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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of:) CFL LICENSE NOS. 603L127 and 60DBO-
) 82389
THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
) ACCUSATION TO REVOKE CALIFORNIA
Complainant,) FINANCE LENDER LICENSE PURSUANT
v.) TO FINANCIAL CODE § 22714(A)
)
CLEAR CHOICE LENDING, LLC, dba)
QUICK TITLE LOANS and EXZ CAR TITLE,)
a Limited Liability Company,)
)
Respondent.)

Complainant, the Commissioner of Financial Protection and Innovation (Commissioner) is informed and believes, and based upon such information and belief, alleges and charges Respondent as follows:

I.

Introduction

1. The Commissioner has jurisdiction over the licensing and regulation of persons and entities engaged in the business of a finance lender or broker under the California Financing Law (CFL) (Fin. Code § 22000 et. seq).¹

¹ All further references are to the Financial Code unless otherwise indicated.

2. Clear Choice Lending, LLC, dba Quick Title Loans and EXZ Car Title (Clear Choice) is a limited liability company with its principal place of business located at 3071 Firestone Boulevard, South Gate, California 90280. Clear Choice was issued a finance lender license on April 21, 2014, with the license number 603L127. Clear Choice maintains one licensed branch location at 1418 E. Pacific Coast Highway, Wilmington California 90744. A finance lender license with the license number 60DBO-82389 was issued for that branch location on March 30, 2018.

3. George Calcote is, and was, at all relevant times, the founder and owner of Clear Choice.

4. On December 8, 2021, the Commissioner commenced a regulatory examination of Clear Choice's books and records. The examination showed that Clear Choice conducted business as a finance lender in violation of the CFL, as described below.

II.

2021 Regulatory Examination

A. Clear Choice Understated Annual Percentage Rates in its Loan Transactions.

5. The examination disclosed that Clear Choice understated the Annual Percentage Rate (APR) and finance charges in its loan transactions, in violation of sections 22337, 22346, and in violation of 12 Code of Federal Regulations part 1026.18 (1968) (C.F.R.). The chart below identifies the pertinent information for some of the loans in which Clear Choice understated the APR:

Loan No.	Borrower	APR	APR upon Review	APR Understated	Finance Charge	Correct Financial Charge	Financial Charge understated
T-2983	V.	36.25%	47.66	(11.41%)	\$2,112.12	\$2,862.12	(\$750.00)
T-3095	N.	36.08%	42.59%	(6.51%)	\$4,925.28	\$5,925.36	(\$1,000.08)
T-2737W	S.	110.33%	110.80%	(0.47%)	\$9,860.15	\$10,245.54	(\$385.39)
T-3194	L.	93.29%	98.53%	(5.24%)	\$29,041.00	\$31,041.16	(\$2,000.16)
T-3009	Z.	36.25%	46.40%	(10.15%)	\$866.04	\$1,055.04	(\$189.00)

6. The Commissioner requested that Clear Choice refund the borrowers the difference between the actual amounts charged versus the understated APR and finance charge amounts stated in the loan agreements. Clear Choice was directed to conduct a companywide review of all open and paid-off loans originated after September 1, 2018, to identify similar overcharges that would need to be refunded. In response, Clear Choice identified 1,750 loans that had excess administrative fee charges. The company stated it was in the process of issuing the necessary refunds or credits to the borrowers. However, Clear Choice did not provide any evidence to the Commissioner confirming that refunds had been issued.

B. Clear Choice Charged Borrowers Excess Interest Rates.

7. The examination found that the following loan was charged a rate exceeding the maximum allowed of 36 percent per annum plus the Federal Funds Rate for loans under \$10,000, in violation of section 22304.5:

Loan No.	Borrower	Loan Date	Amount Financed	APR Disclosed	APR Per Exam	Maximum APR Allowed
T-2983	V.	04/03/20	\$5,025	36.25%	47.66%	36.65%

8. Additionally, the APR and finance charges were understated in the loan disclosures, in violation of section 22346 and 12 C.F.R. § 1026.18 (1968). This understatement occurred because Clear Choice failed to reflect the correct administrative fee in the total finance charges.

9. The Commissioner directed Clear Choice to conduct a company-wide review of all open loans and loans that were paid off after January 1, 2020, to identify all affected borrowers and issue the necessary refunds.

10. In response to the Commissioner's request, Clear Choice stated it had stopped making loans under \$10,000 and provided a report identifying 421 consumer loans that were issued on or after January 1, 2020, for amounts under \$10,000. Clear Choice also stated that it was in the process of issuing refunds to borrowers. However, it did not provide any evidence showing that refunds had been issued to borrowers.

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C. Clear Choice Failed to Disclose the Correct Annualized Rate to Borrowers.

11. The examination found that, for the following commercial loans, the annualized rate of charge and/or the total cost of financing (finance charge) disclosed in the loan agreements were understated, in violation of section 22161.

Loan No.	Borrower	Annualized Rate Disclosed	Annualized Rate per Exam	Annualized Rate Understated	Total Cost of Financing Disclosed	Correct Total Cost of Financing	Total Cost of Financing Understated
T-3175	C.	107.50%	107.99%	(0.49%)	\$19,068.21	\$19,820.47	(\$752.26)
T-3212	D.	120.73%	120.73%	-	\$19,448.60	\$19,448.60	(40)

12. The Commissioner instructed Clear Choice to refund the difference between the annualized rate of charge Clear Choice disclosed in its loan agreement and the understated amount noted in the examination to all identified commercial loans. Additionally, Clear Choice was directed to review all open and paid-off commercial loans initiated after September 1, 2018, to identify and issue refunds to borrowers with similar understated charges. Clear Choice identified 145 commercial loans with understated charges and indicated that refunds or credits to borrowers were being processed. However, Clear Choice did not produce any evidence showing it had issued refunds to the affected borrowers.

