

IN THE MATTER OF
CAPAX, INC., ET AL.

Docket 9058. Interlocutory Order, Oct. 20, 1976

Order denying motion by all respondents except one individual that the administrative law judge be disqualified from presiding in this proceeding.

Appearances

For the Commission: *Carthon E. Aldhizer, John F. LeFevre, and Alan D. Reffkin.*

For the respondents: *Robert F. Stockton, Segal & Stockton, Philadelphia, Penn., for Capax, Inc., Joseph V. Defelice and Arnold Goodman. Barbara Van Horn Colsey, Delanco, New Jersey, for Norman Bricker.*

ORDER DENYING MOTION TO DISQUALIFY ADMINISTRATIVE
LAW JUDGE

Administrative Law Judge Paul R. Teetor has certified a motion filed by all respondents other than Norman Bricker requesting that the ALJ be disqualified from presiding in this proceeding. The moving respondents assert that two letters to the ALJ written by complaint counsel were *ex parte* communications and had "the capacity to prejudice" the ALJ against respondents or their attorneys.¹

We agree with the ALJ's decision not to disqualify himself. The letters did not constitute *ex parte* communications since copies were forwarded to respondents' counsel. Nor has there been a showing that the law judge's ability to conduct a fair hearing has in any way been prejudiced. Accordingly,

It is ordered, That the aforesaid motion be, and it hereby is, denied. Commissioner Dole not participating by reason of absence.

¹ According to one letter, a prospective witness had informed complaint counsel that she intended to cancel her scheduled interview date because of threats made by a telephone caller who identified himself as a representative of respondent Capax. The other letter complained of a questionnaire mailed to a prospective witness.

Complaint

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IN THE MATTER OF
GUARDIAN LOAN COMPANY, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND TRUTH IN LENDING
ACTS

Docket C-2846. Complaint, Oct. 20, 1976 — Decision, Oct. 20, 1976

Consent order requiring a Roslyn Heights, N.Y., consumer finance company, among other things to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit such information as required by Regulation Z of the said Act. Further, respondent is required to cease misrepresenting the terms and conditions of insurance coverage requirements; to display insurance information in-house; to mail insurance disclosure letters together with cancellation forms to customers; to send customer-requested refunds within a specified time; and to maintain records.

Appearances

For the Commission: *Angelo M. Presti.*

For the respondent: *Walter C. Wallace, Stein, Mitchell & Mezines,*
Washington, D.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and the Truth in Lending Act and the regulation promulgated thereunder, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Guardian Loan Company, Inc., a corporation, hereinafter sometimes referred to as respondent, has violated the provisions of said Acts and implementing regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Guardian Loan Company, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 2 Lambert St., Roslyn Heights, New York.

Respondent Guardian Loan Company, Inc. operates through approximately thirty (30) wholly-owned subsidiary loan offices located in the States of New York, New Jersey, Pennsylvania, Delaware and Connecticut. Respondent Guardian Loan Company, Inc. formulates and controls the policies, acts and practices of each of the wholly-owned subsidiaries, including the acts and practices hereinafter set forth.

PAR. 2. Respondent, by and through its various wholly-owned

subsidiary corporations, is now, and for some time in the past has been, engaged in consumer financing and the granting of consumer loans to members of the public in the States of New York, New Jersey, Pennsylvania, Delaware and Connecticut.

PAR. 3. In the ordinary course and conduct of its business, as aforesaid, respondent regularly extends consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, respondent, in the ordinary course and conduct of its business, as aforesaid, has charged, and is now charging, a substantial number of consumers for credit life and credit disability insurance written in connection with consumer loans.

Typical and illustrative, but not all inclusive, of the circumstances in which such insurance charges are incurred by consumers are the following, which generally occur in the sequence set forth.

1. During the consumer's initial contact with respondent, either on the telephone or in person, respondent orally quotes a monthly repayment figure which includes charges for credit life and credit disability insurance.

2. Respondent automatically includes charges for credit life and credit disability insurance on the Disclosure Statement of Loan, and, unless the consumer specifically objects to the inclusion of the charges for such insurance, the coverage becomes part of the credit transaction.

