

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

**COMMISSIONERS:**      **Edith Ramirez, Chairwoman**  
                                  **Julie Brill**  
                                  **Maureen K. Ohlhausen**  
                                  **Joshua D. Wright**

**In the Matter of**

**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.**

**DOCKET NO. C-4437**

**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 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:

**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 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. 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..

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**<sub>MO\*</sub>  
2013 SOUL

**\$189**<sub>MO\*</sub>  
2013 OPTIMA

**\$239**<sub>MO\*</sub>  
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:

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

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

**\$169**<sub>MO\*</sub>  
2014 SOUL

**\$189**<sub>MO\*</sub>  
2013 OPTIMA

**\$239**<sub>MO\*</sub>  
2013 SORENTO

At the bottom of this page, the following statement appears in minuscule 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.
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”).
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.
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.

Donald S. Clark  
Secretary