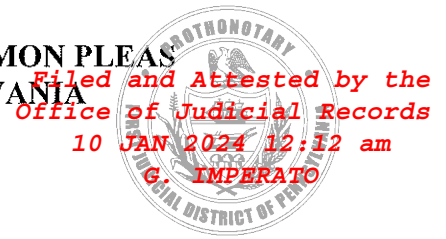


IN THE PHILADELPHIA COURT OF COMMON PLEAS  
FIRST JUDICIAL DISTRICT OF PENNSYLVANIA  
CIVIL TRIAL DIVISION



COMMONWEALTH OF PENNSYLVANIA,  
BY ATTORNEY GENERAL  
MICHELLE A. HENRY,

Petitioner,

v.

COMMUNITY LOANS OF AMERICA, INC.,

Respondent.

\_\_\_\_\_ Term, 2024

No. \_\_\_\_\_

**ASSURANCE OF VOLUNTARY COMPLIANCE**

AND NOW, comes the Commonwealth of Pennsylvania, acting by the Office of Attorney General Michelle A. Henry, through the Bureau of Consumer Protection (hereinafter “Commonwealth” or “Petitioner”), which caused an investigation to be made into the business practices of Community Loans of America, Inc., and all of its subsidiaries, affiliates, and assigns (hereinafter “Respondent” or “CLA”), pursuant to the provisions of the Pennsylvania Unfair Trade Practices and Consumer Protection Law, 73 P.S. § 201-1, *et seq.* (hereinafter “Consumer Protection Law”), and the Loan Interest and Protection Law (“LIPL”), 41 P.S. § 101, *et seq.*, and states the following:

**DEFINITIONS**

WHEREAS, for purposes of this Agreement, the following definitions shall apply:

A. “Document” or “documents” shall mean all physically or electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images, and other data or data compilations stored in any medium from which information can be obtained,

and shall include drafts, non-identical copies, and file folders and jackets in which documents are contained. “Non-identical copies” are reproductions of original documents which have notations, markings, comments, or other material not appearing in the original.

**B. “Effective Date”** of this Assurance of Voluntary Compliance shall be the day it is filed with the Court of Common Pleas of Philadelphia County, Pennsylvania.

**C. “Vehicle Title Loan”** shall mean a loan of money to a consumer secured by the title of a motor vehicle registered in Pennsylvania.

### **PARTIES**

**WHEREAS**, Petitioner is the Commonwealth of Pennsylvania by the Office of Attorney General, with offices located at 15<sup>th</sup> Floor, Strawberry Square, Harrisburg, PA 17120.

**WHEREAS**, Respondent is a for-profit Georgia corporation that maintains a principal place of business located at 8601 Dunwoody Place, Suite 406, Atlanta, Georgia 30350.

### **BACKGROUND**

**WHEREAS**, Petitioner contends that Respondent has engaged in trade and commerce within Pennsylvania by offering, servicing, and providing Vehicle Title Loans to consumers while using consumers’ Pennsylvania-registered vehicles as collateral, collecting on these loans, and repossessing and selling consumers’ collateral vehicles.

**WHEREAS**, Under Section 201 of the Loan Interest and Protection Law (“LIPL”), 41 P.S. § 201, the maximum lawful rate of interest for the loan and use of money in amounts less than \$50,000.00 is six percent per year.

**WHEREAS**, the six-percent interest cap applies to all consumer lenders except those lenders who are licensed under the Consumer Discount Company Act (“CDCA”), 7 P.S. §§ 6201-6219, and who make loans in accordance with the limitations and requirements of that

statute. See *Pa. Dept. of Banking v. NCAS of Delaware, LLC*, 948 A.2d 752 (Pa. 2008). This cap applies to all credit-related charges, however labeled, and applies to credit lines as well as fixed-amount loans. *Id.*

**WHEREAS**, the Pennsylvania Supreme Court has established that “the effect of these two statutes [CDCA and LIPL] is that if a lender is licensed by the Department [of Banking] in accord with the CDCA, it can charge between 6–24% on loans under \$25,000. If it is not licensed, it is bound by the 6% cap imposed by the LIPL.” *Cash Am. Net of Nevada, LLC v. Com., Dep’t of Banking*, 607 Pa. 432, 437–38, 8 A.3d 282, 285–86 (2010).

