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CFPB Orders CarHop to Pay \$6.4 Million Penalty for Jeopardizing Consumers' Credit



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One of Nation's Biggest "Buy-Here, Pay-Here" Auto Dealers Provided Inaccurate Credit Information

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) is taking action against CarHop, one of the country's biggest "buy-here, pay-here" auto dealers, and its affiliated financing company, Universal Acceptance Corporation, for providing damaging, inaccurate consumer information to credit reporting companies. CarHop and its affiliate also failed to provide accurate, positive credit information that it promised consumers it would supply to the credit reporting companies. The CFPB's investigation found that the companies inaccurately reported information for more than 84,000 accounts on a widespread and systemic basis. The CFPB is ordering the companies to cease their illegal activities and pay a \$6,465,000 civil penalty.

"Many consumers went to CarHop because they needed transportation and wanted to build up a good record of paying their bills," said CFPB Director Richard Cordray. "But CarHop and Universal Acceptance Corporation thwarted those expectations by inaccurately furnishing negative credit information. The CFPB will not stand for companies whose sloppy actions jeopardize consumers' credit."

Minnesota-based CarHop, also known as Interstate Auto Group, is one of the largest buy-here, pay-here auto dealers in the nation. Buy-here, pay-here dealers sell cars and originate and service the auto loan. CarHop has approximately 50 retail locations in approximately 15 states. CarHop sells vehicles primarily to customers with nonexistent or poor credit histories in need of subprime or deep subprime credit. It markets itself as a way for these consumers to rebuild or build-up good credit by saying it will provide positive payment histories to the credit reporting companies. Consumers who buy from CarHop frequently do so because they suffer from poor credit scores and other financial challenges.

Universal Acceptance Corporation, on behalf of CarHop, furnishes consumer account information to all three major consumer reporting companies on a monthly basis. The CFPB found that the company reported information that it knew or had reasonable cause to believe was inaccurate. The company inaccurately furnished information for more than 84,000 accounts from about January 2009 until September 2013. With CarHop, consumers may not have even known about the damage to their credit profiles resulting from the erroneous reporting unless and until they checked their credit reports.

Almost all the information the companies inaccurately furnished to the credit reporting companies could potentially harm customers. The negative information could lower a consumer's credit score, hamper their ability to obtain other credit, and hurt their job prospects. The CFPB found that CarHop and Universal Acceptance Corporation

Photos and bios



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violated the Fair Credit Reporting Act and the Consumer Financial Protection Act. Specifically, the companies:

- Deceived consumers into believing they could build up good credit with CarHop:** As part of its marketing and sales practices, CarHop represented in writing to consumers that it reports “good credit” to the credit reporting companies. CarHop also emphasized to consumers its part in helping them build and maintain good credit. This appealed to consumers trying to build up their credit profiles with a history of on-time payments. But the company, through Universal Acceptance Corporation, failed to furnish certain positive information, including information that would support “good credit,” for tens of thousands of consumers.
- Provided inaccurate repossession information:** CarHop customers had the right to voluntarily return their vehicles within 72 hours of purchase for a full refund without any penalties or additional obligations. But for some customers who returned their vehicles under this policy, Universal Acceptance Corporation did not accurately report to the credit reporting companies what really happened. Instead, the company inaccurately reported on numerous occasions that the cars had been repossessed or that the consumer still owed money.
- Incorrectly reported previous customers as still owing money:** For consumers 72 hours past purchase, CarHop often resolved disputes by having the customer return the vehicle. It then issued documentation to the customer saying they no longer had any financial obligations and had settled their account. But for hundreds of customers, in the months or even years that followed after they returned their vehicles, Universal Acceptance Corporation inaccurately furnished, on a monthly basis, information that said that the customer still had an outstanding balance. Sometimes, the company inaccurately reported the amount past due in continuously increasing amounts.
- Failed to have reasonable written policies and procedures to ensure the accuracy of consumers’ credit information:** Universal Acceptance Corporation had no written policies and procedures regarding the accuracy and integrity of the consumer information it furnished until early August 2013. The policies it adopted that month were not reasonable or appropriate to the nature, size, complexity, and scope of the company’s activities.

Enforcement Action

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Under the terms of the CFPB orders released today, CarHop and Universal Acceptance Corporation must:

- Cease misrepresenting that they will report “good credit”:** The companies must not misrepresent to customers that they will report “good credit” or other positive information to the credit reporting companies.
- Correct credit reporting information:** If Universal Acceptance Corporation furnished information to a credit reporting company that it knew or had reasonable cause to believe was inaccurate, it must notify the credit reporting company of the inaccuracy. When it does so, it must either provide corrected information or request that the company delete the wrong information from the consumer’s file if accurate information is not available.
- Provide credit reports to harmed consumers:** CarHop and Universal Acceptance Corporation must, for consumers who had incorrect information furnished about their accounts, arrange for consumers to obtain free credit

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reports from the credit reporting companies that received the inaccurate information.

- **Implement an audit program to ensure laws are followed:** CarHop and Universal Acceptance Corporation must implement a process for auditing information that Universal Acceptance Corporation furnishes to the credit reporting companies on a monthly basis. This process must include monitoring and evaluating the disputes the companies receive. The audit is designed to ensure the integrity and accuracy of the information.
- **Pay a \$6,465,000 civil penalty:** CarHop and Universal Acceptance Corporation will pay a \$6,465,000 penalty to the CFPB's Civil Penalty Fund.

The consent order can be found at:

http://files.consumerfinance.gov/f/201512_cfpb_carhop-consent-order.pdf 

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.



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