

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 11:32 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 55 of 75

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<b>DOCUMENT</b>	<b>VOL.</b>	<b>BATES NO.</b>
Petition for Judicial Review, September 8, 2016	1	000001 - 000023
Notice of Intent to Participate, September 19, 2016	1	000024 - 000026
Summons, September 20, 2016	1	000027 - 000030
Appendix to Exhibits to Motion for Partial Stay, September 29, 2016	1	000031 - 000183
Declaration of Patrick Reilly In Support of Motion, September 29, 2016	1	000184 - 000187
Motion for Partial Stay of Administrative Order, September 29, 2016	1	000188 - 000218
Declaration of Rickisha Hightower-Singletary, October 3, 2016	1	000219 - 000222
Motion to Vacate Order Shortening Time, October 3, 2016	2	000223 - 000295
Opposition to Motion for Partial Stay, October 5, 2016	2 - 4	000296 - 000704
Reply Memorandum in Support of Motion for Partial Stay, October 10, 2016	4	000705 - 000790
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 Filing Administrative Record, October 31, 2016	73	017090 - 017098
Errata to Opposition to Motion for Partial Stay, November 3, 2016	73	017099 - 017104
Order Granting Motion for Partial Stay of Administrative Order, November 22, 2016	73	017105 - 017108
Notice of Entry of Order Granting Motion for Partial Stay of Administrative Order, November 23, 2016	73	017109 - 017115
Memorandum of Points and Authorities in Support of Petition for Judicial Review, December 15, 2016	73	017116 - 017175
Notice of Entry of Stipulation and Order to Extend Time for Filing Answering Brief, December 20, 2016	73	017176 - 017183
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Respondent's Answering Brief, February 6, 2017	73	017188 - 017214
Reply in Support of Memorandum of Points and Authorities in Support of Petition for Judicial Review, March 6, 2017	73	017215 - 017243
Request for Hearing, March 17, 2017	73	017244 - 017246
Supplemental Authorities, March 24, 2017	73	017247 - 017260
Errata to Opposition to Motion to Extend Partial Stay, April 4, 2017	73	017261 - 017264

<b>DOCUMENT</b>	<b>VOL.</b>	<b>BATES NO.</b>
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Opposition to Supplemental Authorities, April 5, 2017	73	017277 - 017287
Renewed Motion to Extend Partial Stay, April 21, 2017	73	017288 - 017300
Opposition to Renewed Motion to Extend Partial Stay, May 5, 2017	73	017301 - 017321
Reply in Support of Renewed Motion to Extend Partial Stay, May 11, 2017	73	017322 - 017332
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Order Regarding Hearing and Briefing Schedule, May 30, 2017	74	017355 - 017357
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Declaration of Stephen Michael Paris Regarding Information Fields, May 31, 2017	74	017362 - 017365
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Notice of Entry of Order Regarding Hearing and Briefing Schedule, June 1, 2017	74	017370 - 017375

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Notice of Entry of Order Granting Motion to Extend Partial Stay, June 1, 2017	74	017373 - 017382
Supplement to Supplemental Authorities, June 16, 2017	74	017383 - 017398
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Notice of Entry of Order Reversing ALJ, September 22, 2017	74	017404 - 017428
Motion for Supplemental Relief, October 2, 2017	74	017429 - 017436
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Stipulation and Order to Change Hearing Date for Motion for Supplemental Relief, October 31, 2017	74	017492 - 017494
Notice of Entry of Stipulation and Order to Change Hearing Date for Motion for Supplemental Relief, October 31, 2017	74	017495 - 017501
Reply in Support of Motion for Supplemental Relief, November 7, 2017	74	017507 - 017522
Recorder's Transcript of August 3, 2017 Proceedings, December 11, 2017	74, 75	017523 – 017587

<b>DOCUMENT</b>	<b>VOL.</b>	<b>BATES NO.</b>
Order Granting in Part and Denying in Part Motion for Supplemental Relief, January 10, 2018	75	017588 - 017591
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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## 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
70369-0116773	\$4,460.31	\$5,473.25	\$1,012.94
70369-0116350	\$3,925.05	\$4,816.46	\$891.41
70369-0114511	\$5,579.52	\$6,824.16	\$1,244.64
70369-0121511	\$918.03	\$1,129.65	\$211.62

