

Complaint

87 F.T.C.

IN THE MATTER OF
NATIONWIDE TRAINING SERVICE, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-2814. Complaint, Mar. 30, 1976—Decision, Mar. 30, 1976

Consent order requiring a Strunk, Ky., training school for heavy equipment operators, truck drivers, and related occupations, among other things to cease using unfair means and deceptive advertising to sell their courses, misrepresenting affiliation with various industries, employment opportunities, salary potential for training course graduates, training cost, manner of payment, training facilities and training programs, and job placement assistance. Respondents are required to make certain affirmative disclosures to students including three-day cooling-off period to cancel contract and have monies refunded. Respondents are further ordered to police the activities of salesmen and brokers engaged in the sale of respondents' training courses, to ensure compliance with the order.

Appearances

For the Commission: *James S. Teborek.*

For the respondents: *Harold G. Jeffers, Oneida, Tenn.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission having reason to believe that Nationwide Training Service, Inc., a corporation, and Raymond E. Phillips, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Nationwide Training Service, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Kentucky, with its principal office and place of business located at Strunk, Kentucky.

Respondent Raymond E. Phillips is an individual and an officer of respondent corporation. His business address is the same as that of said corporate respondent.

PAR. 2. Respondents are now, and have been for some time last past, engaged in the advertising, offering for sale, sale or distribution of courses of study and instruction purporting to prepare graduates thereof for employment as heavy equipment operators, truck drivers, and related occupations. Said courses when pursued to completion

consist of a series of lessons pursued by correspondence through the United States mail and a period of inresidence training at a place designated by respondents.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, the publication of advertisements concerning the said courses in newspapers of general circulation and have caused the correspondence portion of said courses, when sold, to be sent from respondents' place of business in the Commonwealth of Kentucky to purchasers thereof located in various other States of the United States. Respondents utilize the services of salesmen who induce prospective purchasers of said courses located in States other than the Commonwealth of Kentucky to contact said salesmen at respondents' offices. Said salesmen transmit to and receive from respondents contracts, checks and other instruments of a commercial nature relating to the sale of said courses to said purchasers. Respondents also utilize the services of brokers and solicitors, who pay respondents a fee for providing the resident training portion of courses to persons recruited by said brokers and solicitors. Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade in said courses of study and instruction in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business as aforesaid, respondents have published or caused to be published in the "Help-Wanted" and other columns of newspaper advertisements containing statements regarding job opportunities, training and wages for persons interested in becoming heavy equipment operators or truck drivers. Typical and illustrative, but not all inclusive of such advertisements are the following:

TRUCK DRIVERS

(Experience not necessary)

Professional drivers can earn up to \$5.41 per hour, plus overtime — up to \$20,000 per year. You can too after short training for local or over-the-road hauling. For application call (704)394-4320 or write: NATIONWIDE SEMI DIVISION, 3313 Belhaven Blvd., Charlotte, N.C. 28216.

HEAVY EQUIPMENT OPERATORS

Dozer-Scraper Operators needed. (Experience not necessary). Can earn up to \$300. per week, after short training. Call or write: NATIONWIDE HEAVY EQUIPMENT TRAINING SERVICE, INC. Phone (615) 622-3109, 1320 East 23rd St., Chattanooga, Tennessee 37404.

PAR. 5. By and through the use of the statements contained in the

advertisements set forth in Paragraph Four and others of similar import and meaning but not expressly set out herein, respondents represent directly or by implication, that:

1. The corporate respondent operates, is affiliated with, or represents a construction company or a trucking company.

2. Respondents are offering employment to qualified applicants who will be trained as heavy equipment operators or truck drivers.

3. Persons receiving training from respondents will earn such amounts as \$5.41 per hour; \$300 per week, or \$20,000 per year as truck drivers, heavy equipment operators or related occupations, upon completion of training.

4. There is a reasonable basis from which to conclude that there is now or will be a need or demand for heavy equipment operators or truck drivers which respondents' training is designed to meet.