**WHEREAS**, based upon its investigation, the Commonwealth believes the Respondent has engaged in conduct which violates the Consumer Protection Law as more fully set forth below:

1. Since July 1, 2016, Respondent solicited, negotiated, and executed thousands of Vehicle Title Loans to Pennsylvania residents for amounts below \$25,000 and interest rates above 6% without maintaining proper licensure with the Pennsylvania Department of Banking as required by the CDCA.

2. Respondent enticed consumers from within the Commonwealth via online advertising to purchase Vehicle Title Loans which are not permissible in the Commonwealth without proper licensure.

3. Respondent issued Vehicle Title Loans with amounts below \$50,000 and interest rates above 100%, greatly exceeding the maximum limit of 6% per annum in place for loans at \$50,000 or lower as set forth by LIPL, 41 P.S. §§ 201-202.

4. Respondent charged interest rates equaling 426% per annum in some instances.

5. As collateral for the Vehicle Title Loans that Respondent issued, Respondent filed liens with the Pennsylvania Department of Transportation on vehicles owned by Pennsylvania residents and titled in Pennsylvania.

6. Respondent knew or should have known that consumers who signed the documents for Respondent's Vehicle Title Loans were Pennsylvania consumers, as they were using Pennsylvania addresses and/or with vehicles title registered in Pennsylvania.

7. Respondent knew or should have known that consumers who signed the documents for Respondent's Vehicle Title Loans were Pennsylvania consumers, as they were solicited by third parties who used advertisements that incorrectly informed consumers they were physically located in Pennsylvania, then sold leads generated by those advertisements to Respondent.

8. Respondent caused a likelihood of confusion or misunderstanding by misrepresenting, explicitly or implicitly, that it was legal for Respondent to offer and provide Vehicle Title Loans to residents of Pennsylvania. In fact, these loans were void *ab initio*.

9. Respondent collected monies from Pennsylvanians who sent, directed, and/or authorized payments from Pennsylvania to the Respondent by check, money order, or credit card.

10. Respondent has repossessed vehicles in Pennsylvania when payments on the usurious Vehicle Title Loans had defaulted. Respondent has also charged repossession fees to Pennsylvania consumers on those same usurious Vehicle Title Loans.

11. Respondent used repossession agents located in Pennsylvania, which repossessed vehicles at consumers' Pennsylvania locations and then sold directly or auctioned at Pennsylvania auctions repossessed vehicles to Pennsylvania residents and/or vehicle dealers.

WHEREAS, Respondent denies all of Petitioner's allegations of unlawful conduct, including that it knowingly purchased leads from third parties that would result in loans to

Pennsylvania residents, and contends that until January 24, 2022, Respondent had a good faith and reasonable belief under then-existing law (in particular, the Commerce Clause of the U.S. Constitution) that the Vehicle Title Loans that Pennsylvania residents obtained from CLA in brick-and-mortar stores located in other states were governed by the laws of those other states, as more fully set forth below:

1. Respondent has never had any brick-and-mortar stores in Pennsylvania and did not intentionally direct advertising to residents inside of Pennsylvania.
2. Pennsylvania consumers who obtained Vehicle Title Loans from Respondent travelled to other states to obtain the Loans.
3. The Vehicle Title Loans were made, executed and repaid in states other than Pennsylvania and the parties contractually agreed that the laws of those other states would apply to their enforceability.
4. Respondent believed the Loans were wholly lawful under the consumer lending laws of the states to which Pennsylvania residents traveled to obtain them, and Respondent was properly licensed and regulated by the applicable governmental authorities in those states.
5. Prior to January 24, 2022, when the Third Circuit issued its opinion in *TitleMax of Del., Inc. v. Weissman*, 24 F.4th 230 (3d Cir. 2022), Respondent had a good faith and reasonable belief in the legality of the Vehicle Title Loans it issued to Pennsylvania residents. *See, e.g., TitleMax of Del., Inc. v. Weissman*, 505 F. Supp. 3d 353 (D. Del. 2020); *Midwest Title Loans, Inc. v. Mills*, 593 F.3d 660 (7th Cir. 2010). After February 10, 2022, Respondent ceased issuing new Vehicle Title Loans to Pennsylvania residents, and after January 2023, Respondent ceased all collections on Loans issued to Pennsylvania residents.

