

IN THE SUPREME COURT OF THE STATE OF NEVADA

TITLEMAX OF NEVADA, INC. and  
TITLEBUCKS d/b/a  
TITLEMAX, a Nevada corporation,

Respondent(s),  
v.

STATE OF NEVADA,  
DEPARTMENT OF BUSINESS  
AND INDUSTRY FINANCIAL  
INSTITUTIONS DIVISION,

Appellant(s).

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Apr 19 2018 11:28 a.m.  
Elizabeth A. Brown  
Clerk of Supreme Court

Case No. 74335

District Court No. A-16-743134-J

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APPELLANT'S APPENDIX

VOLUME 54 of 75

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<b>DOCUMENT</b>	<b>VOL.</b>	<b>BATES NO.</b>
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Notice of Intent to Participate, September 19, 2016	1	000024 - 000026
Summons, September 20, 2016	1	000027 - 000030
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Errata to TitleMax's Memorandum in Support of Motion for Partial Stay, October 18, 2016	4	000791 - 000793
Petitioner's Notice of Transmittal of Record of Proceedings, October 18, 2016	4 - 8	000794 - 001588

<b>DOCUMENT</b>	<b>VOL.</b>	<b>BATES NO.</b>
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Notice of Entry of Order Granting in Part and Denying in Part Motion for Supplemental Relief, January 11, 2018	75	017582 - 07599

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BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**1225 E. CHARLESTON BLVD.**  
**LAS VEGAS, NV 89104**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65320

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012560 08662**  
**ROA 011266**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012561 08663  
ROA 011267

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 1225 E. Charleston Blvd., Las Vegas, NV 89104 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	503	10	1.99%
Delinquent Loans	136	5	3.68%
Closed Loans	21	5	23.81%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>663</b>	<b>23</b>	<b>3.47%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Teresa Berlin	12269-0103891	30 day	\$1,760.00	\$1,000.00	\$2,259.80	\$1,499.80
Richard Jacobson	12269-0102151	30 day	\$1,000.00	\$150.00	\$2,551.78	\$1,701.78
Leticia Martinez	12269-0074820	30 day	\$1,600.00	\$1,000.00	\$1,188.61	\$588.61
Claudia Moore	12269-0104646	30 day	\$1,400.00	\$1,000.00	\$471.96	\$71.96
Darian Randle	12269-0105109	30 day	\$2,000.00	\$500.00	\$2,679.27	\$1,179.27
David Samuel	12269-0083061	30 day	\$1,034.00	\$802.00	\$605.96	\$373.96
Michael Harris	12269-0092218	30 day	\$2,500.00	\$2,000.00	\$908.52	\$408.52
Teresa McCuller	12269-0108066	30 day	\$500.00	\$300.00	\$943.92	\$743.92
Miriam Hickerson	12269-0097915	30 day	\$5,696.00	\$3,500.00	\$2,806.96	\$610.96

***Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.105 “Title loan” defined.**

1. “Title loan” means a loan made to a customer pursuant to a loan agreement which, under its original terms
  - (b) Requires the customer to secure the loan by either:
    - (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115 “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445 Title loans: Restrictions on duration of loan and periods of extension.**

**Notwithstanding any other provision of this chapter to the contrary:**

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210 Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:**

1. Any fees for granting such a grace period; or
2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers’ files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

“Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

“Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect.”

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
12269-0118786	\$1,732.79	\$2,119.30	\$386.51
12269-0119384	\$841.04	\$1,024.65	\$183.61
12269-0114660	\$535.25	\$656.79	\$121.54
12269-0114421	\$866.39	\$1,059.65	\$193.26
12269-0115815	\$1,819.80	\$2,233.10	\$413.30
12269-0116411	\$225.27	\$275.53	\$50.26

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe more money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 6**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**1600 N. NELLIS BLVD, SUITE 102**  
**LAS VEGAS, NV 89115**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65319

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012574 08675**  
**ROA 011280**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012575 08676  
ROA 011281

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 1600 N. Nellis Blvd Suite 102., Las Vegas, NV 89115 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 16, 2013
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	643	10	1.56%
Delinquent Loans	171	5	2.92%
Closed Loans	20	5	25.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>813</b>	<b>22</b>	<b>2.71%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:

- 813 loans totaling \$984,282.15 with an average loan size of \$1,210.68
- The delinquency ratio was 20.93% as of the examination date.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Patsi Faria	11969-0065154	30 day	\$1,372.00	\$300.00	\$2,315.73	\$1,243.73
Eduardo Coria	11969-0111137	30 day	\$1,300.00	\$600.00	\$1,172.90	\$472.90
Irene Ruiz	11969-0053385	30 day	\$1,800.00	\$800.00	\$1,172.90	\$172.90
Casandra Jackson	11969-0094837	30 day	\$1,500.00	\$700.00	\$1,778.25	\$978.25

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

- (a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115 “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not on the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445 Title loans: Restrictions on duration of loan and periods of extension.**

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

- (a) The loan provides for payments in installments;**
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**
- (c) The loan is not subject to any extension; and**
- (d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210 Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:**

- 1. Any fees for granting such a grace period; or**
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are





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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
11969-0120863	\$1,321.92	\$1,626.71	\$304.79
11969-0117530	\$1,819.80	\$2,233.10	\$413.30
11969-0119283	\$1,819.80	\$2,233.10	\$413.30
11969-0116208	\$1,689.14	\$2,078.57	\$389.43
11969-0116948	\$3,500.21	\$4,281.00	\$780.79

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 7**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**1995 W. WILLIAMS AVE.**  
**FALLON, NV 89406**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 06, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.50	<b>Examination Number:</b>	65196

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012588 08688**  
**ROA 011294**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012589 08689  
ROA 011295

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 1995 W. Williams Ave., Fallon,, NV 89406 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	86	10	5.00%
Delinquent Loans	23	5	21.74%
Closed Loans	10	5	50.00%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>120</b>	<b>21</b>	<b>17.50%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Keri Jo Renteria	14269-0105161	30 day	\$800.00	\$400.00	\$1,661.26	\$1,261.26
Nikkita You	14269-110994	30 day	\$1,200.00	\$400.00	\$1,193.30	\$393.30

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

- (a) The loan provides for payments in installments;**
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**
- (c) The loan is not subject to any extension; and**
- (d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or**
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
14269-0115854	\$550.77	\$677.79	\$127.02
14269-0114982	\$1,819.80	\$2,233.10	\$413.30
14269-0111601	\$1,872.76	\$2,304.50	\$431.74

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.