PAR. 6. In truth and in fact:

1. The corporate respondent does not operate or represent and is not affiliated with any construction company or trucking company, but to the contrary is engaged in the sale of courses of instruction to prospective purchasers.

2. Respondents do not offer employment to persons who have been trained as heavy equipment operators or truck drivers, but attempt to and do sell courses of instruction to said purchasers.

3. Few, if any, persons who received training from respondents pursuant to said offer have earned amounts such as \$5.41 per hour, \$300 per week, or \$20,000 per year as truck drivers, heavy equipment operators or related occupations as a result of such training.

4. Respondents had no reasonable basis from which to conclude that there is now or will be a need or demand for heavy equipment operators or truck drivers which respondents' training is designed to meet.

Therefore, the statements and representations as set forth in Paragraphs Four and Five were, and are, false, misleading and deceptive.

PAR. 7. In the further course and conduct of their business as aforesaid, respondents cause persons who respond to the aforesaid, or similar, advertisements to visit respondents' salesmen at respondents' offices. For the purpose of inducing the sale of said courses, such salesmen make to prospective purchasers many statements and representations, directly or by implication, regarding opportunities for employment as heavy equipment operators and truck drivers available to purchasers of said courses, the assistance furnished to graduates of said courses in obtaining employment and other matters. Some of the aforesaid statements and representations appear in brochures, pam-

phlets and other printed material furnished to said salesmen by respondents and in other statements and representations made orally by said salesmen. Among and typical, but not all inclusive, of such statements and representations are the following:

1. Respondents have been requested by construction and trucking companies to train operators and drivers for jobs as heavy equipment operators and truck drivers with their companies upon completion of said training.

2. Graduates of said courses will be qualified thereby for employment as heavy equipment operators or truck drivers without further training or experience.

3. The nature of an initial payment by prospective enrollees of said courses prior to the undertaking of a formal obligation to respondents is not that of a nonrefundable tuition fee.

4. Respondents will permit enrollees of said courses to defer payment of the balance of the cost of said courses remaining after the initial or registration fee has been paid until after the graduate of said courses has obtained employment as a heavy equipment operator or truck driver.

5. Respondents will handle or arrange financing of the balance of the cost of said courses remaining after the initial or registration fee has been paid.

6. Respondents provide a placement service which will secure jobs as heavy equipment operators or truck drivers for graduates of said courses who want to work in such capacities.

7. Graduates of said courses who want to work are assured jobs as heavy equipment operators or truck drivers as a consequence of graduating from said courses.

PAR. 8. In truth and in fact:

1. Respondents have not been requested by construction or trucking companies to train people for jobs as heavy equipment operators or truck drivers, which jobs shall be offered by such companies to graduates of said training.

2. Graduates of said courses are not thereby qualified for employment as heavy equipment operators or truck drivers without further training or experience.

3. The sum of money which enrollees in said courses are required to pay prior to the undertaking of a formal obligation with respondents is a nonrefundable fee.

4. Respondents generally do not permit enrollees to defer payment of the balance of the cost of said courses remaining after the initial or registration fee has been paid until after employment as a heavy equipment operator or truck driver has been obtained.

5. Respondents seldom if ever arrange such financing to enable enrollees to pay the balance of the cost of said courses.

6. The placement service provided by respondents will not secure jobs as heavy equipment operators or truck drivers for graduates of said courses who want to work in such capacity.

7. Graduates of said courses who want to work are not assured jobs as heavy equipment operators or truck drivers as a consequence of graduating from said courses.

Therefore, the statements and representations as set forth in Paragraph Seven hereof were, and are, false, misleading and deceptive.