6. Respondent believes it has at all times acted in good faith, based upon its then-existing understanding of applicable law, and it fully cooperated with the administrative subpoena for the production of documents served by Petitioner in September 2021.

**WHEREAS**, the Commonwealth, through the Office of Attorney General, has the “standing to bring a civil action for injunctive relief and such other relief as may be appropriate to secure compliance” with LIPL. 41 P.S. § 506(a).

**WHEREAS**, Petitioner contends that Respondent violated the LIPL by charging, collecting or contracting for interest and fees in excess of 6% per annum without a license under the CDCA, or otherwise authorized by any other provision of law. 41 P.S. §§ 201-202.

**WHEREAS**, Petitioner contends that the aforesaid acts and practices constitute “unfair methods of competition” and/or “unfair or deceptive acts or practices,” as prohibited by Section 201-3 of the Consumer Protection Law, as defined by Section 201-2(4)(ii), (iii), (v), and (xxi) as follows:

1. Causing likelihood of confusion or of misunderstanding as to the source, sponsorship, approval or certification of goods or services, 73 P.S. § 201-2(4)(ii);
2. Causing likelihood of confusion or of misunderstanding as to affiliation, connection or association with, or certification by, another, 73 P.S. § 201-2(4)(iii);
3. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have or that a person has sponsorship, approval, status, affiliation or connection that he does not have, 73 P.S. § 201-2(4)(v); and
4. Engaging in any other fraudulent or deceptive conduct which creates a likelihood of confusion or of misunderstanding, 73 P.S. § 201-2(4)(xxi).

**WHEREAS**, Respondent agrees to refrain from engaging in the acts and practices alleged above and shall not violate the Consumer Protection Law or LIPL.

**WHEREAS**, this Assurance of Voluntary Compliance (“AVC”) is accepted by the Commonwealth pursuant to Section 201-5 of the Consumer Protection Law, in lieu of commencing statutory proceedings provided under Sections 201-4 of the Consumer Protection Law and shall not be considered an admission of a violation, 73 P.S. §§ 201-4 and 201-5; and

**WHEREAS**, under Section 201-5 of the Consumer Protection Law, this Assurance of Voluntary Compliance shall not be considered an admission of a violation for any purpose. 73 P.S. § 201-5.

### **SETTLEMENT TERMS**

**NOW THEREFORE**, solely in order to avoid the expense and burden of protracted litigation and without admitting any liability under the Consumer Protection Law, the LIPL or any other law or regulation, Respondent agrees for itself, its successors, assigns, agents, employees and all other persons acting on its behalf, directly or through any corporate or other business device to the following:

#### **I. Injunctive and Affirmative Relief**

A. Respondent shall comply with any and all provisions of the Consumer Protection Law and any amendments thereto; and, is permanently enjoined from any violation thereof.

B. Respondent is enjoined and prohibited from violating the LIPL.

C. Respondent shall continue to refrain from engaging, as principal, employee, agent or broker, in the business of negotiating or making loans or advances of money on credit, or soliciting, advertising, over radio, television, print, through the internet and or mails, or by any other means whatsoever, or arranging for such loans, or purchasing and taking assignment of those

loans, in amounts less than \$50,000, directly, or in association with any third party, to any Pennsylvania resident. This shall include any and all involvement in the making of any and all loans or advances of money on credit, including, but not limited to, Vehicle Title Loans. *See* 41 P.S. §§ 201-202, 506(a).

D. Respondent shall cancel and charge off all remaining balances and close all Vehicle Title Loans.

E. Respondent shall return any repossessed vehicles at no further charge. Respondent shall refund to consumers all repossession fees charged for repossessing a vehicle as collateral for a Vehicle Title Loan.