**E - 8**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**2020 E. WILLIAMS ST.**  
**CARSON CITY, NV 89502**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.50	<b>Examination Number:</b>	65909

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012602 08701**  
**ROA 011308**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012603 08702  
ROA 011309

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 2020 E. William St., Carson City, NV 89502 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
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The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

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This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 16, 2013
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	157	10	6.37%
Delinquent Loans	64	6	9.38%
Closed Loans	10	5	50.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>233</b>	<b>23</b>	<b>9.87%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Jennifer Rogacs	14069-0112657	210 day	\$1,000.00	\$800.00	\$259.97 Payment	\$59.97
Woodrow Askin	14069-0107132	30 day	\$4,000.00	\$1,800.00	\$6,621.40	\$4,421.40
Elliot Souza	14069-0105803	30 day	\$1,038.00	\$265.00	\$967.52	\$194.52
Jason Risenhoover	14069-0102929	30 day	\$3,200.00	\$1,500.00	\$10,820.60	\$9,120.60
Patricia Griffin	14069-0102495	30 day	\$1,760.00	\$1,500.00	\$849.53	\$589.53
Donyelle Lay	14069-0103803	30 day	\$5,000.00	\$3,000.00	\$2,129.22	\$129.22

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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(b) Requires the customer to secure the loan by either:

(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

3. The original term of a title loan may be up to 210 days if:

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers’ files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

“Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is more than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

“Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect.”

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
14069-0112657	\$1,819.80	\$2,233.10	\$413.30
14069-0112721	\$1,138.33	\$1,400.78	\$262.45
14069-0114979	\$2,444.20	\$2,999.32	\$555.12

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

*Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 9**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**2400 N. BUFFALO DR. # 140**  
**LAS VEGAS, NV 89128**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65309

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012616 08714**  
**ROA 011322**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012617 08715  
ROA 011323

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 2400 N. Buffalo Dr. #140., Las Vegas, NV 89128 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	541	10	1.85%
Delinquent Loans	150	5	3.33%
Closed Loans	30	5	16.67%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>724</b>	<b>23</b>	<b>3.18%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Jennifer Cervantes	10969-0094389	30 day	\$1,800.00	\$1,500.00	\$967.52	\$667.52
Paul Amber	10969-0083670	30 day	\$7,000.00	\$3,200.00	\$4,399.60	\$599.60
Neil Bitton	10969-0102654	30 day	\$5,200.00	\$1,700.00	\$6,599.40	\$3,099.40
Sandra Vincent	10969-0104125	30 day	\$3,700.00	\$2,200.00	\$8,799.20	\$7,299.20
Todd Constantine	10969-0055323	30 day	\$4,200.00	\$2,500.00	\$1,805.34	\$105.34
Annette Deramo	10969-0029856	30 day	\$1,450.00	\$700.00	\$3,321.70	\$2,571.70
Bobbie Zacarias	10969-0080778	30 day	\$3,200.00	\$1,200.00	\$3,427.70	\$1,427.70
William Shamnoski	10969-0079514	30 day	\$2,179.00	\$750.00	\$1,771.26	\$342.26

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the current examination, the licensee provided a policy which states the following:

*"The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract."*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445 Title loans: Restrictions on duration of loan and periods of extension.**

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

**(a) The loan provides for payments in installments;**

**(b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**

**(c) The loan is not subject to any extension; and**

**(d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210 Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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1. Any fees for granting such a grace period; or
2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax's original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the "Grace Period Payments Deferment Agreement" (hereinafter, the "Amended Agreement").

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS



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## EXAMINATION COMMENTS AND CONCLUSIONS

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604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:

LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
10969-0117779	\$2,890.26	\$3,546.68	\$656.42
10969-0118953	\$3,955.71	\$4,773.25	\$817.54
10969-0119286	\$1,505.50	\$1,852.64	\$347.14
10969-0119918	\$3,500.21	\$4,281.00	\$780.79

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 10**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**2550 S. EASTERN AVE.**  
**LAS VEGAS, NV 89169**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65326

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012631 08728**  
**ROA 011337**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012632 08729  
ROA 011338



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 2550 S. Eastern Ave., Las Vegas, NV 89169 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 16, 2013
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	551	9	1.63%
Delinquent Loans	103	5	4.85%
Closed Loans	20	5	25.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>676</b>	<b>21</b>	<b>3.11%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Michael Castillo	10669-0116825	30 day	\$6,500.00	\$2,500.00	\$5,471.30	\$1,471.30
Ricardo Bonilla	10669-0099845	30 day	\$2,600.00	\$1,800.00	\$3,299.70	\$2,499.70
Jeremy Dunn	10669-0116167	30 day	\$1,967.00	\$720.00	\$1,378.48	\$131.48
Sandra Smith	10669-0054247	30 day	\$2,400.00	\$640.00	\$3,299.70	\$1,539.70
Mylissa Gibson	10669-0054216	30 day	\$1,440.00	\$1,000.00	\$482.96	\$42.96
Virgilio Constantin	10669-0074174	30 day	\$576.00	\$100.00	\$489.43	\$13.43
Johnathan Keyes	10669-0094935	30 day	\$1,500.00	\$400.00	\$1,179.90	\$79.90
Diane Walton	10669-0093247	30 day	\$1,350.00	\$800.00	\$683.94	\$133.94

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

- (a) Require or accept a guarantor to a transaction entered into with a customer.**





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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.105 “Title loan” defined.**

**1. “Title loan” means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445 Title loans: Restrictions on duration of loan and periods of extension.**

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

**(a) The loan provides for payments in installments;**

**(b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**

**(c) The loan is not subject to any extension; and**

**(d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210 Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:**

**1. Any fees for granting such a grace period; or**

**2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers’ files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

“Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

“Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect.”