PAR. 9. In the course and conduct of their business as aforesaid respondents have utilized the services of brokers and other solicitors to provide students for the resident training portion of the courses offered by respondents. These brokers and other solicitors are under an obligation to pay a fee to respondents for providing to respondents enrollees of said resident training courses. Said brokers and other solicitors have published, or caused to be published, advertisements containing statements and representations similar to those described in Paragraphs Four and Five above. As a consequence of said advertisements or other inducements, prospective enrollees met with salesmen of such brokers and solicitors to discuss said courses. In their attempts to induce prospective enrollees to enroll in said courses, said salesmen made various statements and representations regarding the tuition-financing arrangements, the training program provided by respondents, the type of training equipment utilized by respondents, the assistance furnished to graduates in obtaining employment and the availability of employment opportunities, and other matters. Respondents have been aware of said statements and representations made by or in behalf of said brokers and other solicitors for the purpose of inducing prospective purchasers to enroll in courses offered by respondents. Said statements and representations are often false, misleading or deceptive.

PAR. 10. Respondents offered for sale courses of instruction to prepare graduates thereof for jobs as truck drivers without disclosing in advertising or through their sales representatives: (1) the recent percentage of graduates of each school who were able to obtain the employment for which they were trained; (2) the employers that hired any such graduates; (3) the initial salary any such graduates received; and (4) the percentage of recent enrollees of each school for each course offered that have failed to complete their course of instruction. Knowledge of such facts would indicate the possibility of securing future employment upon graduation and the nature of such employment. Thus, respondents have failed to disclose a material fact, which, if

known to certain prospective enrollees, would be likely to affect their consideration of whether or not to purchase such courses of instruction. Therefore, the aforesaid acts and practices were, and are, false, misleading, deceptive, or unfair.

PAR. 11. In the further course and conduct of their business, and in furtherance of their purpose of inducing the purchase of their courses by the general public, respondents acting directly through their company owned training facilities and furnishing the means and instrumentalities to their salesmen, directly or indirectly, have engaged in the following additional acts or practices:

Respondents have induced members of the general public to sign certain contracts entitled "Application." Respondents thereby have deceptively and misleadingly created the impression that said documents are not legally binding contractual agreements when in fact said documents are legally binding contractual agreements.

Therefore, respondents' statements, representations, acts or practices as set forth herein were, and are, false, misleading, unfair or deceptive acts or practices.

PAR. 12. Respondents have entered into contracts with purchasers of said courses of instruction which contracts contain provisions for the cancellation of said contracts and the refund of tuition monies paid by said purchasers. In many instances, respondents have failed to offer to refund and refused to refund to purchasers who have cancelled their contract such monies as may be due and owing according to the terms of said contracts.

The use by respondents of the aforesaid practice and their continued retention of said sums, as aforesaid, is an unfair act or practice and an act of unfair competition within the intent and meaning of Section 5 of the Federal Trade Commission Act.

PAR. 13. (a) Respondents have been and are now using the aforesaid unfair, false, misleading or deceptive acts and practices, which a reasonably prudent person should have known, under all of the facts and circumstances, were unfair, false, misleading or deceptive, to induce persons to pay or to contract to pay over to them substantial sums of money to purchase or pay for courses of instruction which, to such purchasers in connection with their future employment, and careers was, and is, virtually worthless. Respondents have received the said sums and have failed to offer refunds and have failed to refund such sums to or to rescind such contractual obligations of substantial numbers of enrollees and participants in such courses who were unable to secure employment in the positions and fields for which they have been purportedly trained by respondents.

The use by respondents of the aforesaid acts and practices, their

continued retention of said sums and their continued failure to rescind such contractual obligations of their customers, as aforesaid, are unfair acts or practices.

(b) In the alternative and separate from Paragraph Thirteen (a) herein, respondents, who are in substantial competition, in commerce with corporations, firms and individuals engaged in the sale of course of vocational instruction, have been and are now using, as aforesaid, false, misleading, deceptive or unfair acts or practices, to induce persons to pay over to respondents substantial sums of money to purchase courses of instruction.

The effect of using the aforesaid acts and practices to secure substantial sums of money is or may be to substantially hinder, lessen, restrain, or prevent competition between respondents and the aforesaid competitors.

Therefore, the said acts and practices constitute an unfair method of competition in violation of Section 5 of the Federal Trade Commission Act.

PAR. 14. By and through the use of the aforesaid acts, practices, statements and representations, respondents place in the hands of others the means and instrumentalities by and through which they mislead and deceive the public in the manner and as to the things hereinbefore alleged.