3. On that portion of the Disclosure Statement of Loan which contains the statements "I desire Credit Life Insurance the cost of which is shown above () Yes () No," and "I desire Disability Insurance the cost of which is shown above () Yes () No," followed by a line for the consumer's signature, respondent, without the permission or authority of the consumer, checks the "Yes" boxes and then dates and places an "X" on the line for the borrower's signature.

4. The Disclosure Statement of Loan, filled out as indicated above, is presented to the consumer for two signatures, and the consumer is told by respondent's employees to sign next to the "X's" respondent's employees have made. The consumer is not told the purpose of each signature. These signatures are intended (1) to indicate the consumer's request for the insurance coverage, and (2) to acknowledge the consumer's receipt of the completed Disclosure Statement of Loan,

5. If a consumer is told the purpose of each signature mentioned in part 4 of Paragraph Four above, the consumer is not subsequently told whether or not credit life and credit disability insurance are optional.

6. Respondent places the charges for credit life and credit disability insurance in the Disclosure Statement of Loan, and these charges

become part of the "amount financed," but are not included in the amount of the "finance charge" which "finance charge" is used in the computation of the "annual percentage rate."

7. If a consumer becomes aware that he has a choice about obtaining credit life and/or credit disability insurance and specifically objects to or questions the inclusion of the charges for such insurance, respondent informs the customer that deletion of such charges will require it to have all the loan papers retyped as well as drawing a new check for the amount of the proceeds of the loan, and that this process of redoing the papers will result in delaying the completion of the loan, sometimes by as much as several days.

PAR. 5. By and through the acts and practices described in Paragraph Four, and others of similar import, meaning and consequence, but not specifically set forth herein, respondent, in a substantial number of instances, obtains consumers' signatures through practices which operate, directly or indirectly, to defeat the elective language of the insurance authorization disclosures by obscuring from consumers knowledge about the option, by misrepresenting to consumers that their signatures are necessary solely for the purpose of consummating the credit transaction, and by discouraging the declination of the coverage when it is questioned. These practices have the effect of preventing substantial numbers of consumers from exercising their own independent, voluntary choice whether to obtain credit life and/or credit disability insurance.

Therefore, respondent, in a substantial number of instances, induces its customers to incur charges for credit life and credit disability insurance without said customers making a knowing, affirmative election to have such insurance and, thereby, respondent has failed to obtain from each of its customers a "specific dated and separately signed affirmative written indication of [their] desire" to obtain such insurance, as required by Section 226.4(a)(5) of Regulation Z, despite the existence of language to the contrary in the Disclosure Statement of Loan.

PAR. 6. By and through the acts and practices described in Paragraphs Four and Five hereof, respondent has failed to include the charges for credit life and credit disability insurance in the "finance charge" when a specific dated and separately signed affirmative written indication of the consumer's desire for such insurance has not been obtained, as required by Section 226.4(a)(5) of Regulation Z, and thereby respondent:

1. Failed to compute and disclose accurately the "finance charge" as required by Sections 226.4 and 226.8 of Regulation Z; and
2. Failed to compute and disclose the "annual percentage rate"

accurately to the nearest quarter of one percent, as required by Sections 226.5 and 226.8 of Regulation Z.

PAR. 7. Subsequent to July 1, 1969, respondent, in the ordinary course and conduct of its business, as aforesaid, has furnished Disclosure Statement of Loan forms to its customers. By and through the use of said forms, respondent, in many instances, failed to use the term "amount financed" to describe the amount of credit extended as required by Section 226.8(d)(1) of Regulation Z.

PAR. 8. Pursuant to Section 103(q) of the Truth in Lending Act, respondent's aforesaid failures to comply with Sections 226.4, 226.5, and 226.8 of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondent has thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the New York Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Truth in Lending Act and the regulation promulgated thereunder and violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Guardian Loan Company, Inc. is a corporation organized, existing and doing business under and by virtue of the laws

of the State of New York, with its office and principal place of business located at 2 Lambert St., Roslyn Heights, New York.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

For purposes of this order, the following definitions of terms shall apply:

(a) "consumer loans in open status" refers to those consumer loans in which payments at least totaling the amount of one regular monthly payment have been made by the borrower in the last six months.