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
10669-0117764	\$841.04	\$1,024.65	\$183.61
10669-0117118	\$2,156.04	\$2,548.95	\$392.91

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 11**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3220 S. VIRGINIA ST.**  
**RENO, NV 89502**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 11, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.50	<b>Examination Number:</b>	65295

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012645 08741**  
**ROA 011351**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012646 08742  
ROA 011352

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3220 S. Virginia St., Reno, NV 89502 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:





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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	381	10	2.62%
Delinquent Loans	208	4	1.92%
Closed Loans	15	5	33.33%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>607</b>	<b>22</b>	<b>3.62%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Dustin Ardine	13069-0092813	30 day	\$1,600.00	\$800.00	\$1,427.28	\$627.28
Paul Ewing	13069-0102386	30 day	\$4,300.00	\$3,500.00	\$1,778.25	\$978.25

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

- (a) The loan provides for payments in installments;**
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**
- (c) The loan is not subject to any extension; and**
- (d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or**
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:

LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
13069-0120146	\$3,296.36	\$3,998.20	\$701.84





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## EXAMINATION COMMENTS AND CONCLUSIONS

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Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated "Satisfactory," "Needs Improvement," or "Unsatisfactory," based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is "Needs Improvement."

A rating of **"Needs Improvement"** indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 12**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3365 E. FLAMINGO RD. STE. 1**  
**LAS VEGAS, NV 89121**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65297

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012659 08754**  
**ROA 011365**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012660 08755  
ROA 011366

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3365 E. Flamingo Rd. Ste. 1 Las Vegas, NV 89121 commenced on August 16, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	155	10	6.45%
Delinquent Loans	46	4	8.70%
Closed Loans	21	4	19.05%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>224</b>	<b>20</b>	<b>8.93%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Elsa Gomez de Castro	12669-0101941	30 day	\$1,600.00	\$400.00	\$3,321.70	\$2,121.70
Socorro Acevedo	12669-0107297	30 day	\$2,465.00	\$1,500.00	\$2,282.40	\$1,317.40
Julie Pimentel	12669-0082177	30 day	\$1910.00	\$600.00	\$3,739.66	\$2,429.66
Tammy Siegel	12669-0088817	30 day	\$1350.00	\$900.00	\$613.55	\$163.55
Lawrence Banks	12669-0081574	30 day	\$960.00	\$400.00	\$605.96	\$45.96
Ebony Archie	12669-0073872	30 day	\$1,349.00	\$650.00	\$1,165.30	\$466.30
Kimberly Williams	12669-0095106	30 day	\$2,500.00	1,000.00	\$1,595.86	\$595.86

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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(b) Requires the customer to secure the loan by either:

(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 13**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3391 E. TROPICANA AVE. STE. 1**  
**LAS VEGAS, NV 89121**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65306

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012671 08765**  
**ROA 011377**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012672 08766  
ROA 011378



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3391 E. Tropicana Ave., Ste. 1 Las Vegas, NV 89121 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 16, 2013
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	424	10	2.36%
Delinquent Loans	145	5	3.45%
Closed Loans	18	5	27.78%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>589</b>	<b>22</b>	<b>3.74%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Denis Arft	10569-0085134	30 day	\$2,500.00	\$830.00	\$2,129.22	\$459.22
Marcela Mange-Galaz	10569-0076103	30 day	\$1,600.00	\$800.00	\$1,771.26	\$971.26
Tara Grant	10569-0115238	120 day	\$3000.00	\$3000.00	\$2,533.45	\$2,533.45
Veronica Jones	10569-0075994	30 day	\$2,253.00	\$1,320.00	\$2,866.00	\$1,933.00

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**





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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

1. Any fees for granting such a grace period; or
2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
10569-0115238	\$2,533.45	\$3,108.82	\$575.37
10569-0118995	\$815.94	\$989.65	\$ 173.71
10569-0113782	\$1,819.80	\$2,233.10	\$413.30

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

**Management's response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated "Satisfactory," "Needs Improvement," or "Unsatisfactory," based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is "Needs Improvement."

A rating of "**Needs Improvement**" indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 14**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3525 S. FORT APACHE RD. STE. 160**  
**LAS VEGAS, NV 89147**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65322

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012685 08778**  
**ROA 011391**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012686 08779  
ROA 011392

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3525 S. Fort Apache Rd Ste. 160., Las Vegas, NV 89147 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:





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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 16, 2013
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	721	10	1.39%
Delinquent Loans	294	6	2.04%
Closed Loans	25	4	16.00%
Declined Loans	5	5	100.00%
<b>Total Loans =</b>	<b>1045</b>	<b>25</b>	<b>2.39%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Sunnie Dickson	11569-0103988	30 day	\$500.00	\$0.00	\$2,806.96	\$2,306.96
Siane Coley	11569-0083985	30 day	\$12,000.00	\$4,500.00	\$11,022.10	\$3,522.10

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

**3.** The original term of a title loan may be up to 210 days if:

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1.** Any fees for granting such a grace period; or
- 2.** Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:





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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
11569-0117132	\$1,609.84	\$1,903.23	\$293.39
11569-0119297	\$4,539.89	\$5,552.58	\$1,012.69
11569-0119646	\$1,784.11	\$2,189.30	\$405.19
11569-0119874	\$5,920.69	\$7,213.48	\$1,292.79

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated "Satisfactory," "Needs Improvement," or "Unsatisfactory," based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is "Needs Improvement."