PAR. 15. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition in commerce, with corporations, firms and individuals engaged in the sale and distribution of similar courses of study and instruction.

PAR. 16. The use by respondents of the false, misleading and deceptive statements, representations, acts and practices and their failure to disclose material facts as aforesaid, has had, and now has the tendency and capacity to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and complete, and to induce a substantial number thereof to purchase said courses of study and instruction offered by respondents by reason of said erroneous and mistaken belief.

PAR. 17. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair and deceptive acts and practices in or affecting commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereto with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its Rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Nationwide Training Service, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Kentucky, with its office and principal place of business located at Rural Route #1, city of Strunk, Commonwealth of Kentucky.

Respondent Raymond E. Phillips is an officer of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above-stated address.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents Nationwide Training Service, Inc., a corporation, its successors and assigns, and Raymond E. Phillips, individually and as an officer of said corporation, and respondents' officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of courses of

study and instruction in heavy equipment operation, truck driving or any other subject, trade or vocation, or in connection with any other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

I

1. Representing, directly or by implication, orally or in writing that:

(a) They are, or represent, or are affiliated with, construction or trucking companies or any industry for which enrollees of any courses offered by respondents are being trained; or misrepresenting, in any manner, the nature of their business.

(b) Persons receiving training will, or may, earn any specified amounts of money; or misrepresenting by any means the prospective earnings of such persons for employment after completion of said training.

(c) They have been requested by construction and trucking companies or any other business or organization to train persons for specific jobs; or misrepresenting, in any manner, respondents' connection or affiliation with any industry or any member thereof.

(d) Graduates of any courses will be qualified thereby for employment at jobs for which said graduates were purportedly trained, when additional training or experience is required.

(e) The nature of the initial payment by prospective enrollees of any courses prior to the undertaking of a formal obligation to respondents, is not that of a nonrefundable tuition fee; or misrepresenting, in any manner, the nature of any payment made by prospective enrollees of any courses offered by respondents.

(f) They, or others, will permit enrollees of any courses offered by them to defer payment of the balance of the cost of said courses remaining after the initial or registration fee has been paid until after the enrollee has completed said courses and commenced employment; or misrepresenting, in any manner, the terms or conditions under which payment is to be made for said courses.

(g) They, or others, will handle or arrange financing of the balance of the cost of said courses remaining after the initial or registration fee has been paid, unless respondents, or others specifically named, will in fact, handle or arrange such financing.

(h) They, or others, provide a placement service which may or will secure a job for graduates of said courses.

(i) Graduates of said courses are assured jobs as a consequence of graduating from said courses.

(j) There is an immediate or substantial demand, or a demand of any size or proportion, for persons completing any of the courses offered by the respondents in the field of truck driving or any other field, or otherwise representing, orally or in writing, that opportunities for employment, or opportunities of any type or number, are available to such persons, except as hereinafter provided in Paragraph 7 of this order. *Provided, however,* That respondents shall cease and desist making such representations unless the respondents in each and every instance:

(1) until the passage of a base period to be determined pursuant to Paragraph 7(b) of Part I of this order, after the establishment of a new school location by respondents in any metropolitan area or county, whichever is larger, where they did not previously operate a school, and after the introduction by respondents of any new course of instruction at any school or location, shall:

(A) have in good faith conducted a statistically valid survey which establishes the validity of any such representation at all times when the representation is made and

(B) have disclosed in immediate and conspicuous conjunction with any such representation, that:

All representations for potential employment demand or opportunities for graduates of this school (course) are merely estimates. This school (course) has not been in operation long enough to indicate what, if any, actual employment may result upon graduation.

(2) After the passage of a base period to be determined pursuant to Paragraph 7(b) of Part I of this order, and until two years after the establishment of a new school location by respondents in any metropolitan area or county, whichever is larger, where they did not previously operate a school, and after the introduction by respondents of any new course of instruction at any school or location, shall:

(A) make any such representations in the form and manner provided in Paragraph 7(b) of Part I of this order, and

(B) disclose in immediate and conspicuous conjunction with any such representation, that:

This school (course) has not been in operation long enough to indicate what, if any, actual employment may result upon graduation.