D. Clear Choice Charged Borrowers Excess Non-Sufficient Funds Fee.

13. The examination disclosed that Clear Choice's loan agreements required borrowers to pay a return payment fee of \$35, which exceeds the maximum allowed for consumer loans pursuant to section 22320. The Commissioner directed Clear Choice to perform a company-wide review of all open loans and paid-off loans issued after September 1, 2018, and refund all applicable overcharges.

Examples are shown below:

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Loan No.	Borrower	Loan Date
T-3200	R.	07/29/2021
T-3207	C.	08/09/2021

14. Clear Choice identified 11 consumer loans that were charged excess return payment fees and as such, were due an estimated refund or credit of \$335 in total. Clear Choice stated it was processing borrower refunds and/or credits but failed to provide evidence showing that the refunds were issued.

E. Clear Choice Charged Borrowers Excess Non-Sufficient Funds Fee on Commercial Loans.

15. The examination revealed that Clear Choice's loan agreement included a return payment item fee of \$35, which exceeds the maximum amount permissible for commercial loans under section 22601. Clear Choice was instructed to conduct a comprehensive review of all open and paid-off commercial loans issued after September 1, 2018, and to refund any applicable overcharges. Examples are provided below:

Loan No.	Borrower	Loan Date
T-3078	G.	07/28/2021
T-3102	O.	02/27/2021

16. Clear Choice identified 27 commercial loan transactions in which it charged borrowers excess non-sufficient funds fees for a total estimated refund/credit of \$895. Clear Choice stated that it was in the process of issuing borrower refunds or credits. To date, Clear Choice has not produced evidence showing it has issued refunds to borrowers.

F. Clear Choice Charged Borrowers Payment Processing Fees.

17. The examination revealed that Clear Choice charged a payment processing fee of five dollars for every \$500 increment of payment made with a debit card by borrowers in a consumer loan transaction. The payment processing fee is classified as a charge under sections 22200 and 22201. Clear Choice is prohibited from charging customers payment processing fees, either directly

18. or indirectly, on loans with a bona fide principal amount of less than \$5,000 according to sections 22303, 22304, 22306, 22307, and California Code of Regulations, title 10, section 1455(a).

19. The Commissioner directed Clear Choice to conduct a company-wide review of all open and paid-off consumer loans that were initiated after September 1, 2018, to identify similar instances of improper payment processing fee charges. Examples of loans where such fees were charged improperly are provided below:

Loan No.	Borrower	Loan Date	Bonafide Loan Amount	Total Debit Fees Charged
T-2676	M.	05/03/2019	\$2,525	\$110
T-2716	B.	06/04/2019	\$2,525	\$190
T-2737-W	S.	06/25/2019	\$4,015	\$145

20. Clear Choice identified 399 borrowers who were owed a total estimated refund/credit of \$18,563.68. Clear Choice appeared to have issued credit to 95 borrowers for a total amount of \$4,388.35. Clear Choice stated it was in the process of issuing the remaining refunds and credits; however, to date, it has not produced evidence showing these refunds have been issued.

G. Charging Borrowers Undisclosed Payment Processing Fees on Commercial Loans.

21. The examination found that Clear Choice charged a payment processing fee of five dollars on each \$500 increment of payment made with a debit card by borrowers in a commercial loan transaction; however, the payment processing fee was not disclosed in the loan agreements, in violation of section 22161. The Commissioner directed Clear Choice to perform a company-wide review of all open and paid-off commercial loans after September 1, 2018, to identify similar undisclosed payment processing fee charges. Examples of loans where such fees were charged are shown below:

Loan No.	Borrower	Loan Date	Amount Financed	Total Debit Fees Charged
T-3078	G.	01/28/2021	\$5,025	\$45
T-3175	C.	06/22/2021	\$8,015	\$40

T-3199	V.	07/27/2021	\$7,015	\$20
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22. Clear Choice identified 292 borrowers who were owed an estimated refund/credit of \$26,085. Clear Choice reported that it had provided credits to 61 borrowers totaling \$7,775 but failed to provide evidence showing that full refunds or credits had been issued to borrowers.

H. Clear Choice Collected Excessive Administrative Fees from Borrowers.

23. A review of the loan identified below revealed that Clear Choice charged and collected an administrative fee that exceeded the amount stated in the borrower's loan agreement, in violation of section 22161.

Loan No.	Borrower	Loan Date	Amount Financed	Admin. Fee Disclosed	Admin. Fee Collected	Overcharge
T-3194	L.	07/21/2021	\$10,235	\$1,000	\$1,750.06	\$750.06

24. The Commissioner instructed Clear Choice to provide evidence of the refunds issued to this borrower. Clear Choice explained that the overcharge was due to a clerical error but did not include the required evidence of refund to the borrower as requested.

I. Clear Choice Improperly Charged Borrowers DMV Lien Filing Fees.

25. The examination found that Clear Choice charged the following borrower a second Department of Motor Vehicles (DMV) lien filing fee on the same collateral used for a refinanced loan, in violation of section 22306:

Loan No.	Borrower	Loan Date	DMV Fee Charged	Refinanced Loan No.	Admin. Fee Collected	Overcharge
T-2471	Q.	10/24/2018	\$15	T-1922	\$1,750.06	\$15

26. The Commissioner demanded that Clear Choice perform a company-wide review of all open and paid-off consumer loans originated after September 1, 2018, to identify similar improper DMV lien filing charges. Clear Choice's report identified 696 consumer loans with second DMV lien filing charges, stating that borrower refunds and/or credits were in process. Clear Choice failed to show that refunds were issued to borrowers.

J. Clear Choice Overcharged Borrowers DMV Filing Fees on Commercial Loans.

27. The examination found that Clear Choice charged borrowers DMV filing fees that were greater than the actual fee amount paid to the DMV, in violation of sections 22156 and 22336(a) in the following loan transactions:

Loan No.	Borrower	Loan Date	DMV Fee Charged	Actual Fee Paid	Overcharge
T-3085	R.	02/04/2021	\$429	\$384	\$45
T-2769	K.	07/12/2019	\$15	Not provided	\$15
T-3009	Z.	08/25/2020	\$189	Not provided	\$189

28. Clear Choice's report identified 696 consumer loans with similar improper DMV lien filing charges and indicated that borrower refunds and/or credits were in process. However, no further documentation was provided to show that Clear Choice had refunded the excess DMV charges to borrowers.

K. Clear Choice Overcharged Borrowers DMV Filing Fees on Commercial Loans.

29. A review of the loan file below showed that Clear Choice charged a DMV filing fee in excess of the fee amount in the loan agreement, in violation of section 22161 and California Code of Regulations, title 10, section 1426. Clear Choice was instructed to perform a company-wide review of all open and paid-off loans it made after September 1, 2018, to identify similar improper DMV filing fee charges and provide applicable borrower refunds.

Loan No.	Borrower	Loan Date	Fee Charged	Actual Fee	Overcharge
T-3199	V.	07/27/2021	\$1,154.00	\$621.66	\$532.34

30. Clear Choice identified 367 commercial loans with DMV lien filing fee charges, stating that borrower refunds and/or credits were in process. To date, Clear Choice has not provided documentation showing that refunds have been issued to borrowers.

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L. Clear Choice Charged Borrowers Excessive Interest at Loan Payoff.

31. The review of the following loans showed that Clear Choice charged interest for more than the actual number of days elapsed at the time of loan payoff in violation of sections 22305, 22308, and 22309:

Loan No.	Borrower	Loan Date	Amount Financed	Interest Charged	Correct Interest	Overcharge
T-3116	O.	04/02/2021	\$2,525	\$89.35	\$87.37	\$1.87
T-3198	L.	07/26/2021	\$2,736	\$30.31	\$27.55	\$2.82

32. The Commissioner demanded that Clear Choice perform a company-wide review of all paid-off loans originated after September 1, 2018, to identify similar interest overcharges and provide applicable borrower refunds. Clear Choice responded that it implemented loan software updates for future compliance but failed to identify or report similar overcharges as the Commissioner demanded.

M. Clear Choice Charged Excess Interest on Commercial Loans at Loan Payoff.

33. The review of the following commercial loans revealed that Clear Choice charged interest for more than the actual number of days elapsed at the time of loan payoff, in violation of section 22161. The Commissioner directed Clear Choice to conduct a company-wide review of all paid-off loans originating after September 1, 2018, to identify similar interest overcharges and provide applicable borrower refunds.

Loan No.	Borrower	Loan Date	Amount Financed	Interest Charged	Correct Interest	Overcharge
T-3065	Z.	01/04/2021	\$7,015	\$1,272.88	\$1,212.61	\$60.27
T-3165	C.	06/16/2021	\$6,044	\$736.31	\$726.41	\$9.90
T-2926	R.	01/07/2020	\$5,025	\$1,026.58	\$1,016.00	\$9.98

34. In response to the Commissioner's demand, Clear Choice stated that it installed loan software to ensure future compliance. However, Clear Choice did not provide any report identifying

similar overcharges as requested.

N. Clear Choice Charged Excess Interest on Amount not Disbursed.

35. The examination revealed that Clear Choice charged and collected interest on a loan amount that was not disbursed to the borrower, in violation of section 22161 and California Code of Regulations, title 10, section 1457.

Loan No.	Borrower	Amount of Finance Disclosed	Amount Disbursed	Interest Charged	Correct Interest	Overcharge
T-3009	Z.	\$2,784	\$7,015	\$777.92	\$678	\$99.92

36. The loan agreement indicated that the borrower was to receive \$1,000; however, the disbursement check showed the borrower received \$811.00 instead. This discrepancy resulted in an interest overcharge, as interest was incorrectly calculated on the undisbursed amount of \$189.00. The Commissioner requested that Clear Choice provide proof of the refund and outline the corrective actions implemented to ensure future compliance. As of today, Clear Choice has not submitted the required evidence of the refund.

O. Clear Choice Charged Borrowers Fees That are Prohibited Under the Law.

37. In the loans listed below, Clear Choice failed to provide supporting documentation, such as a copy of a canceled check or bank statement, for the repossession-related fees it charged borrowers, in violation of sections 22156, 22161, and 22202, and California Code of Regulations, title 10, section 1426. The Commissioner demanded that Clear Choice provide the requested supporting documentation for these fee charges or evidence of refunds. Additionally, Clear Choice was directed to conduct a company-wide review of all open and paid-off loans dated after September 1, 2018, to identify similar overcharges and to specify corrective actions taken to ensure future compliance. Clear Choice failed to perform the company-wide review and/or failed to identify corrective actions taken to ensure future compliance as requested. The chart below shows the loans in which Clear Choice improperly charged borrowers repossession-related fees:

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Loan No.	Borrower	Loan Date	Amount Financed	Fee Charged	Correct Interest	Fee Type
T-3072-S	W.	01/11/2021	\$12,529	\$250	\$726.41	Tow
T-2196	G.	03/21/2018	\$4,000	\$305	\$1,016.00	Impound
T-2825	M.	09/05/2019	\$2,510	\$400		Repossession
T-2410	P.	08/25/2018	\$6,015	\$350		Repossession

P. Clear Choice Improperly Deducted Auction and Selling Fees from Sale Proceeds.

38. In the following loans, where the bona fide principal amount is less than \$5,000, Clear Choice sold the repossessed collateral at auction and deducted auction house costs, selling costs, and auction fees from the total sales proceeds, in violation of section 22306 and California Code of Regulations, title 10, section 1539.

Loan No.	Borrower	Loan Date	Gross Sales Amount	Amount Credited	Overcharge
T-3111-s	L.	03/24/2021	\$3,000	\$2,800	\$200
T-2432	H.	09/14/2018	\$5,500	\$5,375	\$125

39. The Commissioner directed Clear Choice to perform a company-wide review of all loans of less than \$5,000 in which the repossessed collateral was sold after September 1, 2018, to identify similar violations and issue applicable borrower refunds. Clear Choice identified 15 consumer loans in which auction and/or selling fees were deducted from the sale proceeds and indicated that borrower refunds and/or credits were in process. However, Clear Choice failed to provide documentation showing it has refunded the fees to borrowers as the Commissioner requested.

Q. Clear Choice Failed to Return Surplus to Borrowers.

40. In the loans listed below, the sale of the repossessed collateral resulted in a surplus of funds; however, Clear Choice failed to return the surplus to the borrower, in violation of section 22328(d).

Loan No.	Borrower	Loan Date	Gross Sale Amount	Amount Credited/Loan Balance	Amount of Surplus
T-2196	G.	03/21/2018	\$5,000	\$4,761.74	\$238.26
T-2541	T.	12/29/2018	\$6,500	\$3,951.14	\$2,548.86

41. Clear Choice was instructed to conduct a company-wide review of all loans with repossessed collateral that occurred after September 1, 2018, to identify any surplus proceeds that were retained and not returned or not returned in a timely manner. Clear Choice failed to provide evidence of surplus refunds made to the affected borrowers and failed to show that it conducted a company-wide review of its loans as instructed.

R. Clear Choice Failed to Provide Relevant Information to the Commissioner.

42. The examination disclosed that Clear Choice's branch manager, Damon Calcote, has yet to file an application for investigation with the Commissioner pursuant to section 22105 and California Code of Regulations, title 10, section 1409. Clear Choice was required to submit the application, along with the completed Form MU1, MU2, or MU3 and the Amendment Checklist located on the NMLS Resource Center and provide evidence of the submission to the Commissioner. Clear Choice has yet to file the required application for an investigation concerning Damon Calcote.

S. Clear Choice Filed Inaccurate CFL Annual Reports.

43. The examination disclosed that Clear Choice made commercial loans secured by auto vehicles in 2020 and 2021. However, Clear Choice submitted annual reports for the fiscal years 2020 and 2021, reporting the number of consumer loans it made without including these auto-secured loans. Clear Choice also failed to report the commercial non-real estate secured loans it made in its 2020 and 2021 annual reports.

44. The CFL annual report which is signed under penalty of perjury states under section 22170(a), "[i]t is unlawful for any person to knowingly alter, destroy, mutilate, conceal, cover up, falsify, or make a false entry in any record, document, or tangible object with the intent to impede,

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1 obstruct, or influence the administration or enforcement of any provision of this division.” The
2 Commissioner directed Clear Choice to resubmit its loan report, describing the purpose of the loans
3 made. The Commissioner further requested that Clear Choice state the corrective actions it has taken
4 to ensure that future CFL annual reports are accurately filed. Clear Choice has yet to respond to the
5 Commissioner’s demand.

6 45. By reason of the foregoing, Clear Choice has violated the CFL by:

- 7 a. Understating the annual percentage rates in loan transactions, in violation
8 of sections 22337, 22346 and 12 C.F.R. part 1026.18 (1968).
- 9 b. Charging borrowers excessive interest rates and charges, in violation of
10 section 22304.5 and 22161.
- 11 c. Failing to properly disclose the correct total dollar cost financing and
12 annualized rate to borrowers, in violation of section 22320.
- 13 d. Charging borrowers excess NSF fees in violation of 22601, 22200, 22201,
14 22303, 22304, 22306, 22307 and California Code of Regulations, title 10,
15 section 1455(a).
- 16 e. Failing to properly disclose payment processing fee in violation of FC
17 22161.
- 18 f. Charging borrowers an excess non-sufficient funds fee on commercial
19 loans, in violation of section 22601.
- 20 g. Collecting excessive administrative fees in violation of section 22306.
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- 22 h. Overcharging DMV Lien filing fee in violation of section 22156 or
23 22336(a), 22161 and California Code of Regulations, title 10, section 1426.
- 24 i. Overcharging DMV filing fees, in violation of sections 22305, 22308 and
25 22309.
- 26 j. Overcharging interest at loan payoff, in violation of 22161, California Code
27 of Regulations, title 10, section 1457.
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- k. Charging interest on amounts not disbursed in violation of sections 22156, 22161, 22200, 22201, 22202, 22303, 22304, 22306, 22307 and California Code of Regulations, title 10, sections 1426 and 1454.
- l. Charging unsupported or disallowed fees on repossessions in violation of sections 22202, 22329 and California Code of Regulations, title 10, section 1539.
- m. Paying repossession fees to unlicensed repossession agency in violation of section 22328(d).
- n. Failing to return surplus to borrowers in violation of section 22105 or California Code of Regulations, title 10, section 1409.
- o. Submitting inaccurate CFL annual reports to the Commissioner, in violation of section 22170.

III.

Applicable Law

46. Section 22105 states:

(a) Upon the filing of an application pursuant to Section 22101 and the payment of the fees, the commissioner shall investigate the applicant and its general partners and persons owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or any person responsible for the conduct of the applicant's lending or program administration activities in this state, if the applicant is a partnership. If the applicant is a corporation, trust, limited liability company, or association, including an unincorporated organization, the commissioner shall investigate the applicant, its principal officers, directors, managing members, and persons owning or controlling, directly or indirectly, 10

percent or more of the outstanding equity securities or any person responsible for the conduct of the applicant's lending activities or for administering PACE programs for the applicant in this state. Upon the filing of an application pursuant to Section 22102 and the payment of the fees, the commissioner shall investigate the person responsible for the lending activity of the licensee, or for administering one or more PACE programs for the licensee, at the new location described in the application. The investigation may be limited to information that was not included in prior applications

1 filed pursuant to this division. If the commissioner determines that
2 the applicant has satisfied this division and does not find

3 facts constituting reasons for denial under Section 22109, the
4 commissioner shall issue and deliver a license to the applicant.

5 (b) For the purposes of this section, "principal officers" shall mean
6 president, chief executive officer, treasurer, and chief financial
7 officer, as may be applicable, and any other officer with direct
8 responsibility for the conduct of the applicant's lending activities or
9 for PACE program administration for the applicant within the state.

10 47. Section 22156 states:

11 (a) Finance lender, broker, program administrator, and mortgage
12 loan originator licensees shall keep and use in their business, books,
13 accounts, and records which will enable the commissioner to
14 determine if the licensee is complying with the provisions of this
15 division and with the rules and regulations made by the
16 commissioner. On any loan secured by real property in which loan
17 proceeds were disbursed to an independent escrowholder, the
18 licensee shall retain records and documents as set forth by rules of
19 the commissioner adopted pursuant to Section 22150. Upon request
20 of the commissioner, licensees shall file an authorization for
21 disclosure to the commissioner of financial records of the licensed
22 business pursuant to Section 7473 of the Government Code.

23 48. Section 22161 states:

24 (a) A person subject to this division shall not do any of the
25 following:

26 (1) Make a materially false or misleading statement or
27 representation to a borrower about the terms or conditions of that
28 borrower's loan, when making or brokering the loan.

(2) Make a materially false or misleading statement or
representation to a property owner about the terms or conditions of
an assessment contract.

(3) Advertise, print, display, publish, distribute, or broadcast, or
cause or permit to be advertised, printed, displayed, published,
distributed, or broadcast in any manner, any statement or
representation with regard to the business subject to the provisions
of this division, including the rates, terms, or conditions for making
or negotiating loans, or for making or negotiating assessment
contracts, that is false, misleading, or deceptive, or that omits

material information that is necessary to make the statements not false, misleading, or deceptive, or in the case of a licensee, that refers to the supervision of the business by the state or any department or official of the state.

(4) Commit an act in violation of Section 1695.13 of the Civil Code.

(5) Engage in any act in violation of Section 17200 of the Business and Professions Code.

(6) Knowingly misrepresent, circumvent, or conceal, through subterfuge or device, any material aspect or information regarding a transaction to which the person is a party.

(7) Commit an act that constitutes fraud or dishonest dealings.

49. Section 22170 states:

(a) It is unlawful for any person to knowingly alter, destroy, mutilate, conceal, cover up, falsify, or make a false entry in any record, document, or tangible object with the intent to impede, obstruct, or influence the administration or enforcement of any provision of this division.

(b) It is unlawful for any person to knowingly make an untrue statement to the commissioner or the Nationwide Mortgage Licensing System and Registry during the course of licensing, investigation, or examination, with the intent to impede, obstruct, or influence the administration or enforcement of any provision of this division.

50. Sections 22200, 22201, 22303, 22304, 22306, 22307, 22308, and 22309 state:

22200 "Charges" include the aggregate interest, fees, bonuses, commissions, brokerage, discounts, expenses, and other forms of costs charged, contracted for, or received by a licensee or any other person in connection with the investigating, arranging, negotiating, procuring, guaranteeing, making, servicing, collecting, and enforcing of a loan or forbearance of money, credit, goods, or things in action, or any other service rendered.

22201. "Charges" include any profit or advantage of any kind that a licensee may contract for, collect, receive, or obtain by a collateral sale, purchase, or agreement, in connection with negotiating, arranging, making, or otherwise in connection with any loan.

1 22202. "Charges" do not include any of the following:

2 (a) Commissions received as a licensed insurance agent or broker in
3 connection with insurance written as provided in Section 22313.

4 (b) Amounts not in excess of the amounts specified in subdivision
5 (c) of Section 3068 of the Civil Code paid to holders of possessory
6 liens, imposed pursuant to Chapter 6.5 (commencing with Section
7 3067) of Title 14 of Part 4 of Division 3 of the Civil Code, to release
8 motor vehicles that secure loans subject to this division.

9 (c) Court costs, excluding attorney's fees, incurred in a suit and
10 recovered against a debtor who defaults on the debtor's loan.

11 (d) Amounts received by a licensee from a seller, from whom the
12 borrower obtains money, goods, labor, or services on credit, in
13 connection with a transaction under an open-end credit program that
14 are paid or deducted from the loan proceeds paid to the seller at the
15 direction of the borrower and that are an obligation of the seller to
16 the licensee for the privilege of allowing the seller to participate in
17 the licensee's open-end credit program. Amounts received by a
18 licensee from a seller pursuant to this subdivision may not exceed 6
19 percent of the loan proceeds paid to the seller at the direction of the
20 borrower.

21 (e) Actual and necessary fees not exceeding five hundred dollars
22 (\$500) paid in connection with the repossession of a motor vehicle to
23 repossession agencies licensed pursuant to Chapter 11 (commencing
24 with Section 7500) of Division 3 of the Business and Professions
25 Code provided that the licensee complies with Sections 22328 and
26 22329, and actual fees paid to a licensee in conformity with Sections
27 26751 and 41612 of the Government Code in an amount not
28 exceeding the amount specified in those sections of the Government
Code.

(f) Moneys paid to, and commissions and benefits received by, a
licensee for the sale of goods, services, or insurance, whether or not
the sale is in connection with a loan, that the buyer by a separately
signed authorization acknowledges is optional, if sale of the goods,
services, or insurance has been authorized pursuant to Section
22154.

22303. Every licensee who lends any sum of money may contract for and
receive charges at a rate not exceeding the sum of the following:

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(a) Two and one-half percent per month on that part of the unpaid principal balance of any loan up to, including, but not in excess of two hundred twenty-five dollars (\$225).

(b) Two percent per month on that portion of the unpaid principal balance in excess of two hundred twenty-five dollars (\$225) up to, including, but not in excess of nine hundred dollars (\$900).

(c) One and one-half percent per month on that part of the unpaid principal balance in excess of nine hundred dollars (\$900) up to, including, but not in excess of one thousand six hundred fifty dollars (\$1,650).

(d) One percent per month on any remainder of such unpaid balance in excess of one thousand six hundred fifty dollars (\$1,650). This section does not apply to any loan of a bona fide principal amount of two thousand five hundred dollars (\$2,500) or more as determined in accordance with Section 22251.

22304. As an alternative to the charges authorized by Section 22303, a licensee may contract for and receive charges at the greater of the following:

(a) A rate not exceeding 1.6 percent per month on the unpaid principal balance.

(b) A rate not exceeding five-sixths of 1 percent per month plus a percentage per month equal to one-twelfth of the annual rate prevailing on the 25th day of the second month of the quarter preceding the quarter in which the loan is made, as established by the Federal Reserve Bank of San Francisco, on advances to member banks under Sections 13 and 13a of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or if there is no single determinable rate for advances, the closest counterpart of this rate as shall be determined by the Commissioner of Financial Institutions. Charges shall be calculated on the unpaid principal balance.

(c) This section does not apply to any loan of a bona fide principal amount of two thousand five hundred dollars (\$2,500) or more as determined in accordance with Section 22251.

22304.5. (a) For any loan of a bona fide principal amount of at least two thousand five hundred dollars (\$2,500) but less than ten thousand dollars (\$10,000), as determined in accordance with Section 22251, a finance lender may contract for or receive

1 charges at a rate not exceeding an annual simple interest rate of 36
2 percent per annum plus the Federal Funds Rate....

3 22305. In addition to the charges authorized by Section 22303,
4 22304, or 22304.5, a licensee may contract for and receive an
5 administrative fee, which shall be fully earned immediately upon
6 making the loan, with respect to a loan of a bona fide principal
7 amount of not more than two thousand five hundred dollars
8 (\$2,500) at a rate not in excess of 5 percent of the principal amount
9 (exclusive of the administrative fee) or fifty dollars (\$50),
10 whichever is less, and with respect to a loan of a bona fide principal
11 amount in excess of two thousand five hundred dollars (\$2,500), at
12 an amount not to exceed seventy-five dollars (\$75). No
13 administrative fee may be contracted for or received in connection
14 with the refinancing of a loan unless at least one year has elapsed
15 since the receipt of a previous administrative fee paid by the
16 borrower. Only one administrative fee may be contracted for or
17 received until the loan has been repaid in full. For purposes of this
18 section, "bona fide principal amount" shall be determined in
19 accordance with Section 22251.

20 22306. No amount in excess of that allowed by this article shall be
21 directly or indirectly charged, contracted for, or received by any
22 person, and the total charges of the finance lender and broker and
23 any other person in the aggregate shall not exceed the maximum
24 rate provided for in this article.

25 22307. (a) Except as provided in Section 22305 and Article 4
26 (commencing with Section 22400), all charges on loans made under
27 this division shall be computed and paid only as a percentage per
28 month of the unpaid principal balance or portions thereof, and shall
be so expressed in every obligation signed by the borrower. The
charges on loans shall be computed on the basis of the number of
days actually elapsed. For the purpose of these computations, a
month is any period of 30 consecutive days.

(b) The loan contract shall provide for payment of the aggregate
amount contracted to be paid in substantially equal periodical
installments, the first of which shall be due not less than 15 days
nor more than one month and 15 days from the date the loan is
made. This subdivision shall not apply to a loan made to a graduate
student at an accredited college or university while the student is
actively pursuing a study program leading to a postbaccalaureate
degree, or to a student loan made by an eligible lender under the

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Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1070 et seq.), or to a student loan made pursuant to the Public Health Service Act, as amended (42 U.S.C. Sec. 294 et seq.).

(c) This section shall not apply to open-end loans.

22308. Notwithstanding Section 22307, a licensee may contract for and receive charges on the unpaid principal balance at a single annual percentage rate, applied on the basis of the number of days actually elapsed, if the annual rate would produce a finance charge at the maturity of the contract not in excess of the finance charge resulting from the application of the graduated rates specified in Section 22303, when the loan is paid according to its terms, and charges are computed on the basis that a month is any period of 30 consecutive days, as provided in Section 22307; provided, however, that if prepayment in full occurs on or before the third installment date, all charges shall be recomputed as a percentage per month of the unpaid principal balance or portions thereof, based on the number of days actually elapsed.

22309. Except as provided in Section 22305 and Article 4 (commencing with Section 22400), no charges on loans made pursuant to this division shall be paid, deducted, or received in advance, or compounded. However, if part or all of the consideration for a new loan contract is the unpaid balance of a prior loan, the principal amount payable under the new loan contract may include any unpaid interest that has accrued on the prior loan. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in Section 22400. At the time of making the loan, the licensee shall deliver to the borrower, or, at the direction of the borrower, deliver to another person, an amount equal to the face value of the loan and the note evidencing the loan.

51. Sections 22320, 22328(a)(d), 22329, 22336(a), 22337, 22346, and 22601 state:

22320. With respect to a loan under this division, a fee not to exceed fifteen dollars (\$15) for the return by a depository institution of a dishonored check, negotiable order of withdrawal, or share draft may be charged and collected by the licensee. The fee is not included in charges defined in this division or in determining the applicable maximum charges that may be made under this article.

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22328. (a) This section applies to a loan secured in whole or in part by a lien on a motor vehicle as defined by subdivision (k) of Section 2981 of the Civil Code.

...

(d) In all sales that result in a surplus, the licensee shall furnish an accounting as provided in subdivision (c) whether or not requested by the borrower. The surplus shall be returned to the borrower within 45 days after the sale is conducted.

22329. Nothing contained in this article shall be construed to deny to any licensee hereunder the right of taking and using a security agreement that, in addition to securing an original obligation, may secure the repayment of sums that may be advanced to, or expenditures that may be made at the direction of, the borrower subsequent to the execution of the security agreement and prior to the satisfaction thereof.

22336. This article does not prohibit any licensee from contracting for, collecting, or receiving the following:

(a) The statutory fee paid by the licensee to any public officer for acknowledging, filing, recording, or releasing in any public office any instrument securing the loan or executed in connection with the loan.

22337. Each licensed finance lender shall:

(a) Deliver or cause to be delivered to the borrower, or any one thereof, at the time the loan is made, a statement showing in clear and distinct terms the name, address, and license number of the finance lender and the broker, if any. The statement shall show the date, amount, and maturity of the loan contract, how and when repayable, the nature of the security for the loan, if any, and the agreed rate of charge or the annual percentage pursuant to Regulation Z promulgated by the Consumer Financial Protection Bureau (12 C.F.R. 1026).

22346. Any licensee that violates any provision of any of the following federal acts or regulations violates this division:

(a) The federal Real Estate Settlement Procedures Act, as amended (12 U.S.C. Sec. 2601 et seq.).

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(b) The federal Truth in Lending Act, as amended (15 U.S.C. Sec. 1601 et seq.).

(c) The federal Home Ownership Equity Protection Act (15 U.S.C. Sec. 1639).

(d) Any regulation promulgated under any of the federal acts in subdivision (a), (b), or (c).

22601. (a) A licensee that is a finance lender may sell to (1) an institutional lender, or (2) an institutional investor described in paragraph (6) of subdivision (b) of Section 22600, promissory notes evidencing the obligation to repay real estate secured business purpose loans, as defined in Section 3500.5 of Title 24 of the Code of Federal Regulations, purchased from and made by an institutional lender, and may make agreements for the collection of payments and performance of services with respect to those notes. For purposes of this section, "institutional lender" means any bank, trust company, savings bank or savings and loan association, credit union, or industrial loan company doing business under the authority of and in accordance with a license, certificate or charter issued by the United States or this state.

(b) In the absence of agreement to the contrary by the licensee and the institutional investor or institutional lender, all payments received from the collection of payments shall be deposited and maintained in a trust account, and shall be disbursed from the trust account only in accordance with the instructions of the owner of the promissory note.

52. 12 C.F.R. part 1026.18 (1968) states:

For each transaction other than a mortgage transaction subject to § 1026.19(e) and (f), the creditor shall disclose the following information as applicable:

(a) Creditor. The identity of the creditor making the disclosures.

(b) Amount financed. The amount financed, using that term, and a brief description such as the amount of credit provided to you or on your behalf. The amount financed is calculated by:

(1) Determining the principal loan amount or the cash price (subtracting any downpayment).

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(2) Adding any other amounts that are financed by the creditor and are not part of the finance charge; and

(3) Subtracting any prepaid finance charge....

53. California Code of Regulations, title 10, section 1455(a) states:

No charges shall be received from a borrower subsequent to the making of a loan unless authorized by the Law, and specifically provided for in the original contract.

(b) All charges shall be clearly substantiated in the records of the finance company, and the borrower shall be provided with a detailed statement showing how the charges originated and the basis upon which the charges were calculated.

54. California Code of Regulations, title 10, section 1426 states:

A licensee shall maintain its books, accounts and records in accordance with generally accepted accounting principles and good business practice.

55. California Code of Regulations, title 10, section 1539 states:

Except as provided by Section 22329(e)(5), expenses or costs of repossession or sale of property securing a loan shall be charged to or collected from a borrower, either directly or indirectly. No expenses or costs of repairs to such property shall be charged to or collected from a borrower, either directly or indirectly, except upon a written authorization from the borrower specifically authorizing such repairs and signed by the borrower after the repossession and prior to the making of the repairs. Nothing in this section shall be deemed to apply to a lien on property securing a loan, which existed prior to the date of repossession of such property and which resulted from some act of the borrower occurring prior to the date of such repossession. Nothing in this section shall be deemed to permit any charge other than charges permitted by law.

56. California Code of Regulations, title 10, section 1409 states:

(a) A licensee shall at all times maintain on file with the Commissioner a current list of officers, directors, and partners in the case of a partnership, and other persons named in the application. Changes in partnerships are limited to the conditions set forth in section 22151, subdivision (b) of the Law. In the event of any change, other than transfers between branch offices, in the officers, directors, or partners, or other persons named in

the application, a licensee shall file with the Commissioner an amendment to the application containing the same information in relation to such new person(s) as is required in the application, within thirty days from the date of the change.

(b) A licensee on NMLS shall comply with subdivision (a) by submitting changes to the Commissioner through NMLS on Forms MU1, MU2, MU3, and MU4, as applicable.

57. The violations of the CFL described above, if committed by Clear Choice on or before having originally sought a license from the Commissioner under the CFL, would have constituted grounds for the Commissioner to deny the license application of Clear Choice under Section 22109.

58. Pursuant to Section 22714, the Commissioner may suspend or revoke any license if “a fact or condition exists that, if it had existed at the time of the original application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.”

59. Pursuant to section 22109, the Commissioner may refuse to issue a license if the “applicant . . . has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California . . .” Thus, a fact or condition now exists that, if it had existed at the time of the original application of Clear Choice for a license under the CFL, reasonably would have warranted the Commissioner in refusing to issue the license.

IV.

CFL Revocation/Penalty Statutes

60. Section 22714 (a) provides in pertinent part:

(a) The commissioner shall suspend or revoke any license, upon notice and reasonable opportunity to be heard, if the commissioner finds any of the following:

(1) The licensee has failed to comply with any demand, ruling, or requirement of the commissioner made pursuant to and within the authority of this division.

(2) The licensee has violated any provision of this division or any rule or regulation made by the commissioner under and within the authority of this division.

(3) A fact or condition exists that, if it had existed at the time of the original application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.

(4) There has been repeated failure by the finance lender, when making or negotiating loans, to take into consideration in determining the size and duration of loans, the financial ability of the borrower to repay the loan in the time and manner provided in the loan contract, or to refinance the loan at maturity.

61. Section 22750 (a) and (b) provide in pertinent part:

(a) If any amount other than, or in excess of, the charges permitted by this division is willfully charged, contracted for, or received, the contract of loan is void, and no person has any right to collect or receive any principal, charges, or recompense in connection with the transaction.

(b) If any provision of this division is willfully violated in the making or collection of a loan, whether by a licensee or by an unlicensed person subject to this division, the contract of loan is void, and no person has any right to collect or receive any principal, charges, or recompense in connection with the transaction.

62. Section 22751 (a) and (b) provide in pertinent part:

(a) If any amount other than or in excess of the charges permitted by this division is charged or contracted for, or received, for any reason other than a willful act of the licensee, the licensee shall forfeit all interest and charges on the loan and may collect or receive only the principal amount of the loan.

(b) Subdivision (a) shall not apply to an error in computation if (1) the licensee shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error, and (2) within 60 days of discovering the error the licensee notifies the borrower of the error and makes whatever adjustments in the account are necessary to correct the error.

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63. Section 22752 (a) and (b) provide in pertinent part:

(a) If any provision of this division is violated in the making or collection of a loan, for any reason other than a willful act of the licensee, the licensee shall forfeit all interest and charges on the loan and may collect or receive only the principal amount of the loan.

(b) Subdivision (a) shall not apply to a violation if (1) the licensee shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error, and (2) within 30 days of discovering the error the licensee notifies the borrower of the error and rectifies the error by making the appropriate changes in the documents or account and by taking other action necessary to correct the error.

V.

Conclusion

The Commissioner finds that, by reason of the foregoing, Clear Choice has violated sections 22105, 22156, 22161, 22170, 22200, 22201, 22202, 22303, 22304, 22305, 22306, 22307, 22308, 22309, 22320, 22328(d), 22329, 22336(a), 22337, 22346, 22304.5, 22601; 12 C.F.R. part 1026.18 (1968); and California Code of Regulations, title 10, sections 1409, 1454, 1426, 1455(a), 1457, and 1539. Additionally, a fact or condition now exists, that if it had existed at the time of original licensure under the CFL, that fact or condition would reasonably have warranted the Commissioner to refuse to issue the CFL license; based on all the foregoing, grounds exist to revoke the finance lender licenses of Clear Choice.

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VI.

Prayer

WHEREFORE, IT IS PRAYED THAT:

Pursuant to Section 22714, the CFL finance lender licenses of Clear Choice Lending, LLC, dba Quick Title Loans, and EXZ Car Title, license nos.: 603L127 and 60DBO-82389, are revoked.

Dated: March 24, 2025
Los Angeles, California

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

By _____
UCHE L. ENENWALI
Senior Counsel
Enforcement Division