A rating of "**Needs Improvement**" indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 15**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3547 S. MARYLAND PKWY**  
**LAS VEGAS, NV 89169**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	2.00	<b>Examination Number:</b>	65302

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012699 08791**  
**ROA 011405**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012700 08792  
ROA 011406

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3547 S. Maryland Pkwy., Las Vegas, NV 89169 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

This location was not visited during this examination due to confusion of two locations on Maryland Pkwy.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.

### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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The licensee also implemented “Grace Period Payments Deferment Agreement.” During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer’s files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:

“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Collection Agency Utilized by the Licensee

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax's collection department.

### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	0	0	0.00%
Delinquent Loans	0	0	0.00%
Closed Loans	0	0	0.00%
Declined Loans	0	0	0.00%
<b>Total Loans =</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

This location was not visited during the current examination.

#### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

#### SUMMARY

There is no rating for this location since there was no onsite examination completed for this location.



**E - 16**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3575 W. TROPICANA AVE.**  
**LAS VEGAS, NV 89103**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65313

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012710 08801**  
**ROA 011416**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012711 08802  
ROA 011417

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3575 W. Tropicana Ave., Las Vegas, NV 89103 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	118	8	6.78%
Delinquent Loans	45	4	8.89%
Closed Loans	10	5	50.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>175</b>	<b>19</b>	<b>10.86%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Ronald Stevens	13769-0098972	30 day	\$2,541.00	\$973.70	\$3,472.70	\$1,905.40
Brian Robinson	13769-0084521	30 day	\$4,500.00	\$2,500.00	\$2,690.97	\$690.97
Laura German	13769-0089711	30 day	\$1,400.00	\$1,004.00	\$495.56	\$99.56
Steve Nguyen	13769-0110686	30 day	\$4,500.00	\$700.00	\$5,521.50	\$1,721.50

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

- (a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of **“Needs Improvement”** indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.





**E - 17**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3810 BLUE DIAMOND ROAD. STE. 150**  
**LAS VEGAS, NV 89139**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65321

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012722 08812**  
**ROA 011428**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012723 08813  
ROA 011429

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3810 Blue Diamond Rd., Ste. 150 Las Vegas, NV 89139 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	281	8	2.85%
Delinquent Loans	117	6	5.13%
Closed Loans	10	4	40.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>410</b>	<b>20</b>	<b>4.88%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Mary Payne	11169-0083991	30 day	\$3,000.00	\$2,000.00	\$2,343.00	\$1,343.00
Elvira Serrano	11169-0105949	30 day	\$7,500.00	\$550.00	\$8,821.20	\$1,871.20
Stacey Neri	11169-0108922	30 day	\$2,800.00	\$1,600.00	\$1,649.85	\$449.85

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

**3.** The original term of a title loan may be up to 210 days if:

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1.** Any fees for granting such a grace period; or
- 2.** Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
11169-0118337	\$1,819.80	\$2,233.10	\$413.30
11169-0117922	\$7,454.83	\$8,881.90	\$1,427.07
11169-0111641	\$1,631.85	\$1,979.30	\$347.45

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated "Satisfactory," "Needs Improvement," or "Unsatisfactory," based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is "Needs Improvement."

A rating of "**Needs Improvement**" indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 18**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**3900 W. SAHARA AVE.**  
**LAS VEGAS, NV 89102**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65317

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012736 08825**  
**ROA 011442**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012737 08826  
ROA 011443

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 3900 W. Sahara., Las Vegas, NV 89102 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	219	9	4.11%
Delinquent Loans	61	6	9.84%
Closed Loans	21	5	23.81%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>303</b>	<b>22</b>	<b>7.26%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Basilia Perez	10169-0101505	30 day	\$1,400.00	\$150.00	\$1,895.24	\$645.24
Juan Curiel	10169-0089725	30 day	\$2,835.44	\$2,000.00	\$967.52	\$132.08
Paul Mascorro	10169-0054744	30 day	\$3,161.00	\$1,600.00	\$3,321.70	\$1,760.70
April Wright	10169-0090190	30 day	\$4,906.00	\$1,700.00	\$3,299.70	\$93.70

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

### **CURRENT VIOLATION**

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension. Notwithstanding any other provision of this chapter to the contrary:

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

1. Any fees for granting such a grace period; or
2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers’ files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

“Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is more than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

“Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect.”

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
10169-0119876	\$1,631.85	\$1,979.30	\$347.45
10169-0115956	\$892.05	\$1,094.65	\$202.60
10169-0112851	\$5,059.52	\$5,981.55	\$922.03
10169-0116343	\$2,711.85	\$3,327.75	\$615.90
10169-0119261	\$4,312.10	\$5,097.90	\$785.80

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 19**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**4000 BOULDER HWY. STE. 5**  
**LAS VEGAS, NV 89121**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65312

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012750 08838**  
**ROA 011456**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012751 08839  
ROA 011457

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 4000 Boulder Hwy., Ste 5 Las Vegas, NV 89121 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	152	8	5.26%
Delinquent Loans	63	5	7.94%
Closed Loans	21	5	23.81%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>238</b>	<b>20</b>	<b>8.40%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Andrew Pesek	12869-0076636	30 day	\$4,000.00	\$1,500.00	\$10,999.00	\$8,499.00
Roxana Rivera	12869-0089110	30 day	\$2,000.00	\$1,000.00	\$1,778.25	\$778.25
Craig Davis	12869-0096890	30 day	\$1,395.00	\$495.00	\$3,906.85	\$3,006.85
Stephen Clausen	12869-0101780	30 day	\$1,600.00	\$300.00	\$4,421.60	\$3,121.60
Violet Thomopolus	12869-0102398	30 day	\$2,000.00	\$400.00	\$2,343.00	\$743.00
Milagros Herrera	12869-0074143	30 day	\$2,500.00	\$750.00	\$2,315.73	\$565.73

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

**3. The original term of a title loan may be up to 210 days if:**

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or**
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).