2. Placing ads in "Help-Wanted" columns or representing by any means that employment is being offered when such offer is not a bona fide offer of employment.

3. Accepting as enrollees in courses offered by respondents persons sent to respondents by, or otherwise utilizing the services of, brokers,

or solicitors who engage in any of the acts or practices prohibited by this order, or who otherwise misrepresent in any way the training program offered by respondents, the type of training equipment utilized by respondents, the tuition-financing arrangements, the assistance furnished to graduates in obtaining employment and the availability of employment opportunities, and other matters.

4. Failing to disclose, in writing, clearly and conspicuously, prior to the signing of any contract, to any prospective enrollee of any course offered by respondents, the full cost of such course including the fee for any home study lessons and for any residential training.

5. Failing to place the title "CONTRACT," in boldface type, on any document which evidences an agreement between a person and respondents relating to the purchase of any of the courses offered by respondents; and failing to remove from any such document the word "application," or words of similar import or meaning.

6. Failing to show each prospective purchaser the home study portion of said courses and allow said prospective purchaser a reasonable time for examination of said home study materials before said prospective purchaser has paid any money or has signed any contract, or has obligated himself in any other way.

7. Failing to send by certified mail, return receipt requested, to each person that shall contract with respondents for the sale of any course of instruction a notice which shall disclose the following information and none other.

(a) The title "IMPORTANT INFORMATION" printed in boldface type across the top of the form.

(b) Paragraphs containing the following information in the format prescribed in Appendix A and for a base period designated as described in Appendix B:

(1) The placement rate, ratio or percentage for graduates, and also the numbers upon which such rates, ratios or percentages are based;

(2) A list of firms or employers which are currently hiring graduates of respondents' courses in substantial numbers and in the positions for which such graduates have been trained, and the number of such graduates hired, as to the same graduates used to compute the placement percentage in (b) 1 above;

(3) The salary range of respondents' graduates as to the same graduates used to compute the placement percentage in (b) 1 above;

(4) The percentage of enrollees who have failed to complete their course of instruction, such percentage to be computed separately for each course of instruction offered by respondents at each school, location or facility.

(c) An explanation of the cancellation procedure provided in this

order, namely that any contract or other agreement may be cancelled for any reason until midnight of the third business day after receipt by the customer, via the U.S. mail, of this notice.

(d) A detachable form which the person may use as notice of cancellation, which indicates the proper address for accomplishing any such cancellation.

This notice shall be sent by respondents no sooner than the next day after the person shall have contracted for the sale of any course of instruction; respondents, during such period provided for in subparagraph (c) above, shall not initiate contact with such person other than that required by this paragraph.

Provided, however, That subparagraph (b) above shall be inapplicable to any newly established school that respondents may establish in any metropolitan area or county, whichever is larger, where they did not previously operate a school, or to any course newly introduced by respondents, until such time as the new school or course has been in operation for the base period to be established pursuant to subparagraph (b) above. The following statement shall be included in such notice during such period:

All representations of potential employment or salaries are merely estimates. This school (course) has not been in operation long enough to indicate what, if any, actual employment or salary may result upon graduation from this school (course).

After such time as the new school or course has been in operation for the base period to be established pursuant to subparagraph (b) above, and until two years after the establishment of a new school location in any metropolitan area or county, whichever is larger, where they did not previously operate a school, or the introduction of any new course by respondents, the following statement shall be included in such notice:

This school (course) has not been in operation long enough to indicate what, if any, actual employment or salary may result upon graduation from this school (course).

8. Contracting for any sale of any course of instruction in the form of a sales contract or other agreement which shall become binding prior to midnight of the third business day after the date of receipt by the customer of the form of notice provided for in Paragraph 6 above. Upon cancellation of any said sales contract or other agreement as provided in Paragraph 7(c) above, respondents are obligated to refund within three business days to any person exercising the cancellation right, all monies paid or remitted up until the notice of cancellation.