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 - 23**



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**  
**4650-C E. SUNSET RD**  
**HENDERSON NV 89014**  
**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>	65330

**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 012806** 08890  
**ROA 011512**

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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 012807 08891  
ROA 011513

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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 4650-C E. Sunset Rd Henderson, NV 89014 commenced on August 11, 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	387	10	2.58%
Delinquent Loans	107	6	5.61%
Closed Loans	30	4	13.33%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>527</b>	<b>23</b>	<b>4.36%</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
Linda Runnells	11669-0083611	30 days	\$2,500.00	\$1,200.00	\$2,343.00	\$1,043.00
William Bonales	11669-0085025	30 days	\$3,500.00	\$2,000.00	\$3,472.70	\$1,972.70
Cory Maddox	11669-0054764	30 days	\$1,963.00	\$1,200.00	\$2,282.40	\$1,519.40
Cory Mader	11669-0062893	30 days	\$1,100.00	\$790.00	\$489.43	\$179.43
Naomi MacAndog	11669-0054496	30 days	\$1,950.00	\$1,200.00	\$3,321.70	\$2,571.70
Eric Simcox	11669-0065408	30 days	\$3,000.00	\$900.00	\$3,427.70	\$1,327.70

*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**



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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
11669-0118066	\$11,527.67	\$13,628.40	\$2,100.73
11669-0116531	\$2,176.60	\$2,670.96	\$494.36
11669-0118801	\$3,500.21	\$4,281.00	\$780.79
11669-0117525	\$5,059.70	\$6,188.37	\$1,128.67
11669-0119797	\$1,138.33	\$1,400.78	\$262.45

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 - 24**



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**  
**4700 SPRING MOUNTAIN RD**  
**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>	65333

**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 012820** 08903  
**ROA 011526**

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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 012821 08904  
ROA 011527

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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 4700 Spring Mountain Rd., 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	83	10	12.05%
Delinquent Loans	78	4	5.13%
Closed Loans	10	4	40.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>205</b>	<b>20</b>	<b>9.76%</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
Felipe Gonzalez	13169-0109719	30 day	\$2,500.00	\$330.00	\$3,412.30	\$1242.30
Elvira Maqueda	13169-0079204	30 day	\$1,500.00	\$900.00	\$839.02	\$239.02
Shawn Presley	13169-0100732	30 day	\$3,000.00	\$1,000.00	\$2,922.95	\$922.95

*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
13169-0117944	\$2,633.82	\$3,221.35	\$587.53
13169-0119806	\$6,133.35	\$7,357.20	\$1,223.85
13169-0117477	\$8,345.88	\$9,943.48	\$1,597.60

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 - 25**



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**  
**4741 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>	65335

**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 012834** 08916  
**ROA 011540**

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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 012835 08917  
ROA 011541

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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 4741 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
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	216	11	5.09%
Delinquent Loans	117	5	4.27%
Closed Loans	22	5	22.73%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>356</b>	<b>22</b>	<b>6.18%</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
Jordan Urdre	13669-0103034	30 day	\$1,600.00	\$1,200.00	\$2,319.80	\$1,919.80
Duvis Nolasco	13669-0103901	30 day	\$480.00	\$200.00	\$967.52	\$687.52
Noe Leon	13669-0094150	30 day	\$1,900.00	\$600.00	\$2,012.23	\$712.23
David Okamoto	13669-0117883	30 day	\$2,700.00	\$1,600.00	\$2,092.82	\$992.82
Juan Molina	13669-0085896	30 day	\$1,445.90	\$900.00	\$1,085.51	\$540.51

*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:**

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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**



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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
13669-0119885	\$1,297.48	\$1,565.64	\$268.16
13669-0115310	\$6,527.41	\$7,917.20	\$1,389.79
13669-0117951	\$7,454.83	\$8,881.90	\$1,427.07

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 - 26**



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**  
**4749 S. MARYLAND PKWY**  
**LAS VEGAS NV 89119**  
**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>	65332

**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 012848** 08929  
**ROA 011554**

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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 012849 08930  
ROA 011555

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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 4749 S. Maryland Pkwy., Las Vegas, NV 89119 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).

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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.

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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.

