

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

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prohibits the respondents from misrepresenting any material fact about the price, sale, financing, or leasing of any vehicle.

Participants

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

For the *Respondents*: Shahab Salehoun, President, *pro se*.

COMPLAINT

The Federal Trade Commission, having reason to believe that New World Auto Imports, Inc., d/b/a Southwest Kia, a corporation, New World Auto Imports of Rockwall, Inc. d/b/a Southwest Kia and Southwest Kia of Rockwall, a corporation, and Hampton Two Auto Corporation, d/b/a Southwest Kia, Southwest Kia-NW, and Southwest Kia Mesquite, a corporation (“respondents”), have violated provisions of the Federal Trade Commission Act (“FTC Act”), the Truth in Lending Act (“TILA”), and its implementing Regulation Z, and the Consumer Leasing Act (“CLA”), and its implementing Regulation M, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent New World Auto Imports, Inc., d/b/a Southwest Kia (“New World Auto”) is a Texas corporation with its principal office or place of business at 39650 Lyndon B. Johnson Freeway, Dallas, TX 75237. New World Auto offers automobiles for sale or lease to consumers.

2. Respondent New World Auto Imports of Rockwall, Inc. d/b/a Southwest Kia and Southwest Kia of Rockwall (“New World Auto Rockwall”) is a Texas corporation with its principal office or place of business at 1790 East Interstate 30, Rockwall, TX 75087. New World Auto Rockwall offers automobiles for sale or lease to consumers.

3. Respondent Hampton Two Auto Corporation, d/b/a Southwest Kia, Southwest Kia-NW, and Southwest Kia Mesquite (“Hampton Two Auto”) is a Texas corporation with its principal

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office or place of business at 1919 Oates Drive, Mesquite, TX 75150. Hampton Two Auto offers automobiles for sale or lease to consumers.

4. The acts or practices of respondents 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.

5. Since at least April 2012, respondents have disseminated or caused to be disseminated advertisements to the public promoting the purchase and finance of automobiles. Since at least April 2013, respondents have disseminated or caused to be disseminated advertisements to the public promoting the leasing of automobiles.

6. Respondents have disseminated or caused to be disseminated advertisements to the public promoting credit sales and other 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.

7. Respondents have 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.

8. One example of the credit advertisements that New World Auto has disseminated or caused to be disseminated has been posted on the website YouTube.com. A video copy of the advertisement is attached as Exhibit A, and a screenshot capture of the video is attached as Exhibit B. The advertisement contains the following statements and depictions:

- a. A screen depicts a new Kia Soul, accompanied by prominent graphics representing:

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2012
KIA SOUL
\$209/ mo
\$0 DOWN

While these representations appear on screen, a voice over states, “\$0 down delivers a brand new Kia Soul for only \$209 a month” and “you can drive a brand new Kia Soul for \$0 down, and only \$209 a month.”

Also, for part of the time while these representations appear on screen, a statement consisting of small white text set against a multi-color background appears on the bottom center of the screen, stating:

**\$16450 MSRP, \$1050 discount, TT&L, due at
signing 4.95 APR, \$500 KMF origination support
WAC 36 month balloon financing, 12k miles/yr 20 cent per mile over limit**

After the above small text statement no longer appears on the screen, a person on the screen states, “you can drive a brand new Kia Soul for \$0 down and only \$209 a month.”

Based on the terms set forth in small text, consumers’ monthly payments will amount to a fraction of the total cost of the vehicle. Consumers thus will owe a final balloon payment of many thousands of dollars for this transaction.

9. One example of the credit advertisements that New World Auto Rockwall has disseminated or caused to be disseminated has been posted on the website YouTube.com. A video copy of the advertisement is attached as Exhibit C, and a screenshot capture

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of the video is attached as Exhibit D. The advertisement contains the following statements and depictions:

A screen depicts a new 2013 Kia Sorento, accompanied by prominent graphics representing:

**2013 KIA
SORENTO****\$239/**mo

While this representation appears on screen, a person on the screen states, “Drive a brand new 2013 Kia Sorento for only \$239 a month.”

Also, while this representation appears on screen, a statement consisting of small white text set against a multi-color background appears on the bottom of the screen. This statement is virtually illegible, but appears to refer, among other things, to financing of 36 months, a balloon payment of over \$13,000, and a downpayment of \$2439.

Based on the terms set forth in small text, consumers’ monthly payments will amount to a fraction of the total cost of the vehicle. Consumers thus will be obligated to pay a balloon payment of many thousands of dollars for this transaction.