9. Failing to disclose, clearly and conspicuously, in advertisements, in catalogs, brochures and on letterheads that respondents' business is

solely and exclusively that of a private school, not affiliated with any members of the construction industry, the trucking industry or any member of any other industry.

10. Failing to refund promptly to purchasers who have cancelled their contracts such monies as may be due and owing according to the terms of such contracts.

II

1. *It is further ordered, That:*

(a) Respondents herein deliver, by registered mail, a copy of this decision and order to each of their present and future franchisees, licensees, employees, sales representatives, agents, solicitors, brokers, independent contractors or to any other person who promotes, offer for sale, sells or distributes any course of instruction included within the scope of this order;

(b) Respondents herein provide each person or entity so described in subparagraph (a) of this paragraph with a form returnable to the respondents clearly stating his or her intention to be bound by and to conform his or her business practices to the requirements of this order retain said statement during the period said person or entity is so engaged; and make said statement available to the Commission's staff for inspection and copying upon request;

(c) Respondents herein inform each person or entity described in subparagraph (a) of this paragraph that the respondents will not use or engage or will terminate the use or engagement of any such party unless such party agrees to and does file notice with the respondent that he or she will be bound by the provisions contained in this order;

(d) If such party as described in subparagraph (a) of this paragraph will not agree to file the notice set forth in subparagraph (b) above with the respondents and be bound by the provisions of this order, the respondents shall not use or engage or continue the use or engagement of such party to promote, offer for sale, sell or distribute any course of instruction included within the scope of this order;

(e) Respondents herein inform the persons or entities described in subparagraph (a) above that the respondents are obligated by this order to discontinue dealing with or to terminate the use or engagement of persons or entities who continue on their own the deceptive acts or practices prohibited by this order;

(f) Respondents herein institute a program of continuing surveillance adequate to reveal whether the business practices of each said person or entity described in subparagraph (a) above conform to the requirements of this order;

(g) Respondents herein discontinue dealing with or terminate the us

or engagement of any person described in subparagraph (a) above, who continues on his or her own any act or practice prohibited by this order as revealed by the aforesaid program of surveillance.

(h) Respondents herein maintain files containing all inquiries or complaints from any source relating to acts or practices prohibited by this order, for a period of two years after their receipt, and that such files be made available for examination by a duly authorized agent of the Federal Trade Commission during the regular hours of the respondents' business for inspection and copying.

2. *It is further ordered,* That respondents herein present to each interested applicant or prospective student immediately prior to the commencement of any interview or sales presentation during which the purchase of or enrollment in any course of instruction offered by respondents herein is discussed or solicited, a 5" x 7" card containing only the following language:

YOU WILL BE TALKING TO A SALESPERSON

3. *It is further ordered,* That respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

4. *It is further ordered,* That the respondent Nationwide Heavy Equipment Training Service, Inc., shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the respondents which may affect compliance obligations arising out of this order.

5. *It is further ordered,* That the individual respondent named herein promptly notify the Commission of the discontinuance of his present business or employment and of his affiliation with a new business or employment. Such notice shall include respondent's current business or employment in which he is engaged as well as a description of his duties and responsibilities.

6. *It is further ordered,* That the respondents herein shall within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

APPENDIX A

DISCLOSURE FORM

(NAME OF SCHOOL)

DROP OUT AND PLACEMENT RECORD FOR
(NAME OF COURSE) FOR THE PERIOD OF (DATE) TO (DATE)

