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JUN 17 2015



CFPB Takes Action Against Servicemember Auto Lender for Aggressive Debt Collection Tactics

Auto Loan Company Misled Servicemembers About Consequences of Nonpayment

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) sued an auto loan company, Security National Automotive Acceptance Company, for aggressive debt collection tactics against servicemembers. In a complaint filed in federal court, the CFPB alleges that the company used a combination of illegal threats and deceptive claims in order to collect debts. The CFPB is seeking compensation for harmed consumers, a civil penalty, and an order prohibiting the company from committing future violations.

“Security National Automotive Acceptance Company took advantage of military rules to put enormous pressures on servicemembers to pay their debts,” said CFPB Director Richard Cordray. “For all the security they provide us, servicemembers should not have their financial and career security threatened by false information from an auto loan company.”

Security National Automotive Acceptance Company, LLC (SNAAC) is an Ohio-based auto finance company that operates in more than two dozen states and specializes in lending to servicemembers. It lends money primarily to active-duty and former military to buy used motor vehicles.

The CFPB alleges that the company violated the Dodd-Frank Wall Street Reform and Consumer Protection Act’s prohibitions against unfair, deceptive, and abusive acts and practices by using aggressive collection tactics that took advantage of servicemembers’ special obligations to remain current on debts. Both active-duty and former servicemembers could encounter trouble with the company if they missed or were late on payments. Once consumers defaulted, they became subject to repeated threats to contact their chain of command. In many other instances, the company exaggerated the consequences of not paying. Thousands of people were victims of the company’s aggressive tactics. Specifically, the CFPB alleges that the company has:

- **Exaggerated potential disciplinary action that servicemembers would face:** The CFPB believes that the company routinely exaggerated the potential impacts on servicemembers’ careers of remaining delinquent. The company told customers that their failure to pay could result in action under the Uniform Code of Military Justice, as well as a number of other adverse career consequences, including demotion, loss of promotion, discharge, denial of re-enlistment, loss of security clearance, or reassignment. In fact, these consequences were extremely unlikely.
- **Contacted and threatened to contact commanding officers to pressure servicemembers into repayment:** The company buried a provision within the

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fine print of contracts saying that it could contact commanding officers about servicemembers' debts. The company would repeatedly contact commanding officers to disclose the debts in an effort to force payment, and suggest that the servicemembers were in violation of military law and other regulations. The CFPB alleges that many consumers were unaware of the provision, and those who were aware of it did not understand the pressure that would be brought to bear on them because of it. The company's tactics, the CFPB alleges, therefore took advantage of the servicemembers' inability to protect their interests in their transactions with the company and was unfair.

- **Falsely threatened to garnish servicemembers' wages:** The company implied to consumers that it could immediately commence an involuntary allotment or wage garnishment. But such consequences could not or would not occur because, through the military pay system, involuntary allotments are only processed once a judgment by a court is obtained. The company would threaten to pursue an involuntary allotment before they had even determined whether the servicemember would be sued.
- **Misled servicemembers about imminent legal action:** In many instances, the company threatened to take legal action against customers when, in fact, it had not determined whether to take such action. In fact, in numerous instances, the company did not intend to take such action at the time.

Through this lawsuit, the Bureau seeks to stop the alleged unlawful practices of the company. The Bureau has also requested that the court impose penalties on the company for its conduct and require that compensation be paid to consumers who have been harmed.

The Bureau's complaint is not a finding or ruling that the company has actually violated the law.

A copy of the complaint file today can be found at:

http://files.consumerfinance.gov/f/201506_cfpb_complaint-security-national-automotive-acceptance-company.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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