10. Other examples of the credit advertisements that respondents have disseminated or caused to be disseminated have been posted on these companies’ websites at southwestkia.com (ads for New World Auto, New World Auto Rockwall and Hampton Two Auto); Southwestkia-rockwall.com (ads for New World Auto Rockwall); and Southwest Kia-Mesquite.com (ads for Southwest Kia-Mesquite). The screenshot of an ad at www.Southwestkia.com attached as Exhibits E-F depicts a new Kia Optima and new Kia Sorento.

Exhibit E-1 depicts the landing page at www.Southwestkia.com, showing the Kia Optima with the following prominent offer.

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Exhibit E-2 depicts the landing page at www.Southwestkia.com, showing the Kia Sorento with the following prominent offer.

2013 KIA OPTIMA \$27 DOWN & \$189 MONTH*

2013 KIA SORENTO \$27 DOWN & \$239 Mo*

Beneath the offers are blurred, miniscule fine print statements that are illegible. Links to additional information appear in small print at the bottom of the offers.

Exhibit F depicts the page that is shown when consumers click on the above links. The page shows the same vehicles and prominent offers:

2013 KIA OPTIMA \$27 DOWN & \$189 MONTH*

2013 KIA SORENTO \$27 DOWN & \$239 Mo*

At the bottom of this screen are two fine print statements, one for the Optima and another for the Sorento:

a. Optima fine print statement:

38 Month KMP retail balloon @ 189.00 per month w
\$27 down . . .
Balloon payment of \$11,744.20 (52%). \$289 Payment
based on .70% APR
With KMF balloon program . . .

b. Sorento fine print statement:

38 Month KMF retail balloon @ 239.00 per month w
\$27.00 down. . .
Balloon payment of \$12,187.50 (50%). \$239 Payment
based on 1.8% APR
with KMF balloon program.. .

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Based on the terms set forth in fine print, consumers' monthly payments will amount to a fraction of the total cost of the vehicles. Consumers thus will be obligated to pay a balloon payment of many thousands of dollars for these transactions.

11. Examples of the lease advertisements that respondents have disseminated or caused to be disseminated have been posted on these companies' websites at Southwest Kia.com (ads for New World Auto, New World Auto Rockwall and Hampton Two Auto); Southwest Kia-Rockwall.com (ads for New World Auto Rockwall); and Southwest Kia-Mesquite.com (ads for Southwest Kia-Mesquite). The screenshot of an ad at www.Southwestkia.com attached as Exhibits G-H depicts a new Kia Soul, Kia Optima, and Kia Sorento.

Exhibit G depicts the landing page at www.Southwestkia.com, with the Kia Soul, Kia Optima, and Kia Sorento, with the following prominent offers:

DRIVE HOME TODAY IN A NEW KIA FOR ONLY \$27 DOWN &

\$169_{MO*}	\$189_{MO*}	\$239_{MO*}
2013 SOUL	2013 OPTIMA	2013 SORENTO

Beneath the Sorento is a minuscule fine print statement that states:

*38 month KMF Lease. Please see dealer for full details.

No further information regarding the lease offer is available on this webpage, or by clicking on this webpage.

A drop-down menu at the top of the landing page is entitled, "Specials." If consumers open this drop-down menu, and if they then click on "Specials, New Vehicles," they are led to a page that again shows the Kia Soul, Kia Optima, and Kia Sorento. Exhibit H depicts the new Kia Soul, Kia Optima, and Kia Sorento, with the following prominent offers:

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New Kia Specials in Dallas, Mesquite, and Rockwall, TX

DRIVE HOME TODAY IN A NEW KIA FOR ONLY \$27 DOWN &

\$169_{MO*}
2014 SOUL

\$189_{MO*}
2013 OPTIMA

\$239_{MO*}
2013 SORENTO

At the bottom of this page, the following statement appears in miniscule fine print:

2013 Kia Optima . . . 36 Month KMF lease @ \$189 a month with \$27 down. . . Payment is based on \$27 + first payment down. Payment excludes TTL and \$595 acquisition fee . . .

2013 Kia Sorento . . . 36 Month KMF lease @ \$239 a month with \$27 down . . . Payment is based on \$27 + first first payment down. Payment excludes TTL and \$595 acquisition fee .. .

2013 Kia Soul . . . 36 Month KMF lease @ \$169 a month with \$27 down . . . Payment is based on \$27 + first Payment down. Payment excludes TTL and \$595 acquisition fee . . .

