regulation Z when any of its advertisements states relevant triggering terms. In addition, Part IV prohibits any other violation of TILA and Regulation Z.

Analysis to Aid Public Comment

Part V of the proposed order requires respondent to keep copies of relevant advertisements and materials substantiating claims made in the advertisements. Part VI requires that respondent provide copies of the order to certain of its personnel. Part VII requires notification to the Commission regarding changes in corporate structure that might affect compliance obligations under the order. Part VIII requires the respondent to file compliance reports with the Commission. Finally, Part IX is a provision “sunsetting” the order after twenty (20) years, with certain exceptions.

The purpose of this analysis is to aid public comment on the proposed order. It is not intended to constitute an official interpretation of the complaint or proposed order, or to modify in any way the proposed order’s terms.

Complaint

IN THE MATTER OF

**NEW WORLD AUTO IMPORTS, INC.
D/B/A SOUTHWEST KIA;
NEW WORLD AUTO IMPORTS OF ROCKWALL,
INC.
D/B/A SOUTHWEST KIA AND SOUTHWEST KIA
OF ROCKWALL;
AND
HAMPTON TWO AUTO CORPORATION
D/B/A SOUTHWEST KIA, SOUTHWEST KIA-NW,
AND SOUTHWEST KIA MESQUITE**

CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT, THE TRUTH
IN LENDING ACT, THE CONSUMER LEASING ACT, REGULATION M,
AND REGULATION Z

*Docket No. C-4437; File No. 132 3165
Complaint, February 20, 2014 – Decision, February 20, 2014*

This consent order addresses New World Auto Imports, Inc. d/b/a Southwest Kia, New World Auto Imports of Rockwall, Inc. d/b/a Southwest Kia and Southwest Kia of Rockwall, and Hampton Two Auto Corporation d/b/a Southwest Kia, Southwest Kia-NW, and Southwest Kia Mesquite's advertisements for automobiles for sale; and failing to disclose clearly and conspicuously certain costs and terms when advertising leases and credit.] The complaint alleges that respondents have advertised that consumers can finance the purchase of vehicles for the advertised terms, including the advertised monthly payment amount however, the monthly payment increases dramatically at the end of the transaction, because consumers owe a balloon payment of many thousand dollars. The complaint further alleges that respondents have advertised that consumers can pay \$27 at lease inception to lease the advertised vehicles for the advertised monthly payment amount, but do not disclose that consumers must also pay fees, including but not limited to an acquisition fee, which is \$595, and the first month's payment, for a total of at least \$700 for each vehicle. The consent order requires that the respondents clearly and conspicuously make all of the disclosures required by the Truth in Lending Act and Regulation Z if they state the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge, and the disclosures required by the Consumer Leasing Act and Regulation M if they state relevant trigger terms, including the monthly lease payment or the amount of any payment or that any or no initial payment is required at lease inception. The order also