F. If Respondent intends to do business in the Commonwealth of Pennsylvania in the future, then Respondent shall provide notice, including a description of the nature of the business to be conducted, to the Commonwealth of Pennsylvania at the following address at least thirty (30) days prior to doing business:

Jonathan R. Burns  
Deputy Attorney General  
Office of Attorney General  
15<sup>th</sup> Floor, Strawberry Square  
Harrisburg, PA 17120  
Telephone: (717) 645-7269  
Email: [jburns@attorneygeneral.gov](mailto:jburns@attorneygeneral.gov)

G. Respondent shall continue to refrain from furnishing negative credit information to any consumer reporting agency. Respondent shall also within sixty (60) days of the Effective Date remove all credit information previously furnished to a consumer reporting agency, whether positive or negative, in regard to any loan where, at the time of loan origination, the borrower was a Pennsylvania resident or the collateral was a motor vehicle titled and registered in Pennsylvania.



H. Respondent shall preserve, for a period of at least two years following the Effective Date of this AVC, all Vehicle Title Loan records and documents, repossession/sale records and documents, payment records and documents, and collections records and documents, with respect to Vehicle Title Loans Respondent made, issued, or extended to Pennsylvania consumers under accounts established between July 1, 2016 and the Effective Date of this AVC.

I. Respondent shall not sell or refer any consumer debt to any debt collector or other third party related to Vehicle Title Loans. If Respondent has already sold or referred any consumer debt related to Vehicle Title Loans to any debt collector or other third party, Respondent shall call back or buy back such debt, and provide written proof that they have done so to the Commonwealth, at the address specified in paragraph (F) above, within sixty (60) days of the Effective Date.

J. Respondent shall within sixty (60) days of the Effective Date, provide the Commonwealth of Pennsylvania's Department Transportation with any and all documents or information necessary to have all liens associated with Vehicle Title Loans marked satisfied and released. For every Vehicle Title Loan, Respondent shall convey proper and rightful vehicle title to the owner(s) by either: (1) mailing the unencumbered vehicle title to the owner(s) or (2) paying PennDOT the required fees in order to send duplicate titles to the owner(s). Petitioner will assist Respondent in making contact with PennDOT and conveying the physical titles in the most efficient manner possible.

## **II. Monetary Relief**

A. Respondent is responsible for and shall pay to the Commonwealth a total payment of Two Million Two Hundred Ninety-Seven Thousand One Hundred Thirty-Six and 95/100 Dollars (\$2,297,136.95) (hereinafter "Required Payment"), which shall be allocated as follows:

1. **Restitution** to borrowers in the amount of Two Million Two Hundred Twenty-Two Thousand One Hundred Thirty-Six and 95/100 Dollars (\$2,222,136.95) for

interest charges paid to Respondent for Vehicle Title Loans that were originated at an interest rate in excess of 6%, and costs paid by consumers for repossessions or reinstatements on Vehicle Title Loans that were originated at an interest rate in excess of 6%;

2. **Civil Penalties** in the amount of Fifty Thousand Dollars (\$50,000) shall be distributed to the Commonwealth of Pennsylvania, Department of Treasury; and

3. **Costs of Investigation** in the amount of Twenty-Five Thousand Dollars (\$25,000) shall be distributed to the Commonwealth of Pennsylvania, Office of Attorney General, to reimburse the costs incurred in pursuing this enforcement action, and shall be deposited in an interest-bearing account from which both principal and interest shall be expended for future public protection and education purposes.

B. Respondent shall pay One Million Six Hundred Ninety-Seven Thousand One Hundred Thirty-Six and 95/100 Dollars (\$1,697,136.95) of this monetary relief on the Effective Date, and the remainder in two installments: \$300,000 within three months of the Effective Date, and \$300,000 within six months of the Effective Date.

