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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	CFL LICENSE NO.: 603-G874
THE COMMISSIONER OF BUSINESS OVERSIGHT,)	
Complainant,)	
v.)	
DISCOUNT S.P., INC., DBA DISCOUNT TITLE LOANS,)	CONSENT ORDER
Respondent.)	

This Consent Order is entered into between the Commissioner of Business Oversight (Commissioner) and Discount S.P., Inc., dba Discount Title Loans (Discount) (collectively, the Parties) and is made with respect to the following facts:

I.

Recitals

A. The Commissioner has jurisdiction over the licensing and regulation of persons and entities engaged in the business of finance lending and/or brokering pursuant to the California Financing Law (CFL) (Fin. Code, § 22000 et seq.).

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1 B. Discount is a finance lender and broker licensed by the Commissioner pursuant to the
2 CFL.

3 C. Discount has its principal place of business at 21241 Ventura Boulevard, Suite 244-A,
4 Woodland Hills, California 91364.

5 D. Yakov Meltser is the President and Chief Executive Officer of Discount, and as such,
6 is authorized to enter into this Consent Order on behalf of Discount.

7 E. The Department commenced an examination of Discount’s books and records, in
8 November of 2017, which covered periods from September 2014 to 2018. The examination revealed
9 numerous violations of the CFL by Discount.

10 i. The Annual Percentage Rate (APR) disclosed in the Federal Truth-in-Lending
11 Disclosure of Discount’s loan agreement was understated and exceeded the 0.125% tolerance
12 permissible under the Federal Regulations, in violation of Financial Code section 22346 and 12
13 Code of Federal Regulations section 1026.18. The understatements were due to Discount’s failure to
14 include the administrative fee in Finance Charges in the Truth-in-Lending statement from 2014 to
15 2018. This was a repeat violation noted during the 2012 examination.

16 ii. Discount incorrectly used the APR to calculate interest charges, in violation of
17 Financial Code section 22161.

18 iii. The examination revealed that Discount collected lien fees from borrowers
19 that exceeded the actual fees paid to the DMV, in violation of Financial Code section 22336,
20 subdivision (a). Discount overcharged borrowers \$35.00 in DMV lien fees.

21 iv. Discount failed to provide the Department with supporting documentation,
22 such as certificate of title, to substantiate the lien fee charges, in violation of Financial Code sections
23 22336, subdivision (a) and 22156.

24 v. A review of Discount’s financial statements and CFL annual reports as of
25 December 31, 2017, December 31, 2018, and December 31, 2019, revealed that Discount failed to
26 maintain the minimum net worth requirement of \$25,000.00, under Financial Code section 22104.

27 vi. Financial Code section 22309 states in part that "Except as provided in
28 Section 22305 and Article 4 (commencing with Section 22400), no charges on loans made pursuant

1 to this division shall be paid, deducted, or received in advance, or compounded."

2 vii. Discount's loan agreement, "Statement of Loan, Federal Truth-in- Lending
3 Disclosure, Security Agreement and Promissory Note," included a clause, that when checked, states
4 the borrower will be charged three months of minimum interest charges. For loans that were paid off
5 within three months of the loan date, the collection of advance charges were in violation of Financial
6 Code sections 22309 and 22337, subdivision (c).

7 viii. A review of Discount's repossession files revealed that a right to a
8 10-day extension was not consistently disclosed to the borrowers in all repossession
9 files, in violation of Financial Code section 22328, subdivision (b)(3).

10 ix. Discount failed to submit the required application for investigation for
11 Michael Meltser, Discount's Secretary, in violation of Financial Code section 22105 and California
12 Code of Regulations, title 10, section 1409.

13 x. Discount currently has one CFL licensed location. Discount's website
14 included false and misleading information regarding multiple licensed locations, in violation of
15 Financial Code sections 22161 and 22155.

16 xi. Discount failed to provide notice to the Commissioner at least ten days before
17 changing its address, in violation of Financial Code section 22153. The Department received a
18 request for an address change on September 30, 2019, over two months after Discount had moved.
19 In addition, the change of address request was deficient.

20 xii. Discount failed to pay the \$250.00 for the 2019-2020 CFL Assessment, as
21 required by Financial Code section 22107. The Department sent Discount a final notice for non-
22 payment of CFL Assessment, on December 6, 2019. Discount did not pay the 2019-2020 CFL
23 Assessment.

24 xiii. Repossession expenses exceeding \$500.00 were either deducted from the sales
25 proceeds or added to the loan, in violation of Financial Code section 22202, subdivision (f).