(b) "delinquent account" refers to those accounts which are more than 30 days past due for an amount which equals the amount of one regular monthly payment.

(c) "net cash advance" refers to the actual amount of cash that a borrower will receive after choosing one of the credit insurance options available, including that option which contains no credit insurance, in connection with his loan.

(d) "penetration rate" refers to the percentage of all loans eligible for credit insurance on which charges for such insurance are made.

(e) "refund method" refers to an accounting method to compute refunds of insurance premiums in connection with cancellation of insurance coverage which method makes use of both the Rule of 78 and a pro rata computation. As an example, the Rule of 78 would operate on a 12-month loan as follows: The numbers 1 through 12 added together provide the figure 78. This is the denominator. The sum of the months expired at the date of cancellation supplies the numerator. The first month of a 12-month loan is considered as 12 because the outstanding balance is 12 times as large during the first month as it is for the last month. The second month is 11, and so on, to 1. The portion of insurance premiums which must be refunded is, for cancellation during the first month, $78/78-12/78$ or $66/78$; second month $66/78-11/78$ or $55/78$; and so on down to the 12th month. The numerator for a 24-month contract is obtained by beginning with 24, instead of 12, as for a 12-month contract, or 36 in the case of a 36-month contract or any other number denoting the total number of months or periods in a particular contract. To the amount of any refund due in connection with any loan as determined by use of the Rule of 78 will be added an amount which is equal to 40 percent of the difference between said Rule of 78 amount and that amount which would be due if said refund were to be computed on a pro rata basis. Said pro rata amount refers to an amount which shall be at least as great a proportion of the total insurance premiums collected by

respondent in connection with any loan as the number of remaining monthly payments, scheduled to follow the installment date nearest the date of cancellation as explained below, bears to the total number of monthly payments scheduled by the loan contract. Any cancellation made on or before the fifteenth day following an installment date shall be deemed to have been made on the installment date immediately preceding the date of cancellation. Any cancellation made after the fifteenth day following an installment date shall be deemed to have been made on the installment date immediately following the date of cancellation. Any borrower making cancellation on or before the fifteenth day following consummation of the loan shall receive a refund or credit for the full amount of insurance premiums in connection with said loan. Cancellation for purposes of computing the amount of any refund or credit due shall be as of the date of receipt by respondent of the notice set forth in Attachment C of this order or as of the date of receipt by respondent of any other communication from the borrower under the terms of this order indicating his desire to cancel his insurance coverage.

(f) "time of closing" refers to that period of time during which loan documents are presented to the borrower for consummation of a loan transaction whereby the borrower becomes obligated to make payments to respondent to satisfy said loan.

I.

It is ordered, That respondent Guardian Loan Company, Inc., its successors and assigns, and its officers, and respondent's agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the granting of consumer loans subject to the provisions of Regulation Z (12 CFR §226.8) of the Truth in Lending Act (Pub. Law 90-321, 15 U.S.C. §1601, *et seq.*), do forthwith cease and desist from:

1. Failing, when the charges for credit life insurance and/or credit disability insurance are not included in the finance charge for consumer loans:

(a) To present to the borrower as the first document at the time of closing, which document shall be the first document to be completed by respondent and the first document to be signed by the borrower(s) at the time of said closing in respondent's loan offices, or to mail to the borrower, who is consummating his loan through the mail, at the same time as consummation papers are to be mailed, a separate, written, personal insurance authorization form which sets forth clearly and conspicuously:

(i) the borrower has received credit approval up to a specified amount;

(ii) the borrower's decision with regard to the insurance available through respondent is not considered in granting the credit;

(iii) the purchase of credit insurance is optional and is not required by Guardian Loan Company, Inc., in connection with the loan;

(iv) the amount of the total premium for credit life insurance and the amount of the total premium for credit disability insurance [which, if elected, will be deducted from the amount of the proceeds and added to the "amount financed"];

(v) the net cash advance options which would result from the borrower's election to take the loan, set forth in the following order from left to right across the document: (1) without either credit life insurance or credit disability insurance, (2) with credit life insurance only, (3) with credit disability insurance only, (4) with both credit life insurance and credit disability insurance, (5) with other available forms of credit insurance, if applicable, except that, in any State where credit property insurance is available alone as well as in multiple combinations or options with other forms of credit insurance, respondent, in addition to providing the required information for the above stated four options, need only provide the required information for one other option if the borrower has indicated an interest in such an option;

(vi) a signature and date line for each option set forth in (v) above for the borrower(s) to indicate his election;

(vii) the borrower authorizes respondent on behalf of the borrower to pay the insurance premiums to the insurance company for such personal insurance which has been chosen.