C. Within 60 days of the Effective Date, Respondent will cancel all outstanding Pennsylvania loans, and cancel or reimburse all repossession fees. This debt cancellation and/or reimbursement provides a value to Pennsylvanians of Three Million Seven Hundred and Fifteen Thousand Seven Hundred and Fifty-Four and 38/100 Dollars (\$3,715,754.38). Respondent will provide the Commonwealth with an accounting of the debt cancellation, reimbursements and restitution within 60 days of the Effective Date.

D. The Commonwealth finds said amount of restitution and debt cancellation to be sufficient, fair and equitable under the Consumer Protection Laws and the LIPL given all of the circumstances recited in this AVC.

E. Respondent shall submit the Required Payments by wire transfer after receiving a completed W-9 Form and wire transfer instructions from the Commonwealth.

F. The Commonwealth shall use the funds paid by Respondent as restitution: (1) to distribute funds to borrowers as the Commonwealth directs, and (2) to pay for costs and expenses of any Settlement Administrator. After the Commonwealth or its Settlement Administrator has completed the distribution of restitution funds to borrowers, including making reasonable attempts to contact payees of uncashed checks and waiting a reasonable period of time not less than ninety (90) calendar days, all uncashed checks may be voided. Once such uncashed checks have been voided, any remaining funds in the restitution account (including any accrued interest) will be distributed to the Commonwealth to be deposited in an interest-bearing account from which both principal and interest shall be expended for public protection and education purposes.

G. The Commonwealth shall have sole discretion concerning the distribution of restitution funds which may include determining the borrowers to whom the Respondent made loans, collected payments, or repossessed vehicles, the nature and amount of such payment, and directing a Settlement Administrator to make payments to these borrowers.

H. After Respondent has made the Required Payments, Respondent shall no longer have any property right, title, interest, or other legal claim in any funds held in escrow.

I. Any payments to borrowers under Paragraph A(1), and all balance cancellations under Paragraph C, are being made in settlement of the Commonwealth's allegations, which Respondent denies, that Pennsylvania consumers were harmed by Respondent.

### **III. Miscellaneous Terms**

A. The Philadelphia Court of Common Pleas shall maintain jurisdiction over the subject matter of this AVC and over the Respondent for purpose of enforcement of the terms of this AVC.

B. Time shall be of the essence with regards to Respondent's obligations hereunder.

C. Any failure of the Commonwealth to exercise any of its rights under this AVC shall not constitute a waiver of its rights hereunder.

D. Robert Reich, as Chief Executive Officer of Community Loans of America, Inc., hereby states that he is authorized to enter into and execute this AVC on behalf of Community Loans of America, Inc.

E. Respondent is and has been represented by legal counsel and has been advised by their legal counsel of the meaning and effect of this AVC.

F. Respondent shall not, directly or indirectly, form a separate entity or corporation for the purpose of engaging in acts prohibited by this AVC or for the purpose of circumventing this AVC.

G. Respondent further agrees to execute and deliver all authorizations, documents and instruments which are necessary to carry out the terms and conditions of this AVC, whether required prior to, contemporaneous with or subsequent to the Effective Date, as defined herein.

H. Nothing contained in this AVC shall be construed to waive or limit any individual right of action by any consumer, person or entity, or by any local, state, federal or other governmental entity, except that Respondent may argue, to the extent permitted by law, that amounts otherwise recoverable in such actions should be set off by amounts remitted or tendered to borrowers by Petitioner in connection with this AVC. This AVC and the accounting of

distributions provided under the next sentence of this Section shall be conclusive proof of the amounts paid or tendered to borrowers by Petitioner. Upon a written request of the Respondent and after the settlement administration is complete, the Commonwealth shall furnish Respondent with a list of the consumers to whom restitution payments were made and the amounts of such payments.

I. Nothing in this AVC shall be construed to prevent Respondent from raising any defense against any Pennsylvania consumer, including but not limited to set-off and any defenses available.