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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	151	10	6.62%
Delinquent Loans	54	6	11.11%
Closed Loans	22	4	18.18%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>230</b>	<b>23</b>	<b>10.00%</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

##### 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
Robert Ravdel	12969-0110805	30 day	\$3,500.00	\$2,000.00	\$5,279.52	\$3,779.52

*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
12969-0117847	\$14,850.26	\$17,693.00	\$2,842.74
12969-0119790	\$3,500.21	\$4,281.00	\$780.79
12969-0118956	\$8,939.87	\$10,651.20	\$1,711.33
12969-0117949	\$1,582.29	\$1,909.30	\$327.01

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 - 27**



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**  
**4750 W. LAKE MEAD BLVD. STE 102**  
**LAS VEGAS, NV 89108**  
**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>	65337

**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 012862** 08942  
**ROA 011568**

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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 012863** 08943  
ROA 011569

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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 4750 W. lake Mead Blvd., Ste 102 Las Vegas, NV 89108 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	585	10	1.71%
Delinquent Loans	172	5	2.91%
Closed Loans	24	5	20.83%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>784</b>	<b>23</b>	<b>2.93%</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
Vincent Flores	12169-0081269	30 day	\$1,020.00	\$600.00	\$605.96	\$185.96
Terina Anderson	12169-0103938	30 day	\$2,400.00	\$1,475.00	\$1,193.30	\$268.30
Angela Lechuga	12169-0087141	30 day	\$1,800.00	\$800.00	\$1,159.90	\$159.90
Chanel Bryant	12169-0057819	30 day	\$1,971.86	\$1,130.00	\$1,485.64	\$643.78

*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
12169-0118892	\$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 - 28**



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**  
**4811 WEST CRAIG RD.**  
**LAS VEGAS, NV 89130**  
**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>	65294

**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 012876** 08955  
**ROA 011582**

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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 012877 08956  
ROA 011583

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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 4811 West Craig Rd., Las Vegas, NV 89130 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	613	10	1.63%
Delinquent Loans	294	5	1.70%
Closed Loans	35	5	14.29%
Declined Loans	2	1	50.00%
<b>Total Loans =</b>	<b>944</b>	<b>21</b>	<b>2.22%</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
Melody Bryant	10769-0083714	30 day	\$600.00	\$200.00	\$825.93	\$425.93
Hector Gallardo	10769-0079504	30 day	\$1,900.00	\$1,200.00	\$1,146.40	\$446.40
Tony Miller	10769-0106248	30 day	\$3,000.00	\$2,300.00	\$4,399.60	\$3,699.60
Ariel Nuel	10769-0071746	30 day	\$700.00	\$400.00	\$1,130.34	\$830.34

*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.*

### 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 - 29**



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**  
**4944 BOULDER HWY**  
**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>	65301

**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 012888** 08966  
**ROA 011594**

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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 012889 08967  
ROA 011595

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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 4944 Boulder Hwy., 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	416	9	2.16%
Delinquent Loans	104	6	5.77%
Closed Loans	20	4	20.00%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>541</b>	<b>20</b>	<b>3.70%</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
Maria Turner	12369-0062180	30 day	\$950.00	\$250.00	\$1747.95	\$1,047.95
Martha Merjil	12369-0063609	30 day	\$2,139.00	\$500.00	\$2,199.80	\$560.80
Martha Tovar	12369-0062472	30 day	\$2,100.00	\$1,000.00	\$2,199.80	\$1,099.80
Glenn Vergith	12369-0083885	30 day	\$2,400.00	\$2,100.00	\$436.56	\$136.56

*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
12369-0118904	\$4,514.76	\$5,337.53	\$822.77



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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 - 30**



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**  
**5060 S. FORT APACHE RD. STE. 140**  
**LAS VEGAS, NV 89148**  
**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>	64673

**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 012902** 08979  
**ROA 011608**

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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 012903** 08980  
ROA 011609

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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 5060 S. Fort Apache Rd., Ste. 140 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

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#### Internal / External Review

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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 31, 2014
-----------------	-----------------

	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	41	10	24.39%
Delinquent Loans	30	5	16.67%
Closed Loans	10	4	40.00%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>82</b>	<b>20</b>	<b>24.39%</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
Dawn Rierson	13869-0098157	30 day	\$1,200.00	\$800.00	\$2,282.40	\$1,882.40
Edward Chan	13869-0116090	210 day	\$2,000.00	\$500.00	*\$2,053.36	\$553.36