26 xiv. On May 8, 2018, a Report of Examination (ROE) was sent to Discount
27 detailing the violations discovered during the examination. Discount was instructed to conduct a
28 review of, and correct all the effected accounts. In January and April of 2019, follow-up demand

1 letters were sent to Discount. Discount was required to fully respond to the ROE, identify the refund
2 amounts due to all the borrowers for the overcharges, and refund the overcharges to the borrowers.
3 Discount failed to adequately respond and issue the refunds, in violation of Financial Code section
4 22709.

5 F. Based upon the foregoing, the Commissioner finds that Discount violated: (1)
6 Financial Code section 22346 and 12 Code of Federal Regulations section 1026.18 for understating
7 the APR in excess of the .125% tolerance in Finance Charges due to the exclusion of the
8 administrative fee in Finance Charges; (2) Financial Code section 22161 for incorrectly using the
9 APR to calculate interest charges; (3) Financial Code section 22336, subdivision (a) by
10 overcharging DMV lien fees; (4) Financial Code sections 22336, subdivision (a) and 22156 by
11 failing to provide the Department with certificate of title; (5) Financial Code section 22104 by
12 failing to meet the net worth requirements in 2017, 2018 and 2019; (6) Financial Code sections
13 22309 and 22337, subdivision (c) for overcharging three months of interest charges on loans that
14 were paid off within three months of the loan date; (7) Financial Code section 22328 for failing to
15 disclose the right to a 10-day extension; (8) Financial Code section 22105 and California Code of
16 Regulations, title 10, section 1409 by failing to submit the required application for investigation for
17 all its current officers and shareholders; (9) Financial Code sections 22161 and 22155 for including
18 false and misleading information on its website; (10) Financial Code section 22153 for failing to
19 provide prior notice of change of address; (11) Financial Code section 22107 by failing to pay the
20 2019-2020 CFL Assessment; (12) Financial Code section 22202, subdivision (f) for incorrectly
21 calculating repossession expenses; and (13) Financial Code section 22709 for repeatedly failing to
22 provide adequate responses to the regulatory report or findings.

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

25 II.

26 Terms and Conditions

27 1. Purpose. This Consent Order resolves the issues before the Commissioner set forth
28 in paragraphs A through F, above, in a manner that avoids the expense of a hearing and other

1 possible court proceedings, protects consumers, is in the public interest, and is consistent with the
2 purposes, and provisions of the CFL.

3 2. Revocation Order. Pursuant to Financial Code section 22714, it is hereby ordered
4 that the finance lender and broker license issued to Discount S.P., Inc., dba Discount Title Loans is
5 revoked. This revocation order is final and effective from the Effective Date of this Consent Order,
6 as defined in paragraph 26 (Effective Date).

7 3. Penalties. Within 10 days from the Effective Date of this Consent Order, Discount
8 S.P., Inc., dba Discount Title Loans is hereby ordered to pay a penalty in the total amount of
9 \$2,500.00. The penalty payment shall be made in the form of a cashier's check or Automated
10 Clearing House deposit to the "Department of Business Oversight," and transmitted to the attention
11 of: Accounting - Litigation, at the Department of Business Oversight, located at 2101 Arena
12 Boulevard, Sacramento, California 95834-2036. Notice of payment shall be sent concurrently to
13 Afsaneh Eghbaldari, Counsel, Enforcement Division, by email at: affi.eghbaldari@dbo.ca.gov. In
14 the event the payment due date falls on a weekend or holiday, the payment shall be due the next
15 business day.

16 4. Refunds. Discount represents that it has issued refunds due to the borrowers in the
17 total amount of \$62,375.00. Discount shall escheat any unclaimed refunds to the California State
18 Controller's Office within the period provided by Code of Civil Procedure section 1520, subdivision
19 (a), of the Unclaimed Property Law (Code of Civ. Proc., § 1500 et seq.).

20 5. Waiver of Hearing Rights. Discount acknowledges the Commissioner is ready,
21 willing, and able to proceed with the filing of an administrative enforcement action on the charges
22 contained in this Consent Order. Discount hereby waives the right to any hearings, and to any
23 reconsideration, appeal, or other right to review which may be afforded pursuant to the CFL, the
24 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
25 provision of law. Discount further expressly waives any requirement for the filing of an accusation
26 or pleading pursuant to Government Code section 11415.60, subdivision (b). By waiving such rights,
27 Discount effectively consents to this Consent Order and the Revocation Order becoming final.

28 6. Full and Final Settlement. The Parties hereby acknowledge and agree that this

1 Consent Order is intended to constitute a full, final, and complete resolution of the violations and
2 Revocation Order as identified herein. No further proceedings or actions will be brought by the
3 Commissioner in connection with these matters under the CFL, or any other provision of law,
4 excepting therefrom any proceeding to enforce compliance with the terms of this Consent Order.