(b) To send to mail order loan borrowers, at the same time and along with the papers to consummate said loan, a separate written statement containing the notice, in no less than 12 point bold type and easily legible, which this order requires to be displayed at respondent's loan offices.

(c) To make the disclosures required by subparagraph (a) above on a separate document which contains no other printed or written material.

(d) To make disclosures required by subparagraphs (i), (ii) and (iii) above in not less than 12 point type. A form substantially in conformance with Attachment A herein will be considered as in compliance with the provisions of subparagraphs (a), (b) and (c) above. Respondent shall maintain the original statement for two years following its execution and provide the customer with an executed copy thereof.

2. Making any marks or otherwise instructing a borrower where to sign or date the separate personal insurance authorization form

required by subparagraph (a) above in advance of the borrower's free and independent choice for such insurance.

3. Misrepresenting, orally or otherwise, directly or by implication, that credit life and/or credit disability insurance are required as a condition of obtaining credit from respondent.

4. Discouraging, by misrepresentation, oral or otherwise, directly or by implication, the declination of credit life and/or credit disability insurance.

5. Representing, orally or otherwise, directly or indirectly, that the borrower's failure to elect credit insurance will result in a delay in processing his loan or in his receiving the proceeds.

6. Failing to compute and disclose accurately the finance charge, as required by Section 226.4(a)(5) and 226.8(d) of Regulation Z.

7. Failing to compute and disclose accurately the annual percentage rate to the nearest quarter of one percent as required by Section 226.5(b) and 226.8(b) of Regulation Z.

8. Failing to use the term "amount financed" to describe the amount of credit extended as required by Section 226.8(d)(1) of Regulation Z.

9. Failing, in any consumer loan transaction or advertisement, to make all disclosures, in accordance with Section 226.4 and 226.5 of Regulation Z, in the manner, form and amount required by Section 226.6, 226.8, 226.9 and 226.10 of Regulation Z.

II.

It is further ordered, That respondent display at each booth, or at or near each desk or other location where loans are consummated, in such a manner and in such dimensions so as to be easily viewed and read by the borrower from his seated or other normal position in such booth or at such desk or other location, and which shall not be in close proximity to any other written or display material, the following notice:

NOTICE TO BORROWERS

THE PURCHASE OF CREDIT INSURANCE IS OPTIONAL AND IS NOT REQUIRED BY THIS COMPANY IN CONNECTION WITH YOUR LOAN. YOUR DECISION WITH REGARD TO THE INSURANCE AVAILABLE IS NOT CONSIDERED BY THIS COMPANY IN THE GRANTING OR DENYING OF CREDIT TO YOU.

III.

It is further ordered, That respondent maintain records on a State-by-State basis (covering each State in which they do business) of the penetration rate of (a) credit life insurance for loans; and (b) credit disability insurance for loans. Such records shall be maintained on a

yearly basis and submitted to the Commission each year for a period of five years, and thereafter from time to time as the Commission may request.

IV.

It is further ordered, That respondent, in reporting penetration rates, state the total number and dollar amount of loans entered into each year which were eligible for credit insurance, stated separately for credit life insurance and credit disability insurance.

V.

It is further ordered, That within forty-five (45) days after the date this order becomes final respondent mail to all borrowers to whom credit life and/or credit disability insurance were sold prior to the date this order becomes final and the premium(s) for same were not included in the finance charge, and who did not receive death benefits or health benefits under said insurance policies, in connection with respondent's consumer loans in open status on the date this order becomes final, notwithstanding the sale or assignment of any or all of said loans to a third party, the two notices set forth in Attachments B and C of this order, together with a self-addressed, postpaid, return envelope.