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## EXAMINATION COMMENTS AND CONCLUSIONS

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Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
12869-0123116	\$1,070.50	\$1,313.58	\$243.08
12869-0121628	\$2,890.26	\$3,546.68	\$656.42

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 20**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**4001 N. LAS VEGAS BLVD.**  
**LAS VEGAS, NV 89115**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65334

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012764 08851**  
**ROA 011470**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012765 08852  
ROA 011471

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 4001 N. Las Vegas Blvd., Las Vegas, NV 89115 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	195	10	5.13%
Delinquent Loans	125	4	3.20%
Closed Loans	15	5	33.33%
Declined Loans	4	4	100.00%
<b>Total Loans =</b>	<b>339</b>	<b>23</b>	<b>6.78%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

2. **Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Abel Puebla	13469-0085625	30 day	\$6,000.00	\$2,000.00	\$4,162.64	\$162.64
Ashley Robinson	13469-0103085	30 day	\$721.00	\$0.00	\$1,871.84	\$1,150.84
Bridgett Works	13469-0086298	30 day	\$1,037.00	\$550.00	\$589.95	\$102.95
Edward Arias	13469-0080426	30 day	\$1,676.00	\$700.00	\$1,747.95	\$771.95

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

1. **A licensee shall not:**

- (a) **Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

1. **"Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

- (b) **Requires the customer to secure the loan by either:**

- (1) **Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

**3.** The original term of a title loan may be up to 210 days if:

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1.** Any fees for granting such a grace period; or
- 2.** Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER "AMENDED" LOAN AGREEMENT	OVERAGE
13469-0119602	\$1,784.11	\$2,189.30	\$405.19
13469-0117028	\$1,819.80	\$2,233.10	\$413.30
13469-0118016	\$771.13	\$948.92	\$177.79

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax's Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated "Satisfactory," "Needs Improvement," or "Unsatisfactory," based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is "Needs Improvement."

A rating of "**Needs Improvement**" indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.





**E - 21**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEMAX**  
**4077 W. CHARLESTON BLVD.**  
**LAS VEGAS, NV 89102**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65336

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012778 08864**  
**ROA 011484**

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## EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012779 08865  
ROA 011485

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 4077 W. Charleston Blvd., Las Vegas, NV 89102 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	379	10	2.64%
Delinquent Loans	80	5	6.25%
Closed Loans	17	5	29.41%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>477</b>	<b>21</b>	<b>4.40%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Blake Hodges	12069-0069370	30 day	\$1,000.00	\$515.00	\$722.49	\$237.49
Gilberto Leon	12069-0053582	30 day	\$2,600.00	\$900.00	\$4,729.57	\$3,029.57
William Addo	12069-0111237	30 day	\$6,430.00	\$5,200.00	\$1,754.85	\$524.85
Manuel Camacho	12069-0099181	30 day	\$2,000.00	\$1,000.00	\$1,193.30	\$193.30
Laverne Bledsoe	12069-0055951	30 day	\$2,100.00	\$1,400.00	\$965.92	\$265.92
Jesus Jimenez	12069-0057457	30 day	\$1,200.00	\$720.00	\$2,282.40	\$1,802.40
Christina Tafeamalii	12069-0053965	30 day	\$1,100.00	\$400.00	\$1,402.88	\$702.88

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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(b) Requires the customer to secure the loan by either:

(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.

**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

**Management’s response:** *Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

Notwithstanding any other provision of this chapter to the contrary:

3. The original term of a title loan may be up to 210 days if:

- (a) The loan provides for payments in installments;
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
- (c) The loan is not subject to any extension; and
- (d) The loan does not require a balloon payment of any kind.

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers’ files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

“Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is more than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

“Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect.”

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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LOAN NUMBER	TOTAL AMOUNT TO BE PAID UNDER ORIGINAL LOAN AGREEMENT	TOTAL AMOUNT TO BE PAID UNDER “AMENDED” LOAN AGREEMENT	OVERAGE
12069-0117800	\$1,505.50	\$1,852.64	\$347.14
12069-0119557	\$1,138.33	\$1,400.78	\$262.45
12069-0116271	\$6,088.89	\$7,418.41	\$1,329.52
12069-0119738	\$713.66	\$875.72	\$162.06

Titlemax must comply with NRS 604A.445 (3) and NRS 604A.210. Customers who enter into the Amended Agreement owe **more** money compared to the original loan with its fully amortized payments. Thus, Titlemax’s Amended Agreement violates NRS 604A.445 (3) and NRS 604A.210.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

### FEDERAL

No violations of Federal laws were noted during the examination. However, this examination should not be considered a full compliance examination relative to Federal statutes.

### SUMMARY

Each licensee, upon completion of an examination, is rated “Satisfactory,” “Needs Improvement,” or “Unsatisfactory,” based primarily on compliance with applicable statutes and regulations and the perceived capability of management to achieve and maintain such compliance. The rating of the licensee at this examination is “Needs Improvement.”

A rating of “**Needs Improvement**” indicates that the licensee and the management of the licensee have demonstrated less than satisfactory compliance, or instances and situations involving a lack of compliance with applicable state and federal laws and regulations and that regulatory supervision is required. The licensee and management will be required to respond in writing to the report of examination within 30 days providing the procedures that have been initiated for the correction of the violations and deficiencies noted in the report made by the examiner pursuant to state and federal laws and regulations.



**E - 22**



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
**FINANCIAL INSTITUTIONS DIVISION**

BRUCE BRESLOW  
Director

GEORGE E. BURNS  
Commissioner

**CHAPTER 604A**  
**REPORT OF EXAMINATION**

**TITLEMAX OF NEVADA, INC.**  
**DBA: TITLEBUCKS**  
**4150 BOULDER HWY. STE. 105**  
**LAS VEGAS, NV 89121**  
**WWW.TITLEMAX.COM**

<b>Examiner In Charge:</b>	Christian Yanez	<b>Examined as of:</b>	August 31, 2014
<b>Examination Started:</b>	August 6, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65293

**THIS REPORT IS STRICTLY CONFIDENTIAL**

The information contained in this report is based on the books and records of the licensee as licensed under NRS 604A, on statements made to the examiner by the directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this report is a report of examination, and not an audit of the licensee, and should not be construed as such. This report of examination does not replace nor relieve the principals of their responsibility for performing or providing for adequate audits of the business.