Thus, consumers will have to pay hundreds of dollars at lease signing.

FEDERAL TRADE COMMISSION ACT VIOLATIONS**Count I****Misrepresentation Regarding Monthly Payment Amount**

12. Through the means described in Paragraphs 8 – 10, respondents have represented, expressly or by implication, that consumers can finance the purchase of vehicles for the prominently advertised terms, including the advertised monthly payment amount.

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13. In truth and in fact, consumers cannot finance the purchase of vehicles for the prominently advertised terms, including the advertised monthly payment amount. The consumers' monthly payments for the vehicles increase dramatically at the end of the transaction, because they owe a balloon payment of many thousand dollars. Therefore, respondents' representations as alleged in Paragraph 12 were, and are, false and misleading.

14. Respondents' 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**Misrepresentation of Amount Due at Lease Inception**

15. Through the means described in Paragraph 11, respondents have represented, expressly or by implication, that consumers can pay \$27 at lease inception to lease the advertised vehicles for the advertised monthly payment amount.

16. In truth and in fact, consumers cannot pay \$27 at lease inception to lease the advertised vehicles for the advertised monthly payment amount. 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. Therefore, the representation set forth in Paragraph 15 was, and is, false and misleading.

17. Respondents' 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).

**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").

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19. Respondents' advertisements promoting closed-end credit, including but not necessarily limited to those described in Paragraphs 8 - 10, are subject to the requirements of the TILA and Regulation Z.

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

20. Respondents' advertisements promoting closed-end credit, including, but not limited to, those described in Paragraphs 8 - 10, have included TILA triggering terms, but have failed to disclose, and/or failed to 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, which reflect the repayment obligations over the full term of the loan, including any balloon payment.
- 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.

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

22. 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.

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23. Respondents' advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 11, are subject to the requirements of the CLA and Regulation M.

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

24. Respondents' advertisements promoting consumer leases, including but not necessarily limited to those described in Paragraph 11, 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.
- 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.

25. Therefore, the practices set forth in Paragraph 24 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.

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

By the Commission.

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Exhibit A

Exhibit A

Southwest Kia Video Advertisement

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Exhibit B

Exhibit B – Southwest Kia Video Advertisement – Screen Shot



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Exhibit C

Exhibit C

Southwest Kia Video Advertisement

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Exhibit D

Exhibit D – Southwest Kia Video Advertisement – Screen Shot



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Exhibit E

Exhibit E-1 – Southwest Kia Website Advertisement – Landing Page (Optima)

The image shows a screenshot of the Southwest Kia website's landing page, specifically for the 2013 Kia Optima. The header features the Southwest Kia logo, a man pointing, and the phone number 1-877-3-NEW-KIA. Below the header is a navigation bar with links: HOME, NEW INVENTORY, PRE-OWNED INVENTORY, SPECIALS, FINANCE, PARTS & SERVICE, CONTACT US, and LOCATIONS. The main content area includes a 'SEARCH INVENTORY' sidebar with filters for PRICE RANGE, MAKE, MODEL, BODY TYPE, and MPG. The central banner displays the '2013 KIA OPTIMA' with a financing offer of '\$27 DOWN, \$189 MONTH' and a list of features. Below the banner, four car models are showcased: FORTE S-DOOR, FORTE KOUP, OPTIMA, and RIO, each with a 'VIEW INVENTORY' button. A red banner at the bottom contains links: SEARCH OUR INVENTORY, INCENTIVES & SPECIALS, GET APPROVED, and SCHEDULE SERVICE. The footer features a map of the Dallas, TX area with three locations marked: I-20 @ HAMPTON, MESQUITE, and ROCKWALL, with the text '3 CONVENIENT LOCATIONS' and 'Please select a location!'.

Southwest KIA
1-877-3-NEW-KIA

HOME NEW INVENTORY PRE-OWNED INVENTORY SPECIALS FINANCE PARTS & SERVICE CONTACT US LOCATIONS

SEARCH INVENTORY

- PRICE RANGE
- MAKE
- MODEL
- BODY TYPE
- MPG

2013 KIA OPTIMA
\$27 DOWN, \$189 MONTH

NEW KIA VEHICLES

- FORTE S-DOOR FROM \$19,670 [VIEW INVENTORY](#)
- FORTE KOUP FROM \$19,870 [VIEW INVENTORY](#)
- OPTIMA FROM \$22,390 [VIEW INVENTORY](#)
- RIO FROM \$16,065 [VIEW INVENTORY](#)

SEARCH OUR INVENTORY INCENTIVES & SPECIALS GET APPROVED SCHEDULE SERVICE

3 CONVENIENT LOCATIONS

I-20 @ HAMPTON MESQUITE ROCKWALL

Dallas, TX
Please select a location!