\* Amount off installment payment

*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
13869-0114073	\$4,476.94	\$5,246.29	\$769.35



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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 - 31**



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**  
**6436 N. DECATUR BLVD. STE 115**  
**LAS VEGAS, NV 89131**  
**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>	65314

**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 012916** 08992  
**ROA 011622**

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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 012917 08993  
ROA 011623

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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 6436 N. Decatur Blvd., Ste. 115 Las Vegas, NV 89131 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	348	10	2.87%
Delinquent Loans	54	4	7.41%
Closed Loans	14	5	35.71%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>417</b>	<b>20</b>	<b>4.80%</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
Andy Tsao	11369-0060970	30 day	\$1,784.00	\$500.00	\$5,532.50	\$4,248.50
Bryan Lagrow	11369-0049159	30 day	\$4,500.00	\$1,800.00	\$2,734.36	\$34.36
Anita Ealy	11369-0061828	30 day	\$1,102.37	\$0.00	\$8,821.20	\$7,718.83
Barbara Szydlo-mcgee	11369-0055605	30 day	\$5,000.00	\$3,000.00	\$5,521.50	\$3,521.50
Tiffany Young	11369-0106676	30 day	\$2,500.00	\$1,200.00	\$1,333.69	\$33.69
Jeanne Hamburg	11369-0116061	30 day	\$4,588.00	\$1,350.00	\$3,351.90	\$113.90
Stephen Ruck	11369-0100726	30 day	\$4,583.00	\$2,000.00	\$3,321.70	\$738.70

***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.***



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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
11369-0117263	\$2,890.26	\$3,546.68	\$656.42
11369-0117263	\$1,505.50	\$1,852.64	\$347.14
11369-0115620	\$5,079.66	\$6,188.83	\$1,109.17
11369-0117680	\$574.94	\$679.72	\$104.78

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.



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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 - 32**



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**  
**6450 W. LAKE MEAD BLVD STE. 150**  
**LAS VEGAS, 89106**  
**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>	65316

**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 012931** 09006  
**ROA 011637**

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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 012932 09007  
ROA 011638

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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 6450 W. Lake Mead Blvd. Ste. 150., Las Vegas, NV 89106 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	664	10	1.51%
Delinquent Loans	51	5	9.80%
Closed Loans	10	5	50.00%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>726</b>	<b>21</b>	<b>2.89%</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
Yvonne Quinn	10069-0095482	30 day	\$5,322.00	\$3,600.00	\$3472.70	\$1,750.70
Barba Vanallara	10069-0098970	30 day	\$2,678.00	\$800.00	\$1,885.84	\$7.84
Joseph Glaser	10069-0093425	30 day	\$1,754.50	\$700.00	\$1,193.30	\$138.80
Clay Stampley	10069-0074080	30 day	\$1,700.00	\$1,200.00	\$1,188.61	\$688.61

*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
10069-0110759	\$1,819.80	\$2,233.10	\$413.30
10069-0111573	\$954.74	\$1,174.85	\$220.11
10069-0112535	\$4,484.79	\$5,343.30	\$858.51
10069-0115237	\$7,543.99	\$8,918.73	\$1,374.74
10069-0117623	\$2,889.12	\$3,415.60	\$526.48
10069-0117977	\$7,870.63	\$9,377.29	\$1,506.66
10069-0119501	\$4,366.58	\$5,340.65	\$974.07
10069-0112498	\$1,321.92	\$1,626.71	\$304.79
10069-0118853	\$1,247.61	\$1,525.91	\$278.30

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.



STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
FINANCIAL INSTITUTIONS DIVISION

REPORT OF EXAMINATION

APP 012943 09018  
ROA 011649

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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 - 33**



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**  
**6525 S. FORT APACHE RD. STE. 110**  
**LAS VEGAS, NV 89148**  
**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>	65303

**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 012946** 09020  
**ROA 011652**

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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 012947 09021  
ROA 011653

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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 6525 S. Fort Apache Rd Ste 110., Las Vegas, NV 89148 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	347	10	2.88%
Delinquent Loans	132	5	3.79%
Closed Loans	10	5	50.00%
Declined Loans	2	1	50.00%
<b>Total Loans =</b>	<b>491</b>	<b>21</b>	<b>4.28%</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
Jonathan Medina	11469-0110532	30 day	\$764.00	\$0.00	\$1,129.90	\$365.90