J. Respondent agrees by the signing of this AVC that Respondent shall abide by each of the aforementioned provisions and that the breach of any one of these terms shall be sufficient warrant for the Commonwealth of Pennsylvania to seek penalties provided for under Section 201-8(a) of the Consumer Protection Law, 73 P.S. § 201-8(a), and to seek any other equitable relief which the Court deems necessary or proper, up to and including forfeiture of the right to engage in trade or commerce within the Commonwealth of Pennsylvania; provided, however, that Petitioner shall give Respondent advance written notice of any alleged breach and a reasonable opportunity (not less than 30 days) to cure said alleged breach or otherwise resolve the matter with Petitioner before Petitioner seeks any penalties or equitable relief in court.

K. This AVC may be executed in any number of counterparts and by different signatories on separate counterparts, each of which shall constitute an original counterpart hereof and all of which together shall constitute one and the same document. One or more counterparts of this AVC may be delivered by facsimile or electronic transmission with the intent that it or they shall constitute an original counterpart hereof.

L. Respondent understands and agrees that if it has made any false statement in or related to this AVC, that such statement is made pursuant to and under penalty of 18 Pa.C.S. § 4904 relating to unsworn falsifications to authorities.

M. This AVC sets forth all of the promises, covenants, agreements, conditions and understandings between the parties, and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied. There are no representations, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this AVC that are not fully expressed herein or attached hereto. Each party specifically warrants that this AVC is executed without reliance upon any statement or representation by any other party hereto, except as expressly stated herein.

N. If any clause, provision or section of this AVC shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this AVC and this AVC shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not be contained herein.

O. Neither Petitioner nor Respondent shall be considered the drafter of this AVC or any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this AVC.

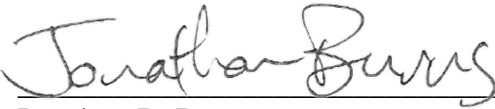
**WHEREFORE**, intending to be legally bound, the parties have hereto set their hands and seals.

**SIGNATURES ON SEPARATE PAGES**

**For the Petitioner:**  
COMMONWEALTH OF PENNSYLVANIA

Michelle A. Henry  
*Attorney General*

Date: 1/10/24

By: 

Jonathan R. Burns  
Deputy Attorney General  
Office of Attorney General  
15th Floor, Strawberry Square  
Harrisburg, PA 17120  
Telephone: (717) 645-7269  
Email: jburns@attorneygeneral.gov

Date: 1/10/24

By: /s/ Nicholas F. B. Smyth

Nicholas F. B. Smyth  
*Senior Deputy Attorney General*  
PA Attorney I.D. 307972  
1600 Arch Street, 3<sup>rd</sup> Floor  
Philadelphia, PA 19103  
Telephone: (412) 880-0475  
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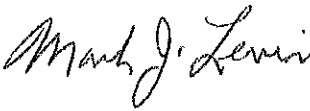
**For the Respondent Corp.:**  
COMMUNITY LOANS OF AMERICA, INC.

January 4, 2024  
Date: \_\_\_\_\_

By:   
\_\_\_\_\_

Robert Reich  
Chief Executive Officer  
8601 Dunwoody Place, Suite 406  
Atlanta, GA 30350

January 4, 2024  
Date: \_\_\_\_\_

By:   
\_\_\_\_\_

Mark J. Levin  
Ballard Spahr LLP  
1735 Market Street  
51<sup>st</sup> Floor  
Philadelphia, PA 19103  
*Counsel for Respondent*



RESOLUTION

RESOLUTION OF THE BOARD OF DIRECTORS  
OF COMMUNITY LOANS OF AMERICA, INC.

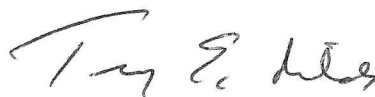
The Board of Directors of COMMUNITY LOANS OF AMERICA, INC. met on the Second day of January, 2024, and approved the following resolution.

RESOLVED, that Robert Reich is hereby authorized and empowered on behalf of COMMUNITY LOANS OF AMERICA, INC. to enter into an Assurance of Voluntary Compliance with the Commonwealth of Pennsylvania, Office of Attorney General, upon the terms and conditions contained in the proposed Assurance of Voluntary Compliance attached hereto and made a part hereof.

Filed with and attested to by the Directors of the Corporation, this Second day of January, 2024.



Director



Director

[SEAL]