VI.

It is further ordered, That within forty-five (45) days after the date this order becomes final respondent contact by telephone or other means available all those borrowers who would be sent, under the terms of this order, the notices set forth in Attachments B and C of this order were it not for the fact that said borrowers have been extended confidential loans by respondent under the terms of which no correspondence is forwarded by mail to said borrowers, in order to advise said borrowers of their prerogatives to cancel their insurance coverage and receive a partial refund of the insurance premiums paid;

Provided, however, That any obligation under Paragraphs V and VI above shall only apply to respondent and shall not apply to: (a) any third party to whom said loans may be or may have been sold or assigned, (b) any offices of respondent transferred to a third party in connection with the sale or assignment of said loans, or (c) any of said loans sold or assigned to a third party;

Provided further, however, That it is understood that any of said loans sold or assigned to a third party shall be used by respondent pursuant to the terms of Paragraphs V and VI above solely to determine the names of the borrowers required by it to fulfill its obligation under said

paragraphs and the amount of each insurance premium refund which may be required pursuant to respondent's fulfillment of such obligation;

Provided further, however, That respondent shall not be required to forward the two notices set forth in Attachments B and C of this order to any borrower, or to contact any borrower who has been extended a confidential loan, who has already received the above-mentioned notices prior to the date this order becomes final, or who has already been contacted by respondent with respect to cancellation of insurance coverage prior to the date this order becomes final, and where any and all follow-up provisions required by this order with respect to said notices or contact, including the making of refunds or the crediting of accounts, where applicable, have been or will be accomplished by respondent within the time periods specified in this order;

Provided further, however, That respondent shall not be required to forward the two notices set forth in Attachments B and C of this order to any borrower who, for any loan consummated prior to the date this order becomes final, received from respondent during the time of closing of said loan the personal insurance authorization form required by Section 1(a) of this order and where any and all requirements connected with said form as required by this order have been accomplished by respondent.

VII.

It is further ordered, That a record of mailing by respondent of the notices set forth in Attachments B and C of this order be kept by respondent and that said record be available for examination by Commission personnel in connection with any compliance obligations arising out of this order.

VIII.

It is further ordered, That all telephone calls or other attempts to advise the above-mentioned confidential loan borrowers of their cancellation prerogatives be noted on the ledger cards of such borrowers so as to legibly indicate: (1) the dates and times of such telephone calls or other means of communication employed to make contact with said borrowers; (2) the results of such attempts; and (3) the name or initials of respondent's employee making such contacts.

Respondent's obligations under Paragraphs V and VI of this order shall not be fulfilled until each borrower affected by said paragraphs has received the notices, or been contacted, as specified therein; *provided however,* that respondent shall be deemed to have complied with said Paragraphs V and VI if respondent can demonstrate that it

expended reasonable efforts, in writing or orally, to deliver such notices or make such contact according to the terms of this order.

IX.

It is further ordered, That any and all requests for refunds of insurance premiums under the terms of this order be made by respondent based on the Refund Method as defined in this order and that said refunds be made by respondent within thirty (30) days of receipt by respondent, within the time period specified in this order, of the notice set forth in Attachment C of this order or receipt by respondent of any other form of communication from borrowers indicating their desire to cancel their credit insurance coverage;

Provided, however, That respondent under Paragraph IX above shall have the option in connection with open status but delinquent accounts to either make refunds in accordance with the terms of this order or to credit said accounts for the full amount of any refunds due.

X.

It is further ordered, That respondent, when crediting any delinquent account with the full amount of any refund due following receipt of the notice set forth in Attachment C of this order, or following contact with any borrower under the terms of this order, credit said account within thirty (30) days of the receipt by respondent of said notice or within thirty (30) days of the contact by respondent whereby the borrower indicates his desire to cancel his credit insurance coverage.

XI.

It is further ordered, That the above-mentioned credit be reflected on the next account status statement to be sent to the borrower following the above-mentioned crediting of his account;

Provided, however, That respondent shall not be required under Paragraphs IX and X above to make refunds or to credit accounts with respect to any cancellation notice, as so set forth in Attachment C of this order, or any cancellation request, received by respondent later than twenty-one (21) days following the post office receipt date of said notice's mailing by respondent or later than twenty-one (21) days from the date that respondent otherwise notifies the borrower of his cancellation prerogatives.