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Exhibit E-2 – Southwest Kia Website Advertisement – Landing Page (Sorento)

Southwest KIA
1-877-3-NEW-KIA

170 @ HAMPTON
39659 Lyndon B Johnson Fwy
Owens, TX 75237

MESQUITE
1819 Owens Dr
Mesquite, TX 75150

ROCKWALL
1780 East I-30
Rockwall, TX 75087

HOME NEW INVENTORY PRE-OWNED INVENTORY SPECIALS FINANCE PARTS & SERVICE CONTACT US LOCATIONS

SEARCH INVENTORY

- PRICE RANGE
- MAKE
- MODEL
- BODY TYPE
- MPG

2013 KIA SORENTO
LUXURY FOR LIFE

- > UVO services infotainment system w/voice-activated navigation*
- > Rear camera with backup warning system*
- > 8 Way power adjustable drivers seat w/lumbar support*
- > Panoramic Sunroof w/Power Shades*

\$27 DOWN, \$239/mo*

NEW KIA VEHICLES

- FORTE**
FROM \$16,725
[VIEW INVENTORY](#)
- FORTE S-DOOR**
FROM \$19,575
[VIEW INVENTORY](#)
- FORTE KOUP**
FROM \$19,670
[VIEW INVENTORY](#)
- OPTIMA**
FROM \$22,390
[VIEW INVENTORY](#)

SEARCH OUR INVENTORY INCENTIVES & SPECIALS GET APPROVED SCHEDULE SERVICE

Exhibit F

2013 KIA OPTIMA

SAVE YOUR DIME FOR ANOTHER TIME

\$27 DOWN & \$189 MONTH*

DISCOVER THE SOUTHWEST KIA ADVANTAGE

- > NON-Commissioned Sales Staff
- > KIA Presidents club award winner for the last 10 Years consecutively.
- > Female staff in Sales, Service, & Management
(Thank you clients for 14 years)



Search New Optimas >>

2013 Kia Optima Standard equipment:

- DHC 4-cyl with 200 HP
- Door exhaust with chrome tips & Chrome front grille
- A/C, Power Door Locks & Windows with Keyless entry system
- Power Trunked® SBV rings
- 6 way adjustable power driver's seat
- AM/FM/CD/MP3/iUSB/AUX Sirius XM audio system
- Steering Wheel mounted Audio controls
- Bluetooth wireless technology
- ABS, ESC, and TPMS
- 6 airbags including Full Length Side Curtain
- 10 yr./100,000 mile warranty

★★★★★
5 STAR RATING



Southwest KIAS 1000 Thanks!

*excludes tax, license, title, dealer fees

experience was terrific, once again the best experience I have had purchasing a vehicle, Mike was great timely also

FREE

NO Bureau Check!

Get Your Credit Score Estimate NOW!

It's easy, takes just a few minutes.

Kia Rent-A-Car will provide your free credit score estimate via text or email for your collecting point at making your deal by our process today! Get your score!

CREDIT SCORE ESTIMATOR

KIA RENT A CAR

it's FREE!!

WHAT'S YOUR CASH WORK?

FREE No Obligation Vehicle Appraisal.
GIVE US A CALL TODAY!

VALUING YOUR TRADE:
Click here... about cash

This service can help determine how much money we are able to trade-in!

2013 KIA SORENTO

LUXURY FOR LESS

\$27 DOWN & \$239 MC*

DISCOVER THE SOUTHWEST KIA ADVANTAGE

- > NON-Commissioned Sales Staff
- > KIA Presidents club award winner for the last 10 Years consecutively.
- > Female staff in Sales, Service, & Finance
(Thank you client for full time job)



Search New Sorentos >>

2013 Kia Sorento Standard equipment:

- 2.4L i4 DOHC with CVT
- S Best Automatic Transmission
- A/C, Power Locks & Windows with keyless entry system
- ABS, ESP, and TPMS
- 6 airbags including 1st & 2nd row side curtain
- AM/FM/CD/MP3/iUSB/AUX with Sirius XM
- Bluetooth Wireless Technology
- 10 yr./100,000 mile warranty

★★★★★
5 STAR RATING



Southwest KIAS 1000 Thanks!