This copy of the report is the property of the Department of Business and Industry of the State of Nevada, and is furnished to the licensee for its confidential use. Under no circumstances shall the licensee, or any of its directors, officers, or employees disclose in any manner the report or any portion thereof to any person or organization not officially connected with the licensee as officer, director, attorney, or auditor unless otherwise directed. Should any legal process document be served calling for the surrender of this report or any portion thereof, the Commissioner of the Financial Institutions Division shall be notified immediately.

Each principal has the responsibility to review the contents of this report.

State of Nevada  
Department of Business and Industry, Financial Institutions Division

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Christian Yanez  
Examiner In Charge

**APP 012792 08877**  
**ROA 011498**



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# EXAMINATION COMMENTS AND CONCLUSIONS

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STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012793 08878  
ROA 011499

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## EXAMINATION COMMENTS AND CONCLUSIONS

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### INTRODUCTION

The annual examination of TitleMax of Nevada, Inc. DBA: TitleMax located at 4150 Boulder Hwy., Ste. 105 Las Vegas, NV 89121 commenced on August 6, 2014. This business location currently holds a Nevada Revised Statutes (NRS) Chapter 604A license issued by the State of Nevada Financial Institutions Division (FID). The licensee has been granted approval to initiate Title Loans in accordance with applicable statutes and regulations.

The licensee's website [www.titlemax.com](http://www.titlemax.com) is used as the main source of information for different products and services that TitleMax offers. Customers have the ability to complete a loan applications on-line. The application is reviewed by the call center and the customer is referred to one of the stores to complete the loan process.

The licensee currently offers the 120 day loan which allows the customer to make installment payments.

TitleMax currently has 40 locations in the state of Nevada. All the locations were visited during the process of this examination.

### SCOPE OF EXAMINATION

The primary purpose of the examination was to determine compliance with NRS 604A and NAC 604A. The examination consisted of a review of the following: active loans, paid-off loans, delinquent loans, loans that are in the repayment plan and declined loans, surety bonding requirement, completion of the manager's and statutory compliance questionnaires, and a review of the company's policies and procedures and forms used in the operation of the business. Emphasis was placed on compliance with state regulations as well as federal regulations such as the Truth in Lending Act (Regulation Z) and the Equal Credit Opportunity Act (Regulation B).

#### Annual Report

The annual report of operations is due to the Financial Institutions Division by April 15th each year. The annual report of operations for year ending 2013 was received on April 8<sup>th</sup>, 2014 which is in accordance with NRS 604A.750.

#### Surety Bond

The Surety Bond appears to be sufficient. It is currently posted at \$265,000.00 under Bond Number 60088894 with Capitol Indemnity Corporation and is due for renewal on February 15, 2014. The licensee is in compliance with NRS 604A.610.

#### Internal / External Review

Titlemax did not submit any internal or external reviews. Internal or external reviews were not part of the scope of the current examination.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### Financial Audit / CPA

The CPA of the Financial Institutions Division performed an analysis of key financial figures for the fiscal year ending December 31, 2013, which were included in the 2013 Annual Report of Operations. No areas of concern were noted.

### Internal Routine and Control

The licensee uses CashWise Financial Services Software for its loan operations. Title loan underwriting process includes:

- Loan application form
- Income and obligations
- Government issued photo identification
- Valid phone number
- Title of the vehicle
- Proof of insurance
- Current registration
- Affidavit stating the customer's ability to repay the loan

During the previous examination the licensee was offering 30 day title loans. On January 28, 2014 the licensee sent a letter to the Financial Institutions Division stating that TitleMax is going to stop offering the 30 day title loans and start offering the 210 day title loans.

During the on-site visitation of current examination it was discovered that TitleMax stopped offering the 30 day loans as of July, 2014. The new product, 210 day title loan is currently being offered in all TitleMax locations in the State of Nevada.

The 210 day product mirrors NRS 604A.445 (3):

3. The original term of a title loan may be up to 210 days if:
  - (a) The loan provides for payments in installments;
  - (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;
  - (c) The loan is not subject to any extension; and
  - (d) The loan does not require a balloon payment of any kind.

The licensee also implemented "Grace Period Payments Deferment Agreement." During the onsite visitations of store locations it was observed employees are pre-printing this grace period agreement and putting it in customer's files. The employees are also encouraging the customers to enter into this grace period agreement. The employees are provided the following statement to read to customers:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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“TMX Employee:

Great! Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?”

This agreement consists of separating the interest and principal from the original amortized schedule payments and prolonging the payment of principal until the full interest is paid. This agreement has a schedule of 14 payments which for the first seven payment the customer pays only interest. For the remaining seven payments the customer pays the principal. The total amount paid under this agreement is higher from the original amortized payments scheduled under the original loan agreement.

The “Grace Period Payments Deferment Agreement” offered by TitleMax clearly contradicts with 604A.445(3).

### **Training**

TitleMax provides training upon hire and annually thereafter. All employees are required to complete refresher courses on-line and as needed. The Compliance Department has the responsibility of overseeing that all training materials are up to date with any industry changes and demands.

### **Display of License, Notices, and Disclosures**

The State of Nevada, Financial Institutions Division NRS 604A license is displayed conspicuously by the licensee which is in compliance with NRS 604A.635 and NAC 604A.060.

The contact number of the office of the Commissioner, notice of fees charged and business hours are posted conspicuously in the location where the licensee conducts business, which is in compliance with, NRS 604A.405, NAC 604A.130, NAC 604A.140, and NAC 604A.150.