XII.

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future personnel of respondent at its

general offices in Roslyn Heights, New York and in each of its subsidiary loan offices who are engaged in the extension of consumer loans, and that respondent secure a signed statement acknowledging receipt of said copy of this order from each such person.

XIII.

It is further ordered, That respondent notify the Commission within thirty (30) days of any change in the corporate respondent which may affect compliance obligations with regard to the extension of consumer loans arising out of this order, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation with regard to the extension of consumer loans which may affect compliance obligations arising out of this order.

XIV.

It is further ordered, That the respondent herein shall within sixty (60) days after service upon it of this order file with the Commission, a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Commissioner Dole not participating by reason of absence.

ATTACHMENT A

PERSONAL CREDIT INSURANCE AUTHORIZATION

YOUR LOAN (OTHER EXTENSION OF CREDIT) HAS BEEN APPROVED IN THE AMOUNT OF _____.

CREDIT LIFE OR CREDIT ACCIDENT & HEALTH (DISABILITY) INSURANCE IS NOT REQUIRED IN CONNECTION WITH THIS EXTENSION OF CREDIT TO YOU AND YOUR DECISION WITH REGARD TO THE PERSONAL INSURANCE WILL NOT AFFECT THE TOTAL AMOUNT OF CREDIT WHICH HAS ALREADY BEEN APPROVED FOR YOU.

IF YOU ELECT CREDIT INSURANCE THESE PREMIUMS WILL BE DEDUCTED FROM THE PROCEEDS OF YOUR LOAN AND ADDED TO THE AMOUNT FINANCED.

Credit Life	\$ _____ (For term of transaction)
Credit A & H (Disability)	\$ _____ (For term of transaction)

I have received a fully completed and executed copy of this form. I have reviewed the net cash advance options set forth below and understand that if I choose a net cash advance option that includes any of the insurance coverages I am authorizing the lender to pay the insurance premiums on my behalf. I have voluntarily chosen the following net cash advance option:

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Option 1 Net Cash Advance Without Personal Credit Insurance	Option 2 Net Cash Advance with Credit Life Only	Option 3 Net Cash Advance With Credit A & H (Disability) Only	Option 4 Net Cash Advance With Credit Life and A & H (Disa- bility)
\$ _____	\$ _____	\$ _____	\$ _____
No. of Months _____	No. of Months _____	No. of Months _____	No. of Months _____
_____ (Borrower)	_____ (Borrower)	_____ (Borrower)	_____ (Borrower)
_____ (Borrower)	_____ (Borrower)	_____ (Borrower)	_____ (Borrower)
_____ (Date)	_____ (Date)	_____ (Date)	_____ (Date)

ATTACHMENT B

Name of Creditor
Address of Creditor

Dear Customer:

As part of your current loan with Guardian Loan Co., Inc., charges were made for credit life insurance and/or credit disability insurance.

Because it has been determined that many of our customers may not have been fully aware of the voluntary nature of this insurance coverage at the time they purchased it, we are offering you the opportunity to cancel your insurance coverage and receive a partial refund of the insurance premiums based on a refund schedule which takes into account the remaining time period on your loan. If you cancel this insurance, your protection will end as of the date we receive your written notice of cancellation.

If you desire to cancel your insurance coverage, please complete the enclosed form and return it within two weeks in the enclosed envelope which requires no stamp. Do not return the enclosed form if you want your credit insurance to remain in force.

Sincerely,

ATTACHMENT C

From [Name of Borrower]:

To [Name of Creditor]:

At the time I made my loan, I did not understand that credit insurance was voluntary. Please cancel the insurance checked below and refund to me the applicable portion of the premium(s). I understand that in connection with any delinquent account the company reserves the right to credit the account with such refund.