5 7. Failure to Comply with Consent Order. Discount agrees that if it fails to comply
6 with any terms of this Consent Order or the Revocation Order, the Commissioner may, summarily
7 suspend/revoke any of Discount’s license(s) and/or deny any pending license applications of
8 Discount and/or its respective affiliates, successors, and assigns, by whatever names they might be
9 known, in addition to all other available remedies it may invoke under the CFL. Discount waives
10 any notice and hearing rights to contest such summary suspensions, revocation or denial which may
11 be afforded under the CFL, the California Administrative Procedure Act, the California Code of
12 Civil Procedure, or any other provision of law in connection therewith.

13 8. Opportunity to Cure. In the event Discount fails to comply with the terms of this
14 Consent Order, the Commissioner, in his sole discretion, may give Discount notice of such breach
15 (Notice) and the opportunity to cure the breach (Cure). The Cure must be completed to the
16 satisfaction of the Commissioner within 15 business days after the Notice has been sent to Discount.
17 Proof of such Cure must be received by the Commissioner within 15 business days of the date of
18 Notice; Proof of Cure shall be emailed to Afsaneh Eghbaldari, Counsel, at:
19 affi.eghbaldari@dbo.ca.gov.

20 9. Third Party Actions. This Consent Order does not create any private rights or
21 remedies against Discount, create any liability for Discount or limit defenses of Discount for any
22 person or entity not a party to this Consent Order.

23 10. Information Willfully Withheld. The Consent Order may be revoked, and the
24 Commissioner may pursue any and all remedies available under law against Discount if the
25 Commissioner discovers that Discount knowingly or willfully withheld or misrepresented
26 information used for and relied upon in this Consent Order.

27 11. Future Actions by Commissioner. If Discount fails to comply with any terms of the
28 Consent Order or violates the Revocation Order, it agrees that the facts in the Consent Order and

1 Revocation Order are admitted for the purpose of proving a violation of this Consent Order and
2 Revocation Order. Discount further agrees that the Commissioner may institute proceedings for any
3 and all violations otherwise unresolved under this Consent Order. The Commissioner reserves the
4 right to bring any future actions against Discount, or any of its partners, owners, officers,
5 shareholders, directors, employees, or successors for any and all unknown violations of the CFL.
6 Discount further agrees that the Commissioner may institute proceedings for any and all violations
7 of this Consent Order, to the extent they are otherwise unresolved under this Consent Order.

8 12. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
9 ability to assist a government agency (whether city, county, state, or federal) with any
10 administrative, civil or criminal action brought by that agency against Discount or any other person
11 based upon any of the activities alleged in this matter or otherwise.

12 13. Independent Legal Advice. Each of the Parties represents, warrants, and agrees that
13 he, she, or it has received independent advice from its attorney(s) or representative(s) with respect to
14 the advisability of executing the Consent Order.

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

18 15. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
19 interest.

20 16. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
21 Consent Order it has relied solely on the statements set forth herein and the advice of its own
22 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
23 Order it has placed no reliance on any statement, representation, or promise of any other party, or
24 any other person or entity not expressly set forth herein, or upon the failure of any party or any other
25 person or entity to make any statement, representation or disclosure of anything whatsoever. The
26 Parties have included this clause: (1) to preclude any claim that any party was in any way
27 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
28 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

1 17. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
2 this Consent Order will be valid or binding unless it is in writing and signed by each of the Parties.
3 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
4 provision. No waiver by either party of any breach of, or of compliance with, any condition or
5 provision of this Consent Order by the other party will be considered a waiver of any other condition
6 or provision or of the same condition or provision at another time.

7 18. Full Integration. This Consent Order is the final written expression and the complete
8 and exclusive statement of all the agreements, conditions, promises, representations, and covenants
9 between the Parties with respect to the subject matter hereof, and supersedes all prior or
10 contemporaneous agreements, negotiations, representations, understandings, and discussions
11 between and among the parties, their respective representatives, and any other person or entity, with
12 respect to the subject matter covered hereby.

13 19. Governing Law. This Consent Order will be governed by and construed in
14 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court,
15 and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
16 forum to the maintenance of such action or proceeding in such court.

17 20. Counterparts. This Consent Order may be executed in one or more separate
18 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
19 together constitute a single document.

20 21. Effect Upon Future Proceedings. If Discount applies for any license, permit or
21 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
22 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
23 admitted for the purpose of such application(s) or enforcement proceeding(s).

24 22. Voluntary Agreement. Discount enters into this Consent Order voluntarily and
25 without coercion and acknowledges that no promises, threats, or assurances have been made by the
26 Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each represent
27 and acknowledge that he, she, or it is executing this Consent Order completely voluntarily and
28 without any duress or undue influence of any kind from any source.