### **Record Retention**

According to the managers questionnaire, it is the licensee’s policy to maintain all records for five years which is in compliance with NRS604A.700 and NAC 604A.200.

### **Collection Agency Utilized by the Licensee**

As of the examination date, the licensee does not utilize the services of a third party collection agency. The internal collection process consists of sending letters and making phone calls to delinquent customers by TitleMax’s collection department.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### FDCPA

TitleMax employees are required to be certified on an annually basis. All collection employees are required a minimum score of 80% to obtain the FDCPA certification. The store managers monitor all contact with debtors to assure that policy and produces are followed by all employees.

### FinCen Registration

TitleMax is not considered a Money Services Business in accordance with 31 CFR Chapter X § 1022.380; as such, the licensee is not registered with FinCEN as a Money Service Business.

### Complaints Filed Since the Previous Examination

The Financial Institutions Division complaint database was verified and indicates that as of October 14, 2014 there were three complaints filed against TitleMax since the previous examination. TitleMax responded to the complaints in a timely manner.

### Total Sample Size

As of Exam Date	August 31, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	137	8	5.84%
Delinquent Loans	92	5	5.43%
Closed Loans	23	4	17.39%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>253</b>	<b>18</b>	<b>7.11%</b>

All of the loan samples were chosen randomly by the examiner. As of the examination date, the licensee had:



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### PREVIOUS VIOLATIONS OF STATUTES AND REGULATIONS

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

**2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

During the previous examination the licensee was found to be underwriting title loans in excess of the customer's disclosed income and obligations. There was no regard given to the customer's ability to repay the loan. This will be cited as a repeat violation. Please refer to the current violation section for more details.

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

**1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

**1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

**(1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**

**NRS 604A.115 "Title to a vehicle" or "title" defined. "Title to a vehicle" or "title" means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.**

During the previous examination several of the loan files reviewed showed co-borrowers which were not listed on the title of the vehicle. This violation will be cited as a repeat violation. Please refer to the current violation section for more details.

**NRS 604A.410 Written loan agreement required; contents**

**2. The loan agreement must include, without limitation, the following information:**

**c) The date and amount of the loan, amount financed, annual percentage rate, finance charge, total of payments, payment schedule and a description and the amount of every fee charged, regardless of the name given to the fee and regardless of whether the fee is required to be included in the finance charge under the Truth in Lending Act and Regulation Z;**

During the previous examination, the licensee did not indicate on the extension receipts the effective date of the extension. This violation occurred on the 30 day title loans. Since the previous examination the licensee has stopped offering the 30 day title loans. The new product 210 day title loan offered by the licensee does not allow any extensions. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NAC 604A.160 Translation of documents written in language other than English.**

**2. A document translated pursuant to this section must be:**

**(a) Translated by an interpreter who is:**

**(1) Certified by the Court Administrator in accordance with the provisions of NRS 1.510 and regulations adopted pursuant thereto; or NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

**(2) Approved in writing by the Division.**

**(b) Accompanied by a certificate issued by the interpreter.**

During the previous examination, the licensee did not provide a copy of the Certified Court Interpreter in the State of Nevada. During the current examination the licensee was able to provide a copy of the Certified Court Interpreter for the State of Nevada. Therefore, this violation is deemed rectified.

**NAC 604A.200 Maintenance of books and records.**

**1. Except as otherwise provided in NRS 604A.700, a licensee shall maintain for at least 3 years the original or a copy of each account, book, paper, written or electronic record or other document that concerns each loan or other transaction involving a customer in this State.**

**2. Except as otherwise provided in NRS 604A.620, those records must be maintained at a place of business in this State designated by the licensee.**

During the previous examination, the licensee was unable to provide all the records requested by the examiner in charge. During the current examination the licensee was able to provide all the records requested. Therefore, this violation is deemed rectified.

**NRS 604A.410 Written loan agreement required; contents.**

**1. Before making any loan to a customer, a licensee shall provide to the customer a written loan agreement which may be kept by the customer and which must be written in:**

**(a) English, if the transaction is conducted in English; or**

**(b) Spanish, if the transaction is conducted in Spanish.**

During the previous examination the licensee was found to be using loan agreement written in English and receipts written in Spanish. During the current examination there was no evidence of such. Therefore, this violation is deemed rectified.



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## EXAMINATION COMMENTS AND CONCLUSIONS

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### **NRS 604A.475 Repayment plan**

**2. If the licensee intends to commence any civil action or process of alternative dispute resolution or repossess a vehicle in an effort to collect a defaulted loan, the licensee shall deliver to the customer, not later than 15 days after the date of default, or not later than 5 days after a check is not paid upon presentment or an electronic transfer of money fails, whichever is later, written notice of the opportunity to enter into a repayment plan. The written notice must:**

**(a) Be in English, if the initial transaction was conducted in English, or in Spanish, if the initial transaction was conducted in Spanish.**

During the previous examination the licensee had a repayment plan offer in English and the receipt was issued in Spanish. During the current examination, there was no evidence that the repayment plans and the receipts were done in separate languages. Therefore, this violation is deemed rectified.

### **NRS 604A.150 Additional terms defined under federal law; calculation of amount financed, annual percentage rate and finance charge.**

**2. For the purposes of this chapter, proper calculation of the amount financed, annual percentage rate and finance charge for a loan must be made in accordance with the Truth in Lending Act and Regulation Z.**

During the previous examination the licensee was found understating the APR. During the current examination there was no evidence of such. Therefore, the violation is deemed rectified.

### **EXIT MEETING**

The exit meeting was held telephonically on December 18, 2014. The licensee was represented by Carrie E. Carbone, SVP of Compliance and Product General Counsel, Victoria Newman, Compliance and Corporate Counsel, Sarah C. Poff, Director of Compliance. The Financial Institutions Division was represented by Christian Yanez, Examiner in charge, Harveen Sekhon, Supervisory Examiner, Christopher Eccles, Attorney, Andrea Bruce, Examiner.