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- | | |
|---|---|
| 1. TOTAL ENROLLEES | [NUMBER] |
| 2. TOTAL WHO FAILED TO COMPLETE THE COURSE | [NUMBER] |
| 3. PERCENTAGE WHO FAILED TO COMPLETE THE COURSE | [%] |
| 4. TOTAL NUMBER OF STUDENTS WHO OBTAINED EMPLOYMENT IN THE POSITION FOR WHICH THIS COURSE OF STUDY PREPARED THEM | [NUMBER] |
| 5. PERCENTAGE OF STUDENTS WHO OBTAINED EMPLOYMENT IN THE POSITION FOR WHICH THIS COURSE OF STUDY PREPARED THEM | [% OF ENROLLEES] |
| 6. PERCENTAGE OF GRADUATES WHO OBTAINED EMPLOYMENT IN THE POSITION FOR WHICH THIS COURSE OF STUDY TRAINED THEM | [% OF GRADUATES] |
| 7. NUMBER AND PERCENTAGE OF TOTAL ENROLLEES AND GRADUATES WHO OBTAINED EMPLOYMENT IN THE FOLLOWING SALARY RANGES: | |
| LESS THAN \$2.50 PER HOUR | [NUMBER] STUDENTS WHICH IS [%] OF TOTAL GRADUATES |
| \$2.50 - \$3.99 PER HOUR | |
| \$4.00 - \$5.50 PER HOUR | |
| \$5.51 - \$7.00 PER HOUR | |
| MORE THAN \$7.00 PER HOUR | |
| 8. EMPLOYERS HIRING PERSONS WHO GRADUATE FROM [NAME OF COURSE] FROM (DATE) TO (DATE) AS TRACTOR TRAILER DRIVERS | TOTAL NUMBER OF GRADUATES HIRED |
| NAMES OF EMPLOYERS | |

APPENDIX B

"Base period" shall mean that period of time that begins with the entrance and ends with the graduation of respondents' most recent graduating class, provided that the class graduated at least three (3) months prior to the date on which respondents must begin to disseminate the necessary statistics with respect to the base period.

The three (3) month period immediately following the close of the base period shall be used by respondents to monitor and record the employment success of all enrollees whose enrollment terminated during the base period. Respondents may not include in the computation of statistics for the base period persons whose enrollment terminated during the three (3) month recordation period. Such persons will be included in the statistics for the base period that covers their graduating class.

On the first business day falling more than three (3) months after the graduation of the most recent graduating class respondents shall begin to disseminate statistics for that

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base period. Respondents shall continue to distribute said statistics until the first business day falling three (3) months after the graduation of the next graduating class.

The following example describes how base periods will be utilized by respondents.

Base period 1 will cover the period that begins with the entrance and ends with the graduation of the first class whose graduation date occurs after the effective date of this order. Therefore if a class began on January 1, 1975 and graduated on March 1, 1975 then from March 1, 1975 until June 1, 1975 respondents would monitor and record the employment experience of all enrollees whose enrollment terminated during the base period, January 1, 1975 to March 1, 1975. Respondents would begin disseminating these statistics on the first business day after June 1, 1975.

Base period number two (2) would begin with entrance and end with the graduation of the next graduating class. If that class began on February 1, 1975 and graduated on April 1, 1975 then from April 1, 1975 to July 1, 1975 respondents would monitor and record the employment experience of all enrollees whose enrollment terminated during base period number two (2) February 1, 1975 to April 1, 1975. Respondents would begin disseminating these statistics on the first business day after July 1, 1975.

Order

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IN THE MATTER OF
FREIGHT LIQUIDATORS, ET AL.

Docket 8937. Order, April 2, 1976

Denial of individual respondents', Harold J. Green and Joseph W. Green, petition to reopen and set aside final order.

Appearances

For the Commission: *Joan Z. Bernstein.*

For the respondents: *Hundley & Cacheris*, Washington, D.C.

ORDER DENYING PETITION TO REOPEN AND SET ASIDE PRIOR
ORDER

Petitioners through counsel have requested that the Commission reopen and set aside its final order of February 25, 1975 [85 F.T.C. 274]. The Bureau of Consumer Protection has opposed petitioners' requests. Having considered the petitions and oppositions thereto, the Commission has concluded that the order in this matter should not be reopened.

The order of February 25, 1975 is a final order of the Commission, duly entered after appropriate administrative proceedings. Petitioners signed affidavits appointing counsel in those proceedings and the Commission finds no basis upon which to conclude that they were denied effective assistance of counsel therein.