*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
11469-0116184	\$3,164.55	\$3,818.60	\$654.05
11469-0118965	\$1,819.80	\$2,233.10	\$413.30
11469-0110714	\$9,682.37	\$11,535.85	\$1,853.48
11469-0116006	\$2,156.04	\$2,548.95	\$392.91
11469-0119264	\$367.21	\$451.86	\$84.65
11469-0117999	\$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 - 34**



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**  
**6530 S. DECATUR BLVD STE. 100**  
**LAS VEGAS, NV 89118**  
**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>	65323

**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 012960** 09033  
**ROA 011666**

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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 012961 09034  
ROA 011667

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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 6530 S. Decatur Blvd., Ste. 100 Las Vegas, NV 89118 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 13, 2014
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	287	7	2.44%
Delinquent Loans	104	4	3.85%
Closed Loans	22	5	22.73%
Declined Loans	1	1	100.00%
<b>Total Loans =</b>	<b>414</b>	<b>17</b>	<b>4.11%</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
Lee Villalun	11269-0072964	30 day	\$1,100.00	\$350.00	\$873.98	\$123.98
Davis Freitas	11269-0103775	30 day	\$2,764.00	\$800.00	\$3,472.70	\$1,508.70

*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:**

- (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
11269-0111357	\$3,500.21	\$4,281.00	\$780.79
11269-0118690	\$954.74	\$1,174.85	\$220.11
11269-0119197	\$3,153.67	\$3,857.14	\$703.47
11269-0119826	\$3,247.09	\$3,984.54	\$737.45

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 - 35**



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**  
**6795 W. TROPICANA AVE. STE. 140**  
**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>	65296

**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 012974** 09046  
**ROA 011680**

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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 012975 09047  
ROA 011681

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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 6795 W. Tropicana Ave., Ste. 140 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	50	10	20.00%
Delinquent Loans	17	5	29.41%
Closed Loans	12	4	33.33%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>81</b>	<b>21</b>	<b>25.93%</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
Maria Alcaraz	13969-0103034	30 day	\$1,300.00	\$700.00	\$804.93	\$204.93
Fanny Butler	13969-0110789	30 day	\$2,200.00	\$1,300.00	\$1,732.65	\$832.65
Jesus Fagre	13969-0107005	30 day	\$2,600.00	\$800.00	\$2,771.75	\$971.75
Carmela Dadivas	13969-0108680	30 day	\$1,600.00	\$800.00	\$3,412.30	\$2,612.30
Nikkia Mullins	13696-0101670	30 day	\$800.00	\$470.00	\$2,441.78	\$2,111.78
Susan Carlson	13969-0082236	30 day	\$200.00	\$0.00	\$349.59	\$149.59
Lisa Akana	13969-0098457	30 Day	\$1,600.00	\$800.00	\$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**



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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
13969-0115012	\$2,903.50	\$3,432.60	\$529.10
13696-0112704	\$4,340.85	\$5,131.90	\$791.05

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 - 36**



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**  
**6820 W. FLAMINGO RD. STE F & G**  
**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>	65325

**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 012988** 09059  
**ROA 011694**

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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 012989** 09060  
ROA 011695

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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 6820 W. Flamingo Rd. Ste. F & G., 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 16, 2013
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	Population	Sample Size	Penetration
<b>LOAN TYPES:</b>			
Active Loans	402	11	2.74%
Delinquent Loans	92	5	5.43%
Closed Loans	10	5	50.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>506</b>	<b>23</b>	<b>4.55%</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
Cindy Cabrera	10869-0115241	120 day	\$1,884.00	\$1,300.00	\$744.89	\$160.89
Susan Pineda	10869-0088033	30 day	\$2,000.00	\$500.00	\$5,599.50	\$4,099.50
David Martinez	10869-0102564	30 day	\$1,400.00	\$700.00	\$1,193.30	\$493.30

*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.***

### 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 - 37**



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**  
**7150 S. DURANGO DR. STE. 190**  
**LAS VEGAS, NV 89113**  
**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>	65308

**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 013000** 09070  
**ROA 011706**

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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 013001 09071  
ROA 011707

