CFPB Fines Titlemax Parent Company $9 Million for Luring Consumers Into More Costly Loans

Lender Also Illegally Exposed Borrowers’ Debt Information to Employers, Friends, and Family

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WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB) today took action against TitleMax parent company TMX Finance LLC for luring consumers into costly loan renewals by presenting them with misleading information about the deals’ terms and costs. The lender also used unfair debt collection tactics that illegally exposed information about debts to borrowers’ employers, friends, and family. The Bureau ordered TMX Finance to stop its unlawful practices and pay a $9 million penalty.

“TMX Finance lured consumers into more expensive loans with information that hid the true costs of the deal,” said CFPB Director Richard Cordray. "They then followed up with intrusive visits to homes and workplaces that put consumers’ personal information at risk. Today we are making it clear that these actions were unacceptable and illegal.”

TMX Finance, which is based in Savannah, Ga., is one of the country’s largest auto title lenders, with more than 1,300 storefronts in 18 states. TMX Finance offers title and personal loans through a host of state subsidiaries under the names TitleMax, TitleBucks, and InstaLoan. Single-payment auto title loans are usually due in 30 days, with some carrying an annual percentage rate of up to 300 percent. To qualify for the loan, a consumer must bring in a lien-free vehicle and its title as collateral.

The CFPB found that store employees, as part of their sales pitch for the 30-day loans, offered consumers a “monthly option” for making loan payments. They then offered consumers a “Voluntary Payback Guide” that showed how to repay the loan with smaller payments over a longer time period. But the guide and sales pitch did not explain the true cost of the loan if the consumer renewed it multiple times. TMX Finance employees also unlawfully exposed sensitive personal information during “field visits” to consumers’ homes, references, and places of employment in attempts to collect debt. Today’s order addresses a period from July 21, 2011 to the present. Specifically, the Bureau found that TMX Finance:

- **Presented consumers with misleading information about loan terms:** TMX Finance employees asked consumers how much they wanted to pay each month or how long they wanted to take to pay off the 30-day loan. The guide and sales pitch distracted consumers from the fact that repeatedly renewing the loan, as encouraged by TMX Finance employees, would dramatically increase the loan's cost. The guide does not calculate fees or the total cost to consumers of repeatedly renewing the loan instead of repaying it in 30 days. This makes it difficult, if not impossible, for a consumer to compare costs for renewing the loan over a given period,
- **Exposed information about consumers' debts to co-workers, neighbors, and family members**: Some TMX Finance employees revealed information about consumers' past-due debt while visiting consumers' homes, references, or places of employment. TMX Finance also made in-person debt collection attempts despite knowing that visitors were not permitted at the consumer's workplace. Such visits can damage consumers' reputations, interfere with their ability to do their jobs, and trigger disciplinary action or firing.

Enforcement Action

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions violating consumer financial laws, including engaging in unfair, deceptive, or abusive acts or practices. Under the order, TMX Finance is required to:

- **Stop abusive loan-repayment policies:** TMX Finance cannot use any payback guide or similar document and cannot misrepresent the terms, length, or cost of the loan. It also cannot encourage consumers to take longer to pay than the term of the original loan.
- **Stop intrusive visits to consumers' homes or workplaces:** TMX Finance cannot make in-person visits to the homes of consumers or their workplaces to collect payments. To make sure the company follows through, TMX Finance must submit a compliance plan for the Bureau's approval within 60 days of the order.
- **Pay a $9 million penalty:** TMX Finance will pay a penalty of $9 million to the CFPB's Civil Penalty Fund.

A copy of the CFPB's order against TMX Finance is at:
http://files.consumerfinance.gov/f/documents/092016_cfpb_TitleMaxConsentOrder.pdf

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