*excludes tax, license, title, dealer fees

Another awesome experience at Southwest Kia! Star Service is so wonderful to work with. This is our 2nd drive Kia in 2 years and we love our Sorental Terry has handled our financing both times and he has been excellent. We appreciate how courteous and respectful everyone has been. We will be back!

Margaret Butler

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Exhibit G

Exhibit G – Southwest Kia Website Advertisement
Landing Page (Soul, Optima, and Sorento)

The advertisement features a red header with the Southwest KIA logo and a man pointing. Below the header, there are three location cards for I20 @, MESQUITE, and ROCKWALL. The main content area is divided into two sections. On the left, a 'SEARCH INVENTORY' sidebar lists filters: PRICE RANGE, MAKE, MODEL, BODY TYPE, and MPG. On the right, a 'DRIVE HOME TODAY IN A NEW KIA FOR ONLY \$27 DOWN.' promotion is displayed. This section shows three car models with their starting prices: \$169 for the 2013 Soul, \$189 for the 2013 Optima, and \$239 for the 2013 Sorento. Below the car images, there are two call-to-action boxes: 'INSTANT CREDIT SCORE' and 'FREE - No Obligation Vehicle Appraisal'.

Exhibit H

This advertisement is similar to Exhibit G but includes a 'New Kia Specials in Dallas, Mesquite, & Rockwall, TX' banner. The main content area is divided into two sections. On the left, a 'CONTACT US' sidebar lists filters: PRICE RANGE, MAKE, MODEL, BODY TYPE, and MPG. On the right, a 'DRIVE HOME TODAY IN A NEW KIA FOR ONLY \$27 DOWN.' promotion is displayed. This section shows three car models with their starting prices: \$169 for the 2013 Soul, \$189 for the 2013 Optima, and \$239 for the 2013 Sorento. Below the car images, there are two call-to-action boxes: 'INSTANT CREDIT SCORE' and 'FREE No Obligation Vehicle Appraisal'. At the bottom, there is a section titled 'Stop by today and see why Southwest KIA has over 10 years of proven Customer Satisfaction' with a 'PRESIDENTS CLUB 2011' badge and a '10 Year Elite Member 2002-2011' badge. A small 'FINANCING' section is also present on the right side of the bottom section.

Decision and Order

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of respondents named in the caption hereof, and respondents having been furnished thereafter with a copy of a draft complaint which the Bureau of Consumer Protection 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 (“FTC Act”), the Truth in Lending Act (“TILA”), and the Consumer Leasing Act (“CLA”); and

Respondents and counsel for the Commission having thereafter executed an agreement containing consent order (“consent agreement”), which includes: a statement by respondents that they neither admit nor deny any of the allegations in the draft complaint, except as specifically stated in the consent agreement, and, only for purposes of this action, admit 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 has reason to believe that respondents have 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 Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent New World Auto Imports, Inc., d/b/a Southwest Kia (“New World Auto Imports, Inc.”) is a Texas corporation with its principal office or place of business at 39650 Lyndon B. Johnson Freeway, Dallas, TX 75236.
2. Respondent New World Auto Imports of Rockwall, Inc., d/b/a Southwest Kia and Southwest Kia of Rockwall (“New World Auto Imports of Rockwall,

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Inc.”) is a Texas corporation with its principal office or place of business at 190 East Interstate 30, Rockwall, TX 750887.

3. Respondent Hampton Two Auto Corporation, d/b/a Southwest Kia, Southwest Kia-NW, and Southwest Kia Mesquite (“ Hampton Two Auto Corporation”) is a Texas corporation with its principal office or place of business at 1919 Oates Drive, Mesquite, TX 75150.
4. 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**DEFINITIONS**

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

- A. Unless otherwise specified, “respondents” shall mean New World Auto Imports, Inc., New World Auto Imports of Rockwall, Inc., and Hampton Two Auto Corporation, and their 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.

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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.
 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.

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

I.

IT IS HEREBY ORDERED that respondents and their 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. Purchasing a vehicle with financing, including but not necessarily limited to, the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, and the repayment obligation over the full term of the loan, including any balloon payment; or

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2. Leasing a vehicle, including but not necessarily limited to, the total amount due at lease inception, the down payment, 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
- B. Misrepresent any other material fact about the price, sale, financing, or leasing of any vehicle.

II.

IT IS FURTHER ORDERED that respondents and their 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 down payment, the number of payments or period of repayment, the 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 down payment;
 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.

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III.

IT IS FURTHER ORDERED that respondents and their 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.

IT IS FURTHER ORDERED that respondents 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;

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- 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
- 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.

V.

IT IS FURTHER ORDERED that respondents 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. Respondents 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.

VI.

IT IS FURTHER ORDERED that respondents shall notify the Commission at least thirty (30) days prior to any change in the entities 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 entity's name or address. *Provided, however*, that, with respect to any proposed change in the corporation about which respondents learn less than thirty (30) days prior to the date such action is to take place, respondents shall notify the

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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 Pennsylvania Avenue, NW, Washington, DC, 20580. The subject line must begin: FTC v. Southwest Kia.

VII.

IT IS FURTHER ORDERED that respondents, 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, they shall submit additional true and accurate written reports.

VIII.

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 respondents 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

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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 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 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. 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 respondents are motor vehicle dealers. According to the FTC complaint, respondents have advertised that consumers can finance the purchase of vehicles for the advertised terms, including the advertised monthly payment amount. The complaint alleges that, in fact, the monthly payment increases dramatically at the end of the transaction, because consumers owe a balloon payment of many thousand dollars. The complaint alleges, therefore, that respondents’ representations are false or misleading in violation of Section 5 of the FTC Act. The complaint also alleges that respondents have advertised that consumers can pay \$27 at lease inception to lease the advertised vehicles for the advertised monthly payment amount. The complaints alleges that, in fact, consumers must also pay fees,

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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 complaint alleges, therefore, that respondents' representations are false or misleading in violation of Section 5 of the FTC Act. In addition, the complaint alleges a violation of the Truth in Lending Act ("TILA") and Regulation Z for failing to disclose clearly and conspicuously certain costs and terms when advertising credit. The complaint also alleges a violation of the Consumer Leasing Act ("CLA") and Regulation M for failing to clearly and conspicuously disclose the costs and terms when advertising leases.

The proposed order is designed to prevent the respondents from engaging in similar deceptive practices in the future. Part I.A prohibits the respondents from misrepresenting the cost of: (1) 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, and the repayment obligation over the full term of the loan, including any balloon payment; or (2) 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. Part I.B prohibits the respondents from misrepresenting any other material fact about the price, sale, financing, or leasing of any vehicle.

Part II of the proposed order addresses the TILA allegation. It requires that the respondents clearly and conspicuously make all of the disclosures required by TILA 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. In addition, Part II prohibits the respondents from stating a rate of finance charge without stating the rate as an "annual percentage rate" or the abbreviation "APR," using that term. Part II also prohibits any other violation of TILA and Regulation Z.

Part III of the proposed order addresses the CLA allegation. It requires that the respondents clearly and conspicuously make all of the disclosures required by CLA and Regulation M if they state

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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.

Part IV of the proposed order requires respondents to keep copies of relevant advertisements and materials substantiating claims made in the advertisements. Part V requires that respondents provide copies of the order to certain of their personnel. Part VI requires notification to the Commission regarding changes in corporate structure that might affect compliance obligations under the order. Part VII requires the respondents to file compliance reports with the Commission. Finally, Part VIII 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

INFINITI OF CLARENDON HILLS, INC.CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT, THE
CONSUMER LEASING ACT AND REGULATION M*Docket No. C-4438; File No. 132 3188**Complaint, February 20, 2014 – Decision, February 20, 2014*

This consent order addresses Infiniti of Clarendon Hills, Inc.’s advertisements for motor vehicles for sale and lease and failure to disclose the costs and terms of certain leases offered, despite the respondent’s use of certain triggering terms in the advertisements. The complaint alleges that respondent has advertised that consumers can pay \$0 up-front to lease a car for a specific monthly payment amount, but the advertised payment amounts exclude substantial fees, including but not limited to the first month’s payment and an acquisition fee. The consent order requires that the respondent clearly and conspicuously make all of the disclosures required by the Consumer Leasing Act and Regulation M if it states relevant triggering terms, including the monthly lease payment. The order also prohibits the respondent from misrepresenting any material fact about the price, sale, financing, or leasing of any vehicle.

Participants

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

For the *Respondent*: Horst Korallus, President, *pro se*.

COMPLAINT

The Federal Trade Commission, having reason to believe that Infiniti of Clarendon Hills, Inc., a corporation (“respondent”), has violated provisions of the Federal Trade Commission Act (“FTC Act”), the Consumer Leasing Act (“CLA”), and its implementing Regulation M, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent is an Illinois corporation with its principal office or place of business at 415 East Ogden Avenue, Clarendon