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## EXAMINATION COMMENTS AND CONCLUSIONS

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### CURRENT VIOLATIONS OF APPLICABLE STATUTES AND REGULATIONS

#### STATE

##### REPEAT VIOLATION

**NRS 604A.450 Title loans: Prohibited acts by licensee regarding amount of loan and customer's ability to repay loan. A licensee who makes title loans shall not:**

- 2. Make a title loan without regard to the ability of the customer seeking the title loan to repay the title loan, including the customer's current and expected income, obligations and employment.**

The title loans itemized below were underwritten in excess of the customer's disclosed income and obligations, therefore, there was no regard given to the customer's ability to repay the loan:

No Regard to Customer's Ability to Repay the Title Loan						
Borrower's Name	Loan Number	Term	Stated Income	Stated Obligations	Total Amount of Loan(s)	Amount Over
Juan Adame Ramirez	70369-0066195	30 day	\$2,000.00	\$1,000.00	\$1,188.61	\$188.61
Olivia James	70369-0095136	30 day	\$1,300.00	\$800.00	\$731.54	\$231.54
Tesker Jones	70369-0096683	30 day	\$2,400.00	\$2000.00	\$554.55	\$154.55

*Management's response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.*

##### REPEAT VIOLATION

**NAC 604A.230 Prohibited acts: Miscellaneous acts.**

- 1. A licensee shall not:**

**(a) Require or accept a guarantor to a transaction entered into with a customer.**

**NRS 604A.105 "Title loan" defined.**

- 1. "Title loan" means a loan made to a customer pursuant to a loan agreement which, under its original terms**

**(b) Requires the customer to secure the loan by either:**

- (1) Giving possession of the title to a vehicle legally owned by the customer to the licensee or any agent, affiliate or subsidiary of the licensee.**



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## EXAMINATION COMMENTS AND CONCLUSIONS

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**NRS 604A.115** “Title to a vehicle” or “title” defined. “Title to a vehicle” or “title” means a certificate of title or ownership issued pursuant to the laws of this State that identifies the legal owner of a vehicle or any similar document issued pursuant to the laws of another jurisdiction.

During the current examination, the licensee provided a policy which states the following:

*“The primary borrower must be on the title; however if there is a co-borrower (on the title or not), he must sign the Application and Contract.”*

During the stores visits, the examiner in charge found several files where the co-borrower was not in the vehicle title. In some instances the co-borrower had a different address and different last name.

***Management’s response: Ms. Sarah C. Poff, Director of Compliance, stated that a response will be sent to the Financial Institution Division once the report of examination is received.***

**NRS 604A.445** Title loans: Restrictions on duration of loan and periods of extension.

**Notwithstanding any other provision of this chapter to the contrary:**

**3. The original term of a title loan may be up to 210 days if:**

- (a) The loan provides for payments in installments;**
- (b) The payments are calculated to ratably and fully amortize the entire amount of principal and interest payable on the loan;**
- (c) The loan is not subject to any extension; and**
- (d) The loan does not require a balloon payment of any kind.**

**NRS 604A.210** Chapter does not prohibit licensee from offering customer grace period. The provisions of this chapter do not prohibit a licensee from offering a customer a grace period on the repayment of a loan or an extension of a loan, except that the licensee shall not charge the customer:

- 1. Any fees for granting such a grace period; or**
- 2. Any additional fees or additional interest on the outstanding loan during such a grace period.**

Since the previous examination, Titlemax implemented a 210 day title loan product that mirrored NRS 604A.445 (3). The current examination showed that Titlemax’s original loan agreement complies with NRS 604A.445(3). The examination also showed that Titlemax markets and offers an amendment to the original loan agreement that violates NRS 604A.445 (3) and NRS 604A.210.

Onsite visits to Titlemax locations and conversations with store employees showed that Titlemax routinely offers an amendment to the original loan agreement called the “Grace Period Payments Deferment Agreement” (hereinafter, the “Amended Agreement”).

Regarding the marketing of the Amended Agreement by store employees, onsite store visits showed that employees routinely encourage customers to enter into the Amended Agreement. The employees are



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## EXAMINATION COMMENTS AND CONCLUSIONS

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trained to encourage customers to participate in the Amended Agreement as soon as the original agreement is issued, and not wait until the loan is in default status. Pre-printed amended agreements were found in customers' files during the onsite store visits.

Moreover, management issued the below marketing statement with the instruction that employees should encourage customers to enter into the Amended Agreement. The marketing statement provides:

"Your contract states that you have 7 payments of <Amortized Loan Payments> which are for every 30 days starting on < Due Date>. By making this payment on time, your loan will be paid in full when you make the final payment. However, for your convenience, you can also make a minimum payment of <Minimum Payment to Extend> during this time. Any principal left at the end of the term will be placed on a 0% payment plan for an additional seven months. Do you have any questions?"

The marketing statement emphasizes lower payments. But, in fact, under the Amended Agreement, the total amount owed by the customer is **more** than the total amount owed under the original loan agreement, as further detailed below.

The text of the Amended Agreement provides:

"Because this is only an amendment and modification of the loan agreement in which we are only modifying and deferring your payments under the Title Loan Agreement, you acknowledge and agree that all of the terms and conditions of the Title Loan Agreement, including the charging of simple interest and waiver of jury trial and arbitration provision remain in full force and effect."

This statement shows an intent to avoid compliance with NRS 604A.445(3).

Under the original loan agreement the customer makes seven fully amortized payments (210 days) to pay the loan off without a balloon payment at the end, thereby complying with all provisions of NRS 604A.445(3). But, under the Amended Agreement, the customer makes 14 payments (390 days), the first seven payments are only interest and last seven payments are principal. Thus, Amended Agreement separates interest and principal from the original amortized schedule of payments, and thereby prolongs the payment of principal until the full interest is paid.

For an example of how customers owe more under the Amended Agreement compared to the original agreement, please see below:

