MARY ANN SMITH
Deputy Commissioner
SEAN M. ROONEY
Assistant Chief Counsel
DANIELLE A. STOUMBOS (State Bar No. 264784)
Senior Counsel
SHERI GUERAMI (State Bar No. 265231)
Senior Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Telephone: (213) 503-2046
Danielle.Stoumbos@dfpi.ca.gov

Attorneys for Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of: THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION, Complainant. v. FLAGSHIP CREDIT ACCEPTANCE LLC, Respondent.	)	CFL License No.: 60DBO-46362 NMLS: 473165 SETTLEMENT AGREEMENT

The Commissioner of Financial Protection and Innovation (Commissioner) and Flagship Credit Acceptance LLC (Flagship), collectively referred to herein as the Parties, enter into this Settlement Agreement (Settlement Agreement) with respect to the following facts:

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State of California – Department of Financial Protection and Innovation

I.

Recitals

A. The Commissioner has jurisdiction over covered persons who engage, have engaged, and propose to engage in offering and providing a consumer financial product or service in California and affiliated service providers under the California Consumer Financial Protection Law (CCFPL) (Cal. Fin. Code §§ 90000-90019).[1] A "covered person" is "[a]ny person that engages in offering or providing a consumer financial product or service to a resident of this state." (Cal. Fin. Code § 90005(f)(1)).

B. The Commissioner also has jurisdiction over the licensing and regulation of persons engaged in the business of lending and brokering under the California Financing Law (CFL) (Cal. Fin. Code §§ 22000 – 22780.1).

C. At all relevant times, Flagship was a Delaware limited liability company and is and was licensed as a finance lender under the authority of the CFL beginning on September 6, 2016, CFL license number 60DBO-46362, with a Nationwide Multistate Licensing System (NMLS) identifier 473165.

D. Flagship offers auto financing to the public, through consumer loans and retail installment contracts.

E. Flagship formerly had a principal business address of 3 Christy Drive, Chadds Ford, Pennsylvania and is currently located at 225 Wilmington West Chester Pike Suite 200-220, Chadds Ford, Pennsylvania.

F. The Commissioner commenced an examination of Flagship under the CFL and conducted an investigation under the CFL and CCFPL. Based on the examination and investigation, the Commissioner finds:

1) Between January 1, 2021 and December 31, 2021, Flagship represented to California borrowers, that generally had not otherwise requested to make a payment, and who were seeking a modification of their loan terms, to make a good faith payment before the company determined whether the borrower qualified for a loan modification. These

[1] All citations herein are to the Financial Code unless otherwise noted.

borrowers' requests for loan modifications were subsequently denied. The Commissioner finds that Flagship's conduct constituted a deceptive practice in violation of Financial Code section 90003(a)(1);

2) Flagship paid unlicensed third-party forwarders in connection with car repossessions in violation of Financial Code section 22306; and

3) Regarding its payment of fees to third-party forwarders, Flagship was unable to produce books and records which would enable the Commissioner to determine if Flagship was complying with the provisions of the CFL and its accompanying rules and regulations in violation of Financial Code section 22156.

G. Flagship neither admits nor denies any of the findings in this Settlement Agreement.

The Commissioner finds that entering into this Settlement Agreement is in the public interest and consistent with the purposes fairly intended by the policies and provisions of the CFL and CCFPL.

NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set forth herein, the Parties agree as follows:

II.

<u>Terms and Conditions</u>

1. <u>Purpose.</u> This Settlement Agreement resolves the issues before the Commissioner in a manner that avoids the expense of a hearing and other possible court proceedings, protects consumers, is in the public interest, and is consistent with the purposes, policies and provisions of the CFL and CCFPL.

2. <u>Finality of Settlement Agreement.</u> Flagship agrees to comply with this Settlement Agreement and stipulates that this Settlement Agreement and the Orders herein are deemed final.

3. <u>Policies and Procedures</u>. Flagship has revised its policies and procedures to prevent the practices discussed in Paragraph F, has ceased these practices, and will not engage in these practices in the future.

4. <u>Desist and Refrain Order</u>. Pursuant to Financial Code section 90015(d)(1), Flagship is hereby ordered to desist and refrain from violating Financial Code § 90003.

5. Administrative Fee. Flagship shall pay to the Commissioner an administrative fee of $18,819.41 no later than 10 days after the Effective Date (as defined in paragraph 28) of this Settlement Agreement. The fee must be made payable in the form of a cashier's check or Automated Clearing House deposit transmitted to the attention of Accounting – Litigation, at the Department of Financial Protection and Innovation, 651 Bannon Street, Suite 300, Sacramento, California 95811. Notice of the payment must be sent to Danielle A. Stoumbos, Senior Counsel, Enforcement Division, via electronic mail at Danielle.Stoumbos@dfpi.ca.gov.

6. Borrower Refunds. Pursuant to California Financial Code section 90012(b)(2), Flagship hereby agrees to issue refunds in the amount of $8,819.41 pursuant to the instructions below, for all good faith payments it collected from California customers in 2021 in which the company instructed the borrower to make a payment before the borrower applied for a loan modification, and for which the borrower generally had not otherwise requested to make a payment, by no later than 30 calendar days after the Effective Date (Refunds).

i. Flagship, directly or through an agent, shall send a Refund check by first class mail to the California borrower's last known postal mail address listed in Flagship's records, unless new address information has been provided by the customer pursuant to Paragraph 7. Each Refund check shall be mailed with a request for address correction on the outside of each envelope. Flagship will conduct a United States Postal Service scrub for any returned mail until such time as said scrub fails to produce a new address. Flagship, directly or through an agent, shall re-send all Refund checks returned by the United States Postal Service with a forwarding or corrected address.

ii. No later than sixty calendar days after the Effective Date, notice of the refund payments shall be sent to the Commissioner at the Notice address in Paragraph 25. With this notice, Flagship shall also provide a report containing the customer's name, mailing address, email address, amount of the refund, refund date, and whether the refund went through.

7. Notice to Borrowers. No later than 10 calendar days after the Effective Date, Flagship shall send a notice, via email and U.S. mail, to each borrower and co-borrower (if applicable) owed a refund (Borrower Notice). Such Borrower Notice shall be sent to the borrower and co-borrower's last known address and e-mail address. The Borrower Notice shall say:

> Pursuant to a settlement with the California Department of Financial Protection and Innovation, Flagship is issuing your account a refund of the good faith payment paid in 2021 in connection with a loan modification request that was subsequently denied. We are providing this notice to both the borrower and co-borrower (if applicable). We will send the refund by check via U.S. Mail to the borrower's address provided to Flagship. If you need to update your address or to confirm your existing address information, please contact us immediately at (855) 743-2357 or via e-mail at csrremediation@flagshipcredit.com.
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> NOTICE: If you are entitled to the protections of the United States Bankruptcy Code (11 U.S.C. §§ 362; 524) regarding the subject matter of this letter, the following applies to you: **THIS COMMUNICATION IS NOT AN ATTEMPT TO COLLECT, ASSESS, OR RECOVER A CLAIM IN VIOLATION OF THE BANKRUPTCY CODE AND IS FOR INFORMATIONAL PURPOSES ONLY**.

The Consumer Notice shall not be accompanied by any other documents or text when sent to consumers unless first approved by the Commissioner. Flagship will conduct a USPS scrub for any returned mail until such time as said scrub fails to produce a new address. Flagship, directly or through an agent, shall re-send all Borrower Notices returned by the United States Postal Service with a forwarding or corrected address.

8. No Consumer Waiver. Payment of a refund to any consumer under this Settlement Agreement may not be conditioned on that consumer waiving any right.

9. Handling of Uncashed Checks. Flagship shall escheat any returned or unclaimed refunds to the California State Controller's Office within the period provided by Code of Civil Procedure section 1520 of the Unclaimed Property Law (Cal. Civ. Proc. §§ 1500-1582. In the event

of escheat, notice shall be sent within five business days to the Commissioner at the Notice address in Paragraph 25, and shall include a copy of any escheatment report(s) submitted to the California State Controller.

10. Waiver of Notice and Hearing Rights. Flagship acknowledges that the Commissioner is ready, willing, and able to proceed with the filing of an administrative action on the charges contained in this Settlement Agreement. Flagship hereby waives the right to any hearings, and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the CFL and CCFPL, the California Administrative Procedures Act, the California Code of Civil Procedure, or any other provision of law. Flagship further expressly waives any requirement for the filing of an Accusation pursuant to Gov't. Code § 11415.60, subdivision (b). By waiving such rights, Flagship fully consent to this Settlement Agreement becoming final.

11. Full and Final Settlement. The parties hereby acknowledge and agree that this Settlement Agreement is intended to constitute a full, final, and complete resolution of the findings described herein, and that no further proceedings or actions will be brought by the Commissioner in connection with the findings in the Settlement Agreement excepting therefrom any proceeding to enforce compliance with the terms of this Settlement Agreement.