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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 7150 S. Durango Dr. Ste 190., Las Vegas, NV 89113 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	178	10	5.62%
Delinquent Loans	63	5	7.94%
Closed Loans	10	5	50.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>253</b>	<b>22</b>	<b>8.70%</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
Patsy Bravo	10269-0110492	30 day	\$4,202.00	\$1,201.00	\$5,521.50	\$2,520.60
Brenda Similton	10269-0099149	30 day	\$2,000.00	\$1,500.00	\$3,299.70	\$2,799.70
Nicholas Botts	10269-0087417	30 day	\$2,500.00	\$1,000.00	\$2,302.60	\$802.60

*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
10269-0114488	\$3,196.22	\$3,856.80	\$660.58
10269-0115965	\$13,903.62	\$16,292.93	\$2,389.31
10269-0116688	\$2,355.05	\$2,889.89	\$534.84

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 - 38**



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**  
**7380 S. EASTERN AVE. STE. 126**  
**LAS VEGAS, NV 89123**  
**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>	65304

**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 013014** 09083  
**ROA 011720**

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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 013015 09084  
ROA 011721

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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 7380 S. Eastern Ave., Ste. 126 Las Vegas, NV 89123 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	364	11	3.02%
Delinquent Loans	53	5	9.43%
Closed Loans	25	5	20.00%
Declined Loans	3	3	100.00%
<b>Total Loans =</b>	<b>445</b>	<b>24</b>	<b>5.39%</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
Jody Hoffman	11069-0081102	30 day	\$3,500.00	\$2,100.00	\$1,771.26	\$371.26
Maria Gomez	11069-0109621	30 day	\$6,000.00	\$2,200.00	\$7,721.30	\$3,921.30
Virgen Reyes	11069-0119220	30 day	\$3,300.00	\$1,400.00	\$2,758.56	\$858.56

*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
11069-0115574	\$1,819.80	\$2,233.10	\$413.30
11069-0115138	\$2,283.64	\$2,802.29	\$518.65
11069-0113547	\$1,212.92	\$1,483.51	\$270.59

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 - 39**



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**  
**7615 S. RAINBOW BLVD. STE. 100**  
**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 06, 2014	<b>Examination Closed:</b>	December 18, 2014
<b>Total Exam Hours:</b>	11.00	<b>Examination Number:</b>	65307

**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 013028** 09096  
**ROA 011734**

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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 013029 09097  
ROA 011735

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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 7615 S. Rainbow Blvd., Ste. 100 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.

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## EXAMINATION COMMENTS AND CONCLUSIONS

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

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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.

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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.



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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	224	10	4.46%
Delinquent Loans	104	5	4.81%
Closed Loans	14	5	35.71%
Declined Loans	4	4	100.00%
<b>Total Loans =</b>	<b>346</b>	<b>24</b>	<b>6.94%</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
Roy Kimble	10369-0104168	30 day	\$2,400.00	\$1,695.00	\$1,462.38	\$757.38
William Sigafoos	10369-0104533	30 day	\$2,028.00	\$700.00	\$1,747.52	\$419.52
Christos Alafoyiannis	10369-0100290	30 day	\$3,500.00	\$1,500.00	\$2,922.95	\$922.95
Sonji McTear	10369-0095355	30 day	\$2,900.00	\$1,275.00	\$1,871.84	\$246.84
Kristi Lebeouf	10369-0102952	30 day	\$2,112.00	\$300.00	\$3,472.70	\$1,660.70
Janice Meadows	10369-0067030	30 day	\$1,320.00	\$290.00	\$2,315.73	\$1,285.73

*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.**



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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
10369-0119687	\$2,711.85	\$3,327.75	\$2,005.69
10369-0116024	\$10,424.89	\$12,420.50	\$1,995.61
10369-0119862	\$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 - 40**



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**  
**8414 W. FARM RD, STE. 130**  
**LAS VEGAS, NV 89131**  
**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>	65318

**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 013042** 09109  
**ROA 011748**

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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 013043 09110  
ROA 011749

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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 8414 W. Farm Rd., Ste. 130 Las Vegas, NV 89131 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	267	8	3.00%
Delinquent Loans	65	5	7.69%
Closed Loans	15	3	20.00%
Declined Loans	2	2	100.00%
<b>Total Loans =</b>	<b>349</b>	<b>18</b>	<b>5.16%</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.