CHECK INSURANCE COVERAGE TO BE CANCELLED

- cancel my credit life insurance [list applicable
coverages]
- cancel my credit disability insurance

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(NOTE: DO NOT SIGN OR RETURN THIS FORM IF YOU WANT YOUR
CREDIT INSURANCE TO REMAIN IN FORCE)

DATE _____

Borrower

Complaint

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IN THE MATTER OF

SHINYEI COMPANY, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND WOOL PRODUCTS
LABELING ACTS*Docket C-2847. Complaint, Oct. 21, 1976 — Decision, Oct. 21, 1976*

Consent order requiring a New York City importer and distributor of fabrics and wearing apparel, among other things to cease violating the Wool Products Labeling Act by mislabeling products as to their wool and fiber content, and failing to firmly affix identification tags. Further, respondents are required to mail a copy of this order to affected customers, notifying them that the products they purchased had been mislabeled.

Appearances

For the Commission: *Jerry R. McDonald* and *James M. Cox*.

For the respondents: *Semel, Patrusky & Buchsbaum*, New York City.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, and the Wool Products Labeling Act of 1939, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Shinyei Company, Inc., a corporation, Exx-Calibre Gentlemen's Apparel, Inc., a corporation, Yoshijiro Ochiai, individually and as an officer of said corporations, and Peter Held, individually and as an officer of Exx-Calibre Gentlemen's Apparel, Inc., hereinafter sometimes referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Wool Products Labeling Act of 1939, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PAR. 1. Respondents Shinyei Company, Inc., and Exx-Calibre Gentlemen's Apparel, Inc., are corporations organized, existing and doing business under and by virtue of the laws of the State of New York. The principal office and place of business of respondent Shinyei Company, Inc., is located at 260 Madison Ave., New York, New York. The principal office and place of business of respondent Exx-Calibre Gentlemen's Apparel, Inc., is located at 873 Broadway, New York, New York.

Respondent Yoshijiro Ochiai is an officer of the corporate respondents. He formulates, directs and controls the acts and practices of

respondent Shinyei Company, Inc., and participates with respondent Peter Held in the formulation, direction and control of the acts and practices of respondent Exx-Calibre Gentlemen's Apparel, Inc., including the acts and practices hereinafter set forth. His address is the same as that of respondent Shinyei Company, Inc.

Respondent Peter Held is an officer of respondent Exx-Calibre Gentlemen's Apparel, Inc. He participates with respondent Yoshijiro Ochiai in the formulation, direction, and control of the acts and practices of said corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of said corporate respondent.

PAR. 2. Respondent Shinyei Company, Inc., is engaged in the business of importing from the Orient and distributing in the United States various products including wool blend men's suits and slacks.

Respondent Exx-Calibre Gentlemen's Apparel, Inc., is a wholesale distributor of men's clothing imported from the Orient by respondent Shinyei Company, Inc. Respondent Shinyei Company, Inc., owns controlling stock of respondent Exx-Calibre Gentlemen's Apparel, Inc.

PAR. 3. Respondents, now and for some time last past, have imported for introduction into commerce, introduced into commerce, transported, distributed, delivered for shipment, shipped, offered for sale, and sold in commerce as "commerce" is defined in the Wool Products Labeling Act of 1939, wool products as "wool product" is defined therein.

PAR. 4. Certain of said wool products were misbranded by the respondents within the intent and meaning of Section 4(a)(1) of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, in that they were falsely and deceptively stamped, tagged, labeled, or otherwise identified with respect to the character and amount of the constituent fibers contained therein.

Among such misbranded wool products, but not limited thereto, were certain wool blend men's suits and slacks stamped, tagged, labeled, or otherwise identified by respondents as 45% reprocessed wool, 55% polyester and 70% wool, 30% polyester whereas, in truth and in fact, said products contained substantially different fibers and amounts of fibers than represented.

PAR. 5. Certain of said wool products were further misbranded by respondents in that they were not stamped, tagged, labeled or otherwise identified as required under the provisions of Section 4(a)(2) of the Wool Products Labeling Act of 1939 and in the manner and form as prescribed by the rules and regulations promulgated under said Act.

Among such misbranded wool products, but not limited thereto, were wool products, namely, wool blend men's slacks and suits with labels on or affixed thereto, which failed to disclose the percentage of the total