12. Failure to Comply with Settlement Agreement. Flagship agrees that if it fails to comply with the terms of this Settlement Agreement, the Commissioner may, in addition to all other available remedies it may invoke under the CFL, summarily suspend/revoke the CFL licenses of Flagship until Flagship is in compliance. Flagship waives any notice and hearing rights to contest such summary suspensions which may be afforded under the CFL, the California Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection therewith.

13. Information Willfully Withheld or Misrepresented. Notwithstanding paragraph 18, this Settlement Agreement may be revoked, and the Commissioner may pursue any and all remedies available under law against Flagship if the Commissioner discovers that Flagship knowingly or willfully withheld or misrepresented material information.

14. Future Actions by Commissioner. If Flagship fails to comply with the terms of the Settlement Agreement, the Commissioner may institute proceedings against Flagship for any and all violations otherwise resolved under this Settlement Agreement. The Commissioner reserves the right to bring any future actions against Flagship, or any of its partners, owners, officers, shareholders, directors, employees, or successors for any and all unknown violations of the CFL and CCFPL.

15. Assisting Other Agencies. Nothing in this Settlement Agreement limits the Commissioner's ability to assist any other government agency (city, county, state, or federal) with any prosecution, administrative, civil or criminal action brought by that agency against Flagship, or any other person based on any of the activities alleged in this matter or otherwise.

16. Headings. The headings to the paragraphs of this Settlement Agreement are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

17. Binding. This Settlement Agreement is binding on all heirs, assigns, and/or successors in interest.

18. Reliance. Each of the parties represents, warrants, and agrees that in executing this Settlement Agreement, he, she or it has relied solely on the statements set forth herein and the advice of its own legal counsel, if represented. Each of the parties further represents, warrants, and agrees that in executing this Settlement Agreement he, she or it has placed no reliance on any statement, representation, or promise of any other party, or any other person or entity not expressly set forth herein, or upon the failure of any party or any other person or entity to make any statement, representation, or disclosure of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Settlement Agreement.

19. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of any other provision. No waiver by either party of any breach of, or of compliance with, any

condition or provision of this Settlement Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

20. Full Integration. This Settlement Agreement is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the parties, their respective representatives, and any other person or entity, with respect to the subject matter covered hereby.

21. Governing Law. This Settlement Agreement will be governed by and construed in accordance with California law. Each of the parties hereto consents to the jurisdiction of such court and thereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in such court.

22. Effect Upon Future Proceedings. If Flagship applies for any license, permit or qualification under the Commissioner's current or future jurisdiction, or is the subject of any future action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

23. Voluntary Agreement. Flagship hereby enters into this Settlement Agreement voluntarily and without coercion and acknowledges that no promises, threats, or assurances have been made by the Commissioner or any officer, or agent thereof, about this Settlement Agreement. The parties each represent and acknowledge that he, she or it is executing this Settlement Agreement completely voluntarily and without any duress or undue influence of any kind from any source.

24. Counterparts. This Settlement Agreement may be executed in one or more separate counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall together constitute a single document.

25. Notice. Any notice required under this Settlement Agreement shall be provided to each party at the following addresses, or such subsequent address as may be provided by either party in writing:

To Flagship: Courtney Magnarella
Vice President, Legal

Flagship Credit Acceptance LLC
225 Wilmington West Chester Pike, Suite 200-220
Chadds Ford, Pennsylvania 19317
Courtney.Magnarella@flagshipcredit.com

To the Commissioner:

Danielle Stoumbos, Senior Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Danielle.Stoumbos@dfpi.ca.gov

26. Signatures. A fax or electronic mail signature shall be deemed the same as an original signature.

27. Public Record. Flagship hereby acknowledges that the Settlement Agreement is and will be a matter of public record.

28. Effective Date. This Settlement Agreement shall become final and effective when signed by all parties and delivered by the Commissioner's agent via e-mail to Flagship Vice President, Legal, Courtney Magnarella at the following email address: Courtney.Magnarella@flagshipcredit.com.

29. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement and undertake the obligations set forth herein.

Dated: October 16, 2025

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

By______________________________
Mary Ann Smith
Deputy Commissioner
Enforcement Division

Commissioner of Financial Protection and Innovation
EUREKA
State of California

Dated: October 15, 2025

FLAGSHIP CREDIT ACCEPTANCE LLC

By: ______________________________________
Courtney Magnarella
Vice President, Legal