Other contentions raised by petitioners relate to the merits of the Commission's prior determination to enter an order against them. No showing of changed conditions since entry of that order has been made that would warrant reopening and setting it aside, nor can the Commission conclude that such a course of action would serve the public interest.

Accordingly, *It is ordered*, That the petitions of Harold J. Green and John W. Green to "Reopen and Set Aside" be, and they hereby are, denied.

Commissioner Nye dissenting.

IN THE MATTER OF
PACIFIC HOMES MORTGAGE AND INVESTMENT CO.,
T/A PACIFIC PLAN OF CALIFORNIA, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND TRUTH IN LENDING ACTS

Docket C-2815. Complaint, April 12, 1976—Decision, April 12, 1976

Consent order requiring a Menlo Park, Calif., mortgage company and its Palo Alto, Calif., advertising agency, among other things to cease violating the Truth in Lending Act by failing to disclose to consumers, in connection with the extension of consumer credit, such information as required by Regulation Z of the said Act.

Appearances

For the Commission: *Harold G. Sodergren.*

For the respondents: *Thoits, Lehman & Hanna, Palo Alto, Calif.*

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Pacific Homes Mortgage and Investment Co., a corporation doing business as Pacific Plan of California (hereinafter sometimes referred to as "Pacific"), and Michelson Advertising, Inc., a corporation (hereinafter sometimes referred to as "Michelson"), have violated the provisions of said Acts and implementing regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Pacific is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 2200 Sand Hill Rd., Menlo Park, California.

Respondent Michelson is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 3345 El Camino Real, Palo Alto, California.

PAR. 2. Respondent Pacific is now and for some time last past has been engaged in the business of arranging loans secured by real property for a fee under the California Mortgage Loan Broker Act.

PAR. 3. Respondent Michelson, an advertising agency, is now and for

some time last past has been engaged in the business of creating producing, preparing and placing advertising for its clients, one of which is respondent Pacific.

PAR. 4. In the ordinary course and conduct of its business as aforesaid, respondent Pacific regularly arranges for the extension of consumer credit, as "arrange for the extension of credit" and "consumer credit" are defined in Section 226.2 of Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 5. In order to promote or assist directly or indirectly the extension of other than open end credit, respondent Pacific has caused advertisements, as "advertisement" is defined in Section 226.2 of Regulation Z, to be placed in various media. Certain of these advertisements were created, prepared, produced and placed by respondent Michelson.

PAR. 6. In certain of the advertisements referred to in Paragraph Five which were broadcast on television subsequent to July 1, 1969 respondents Pacific and Michelson stated the amount of installment payments required (in dollars), the dollar amount of the finance charge or the number of installments, or the periods of repayment. In these advertisements the additional credit terms required to be disclosed by Section 226.10(d)(2)(i), (iii), (iv) and (v) were not disclosed:

1. Simultaneously in the same video portion of the television commercial.
2. Simultaneously in both the audio and video portions of the television commercial.
3. In letters of the same size and boldness, thereby obscuring, and detracting from, the meaning of the credit terms shown.
4. In letters of the same conspicuousness as the numerical amounts featured in conjunction therewith, thereby obscuring, and detracting from, the meaning of the credit terms shown.
5. For a sufficient duration to enable the viewer to completely read the said credit terms.

By means of such advertisements, respondents Pacific and Michelson violated Section 226.6(a) of Regulation Z which requires disclosures to be made clearly, conspicuously, and in meaningful sequence.

PAR. 7. In certain of the advertisements referred to in Paragraph Five which were published in newspapers and direct mail flyers subsequent to July 1, 1969, respondents Pacific and Michelson stated the amount of installment payments required (in dollars), the dollar amount of the finance charge or the number of installments, or the periods of repayment. In these advertisements the additional credit

terms required to be disclosed by Section 226.10(d)(2)(i), (iii), (iv) and (v) were not disclosed:

1. In letters of the same size and boldness, thereby obscuring, and detracting from, the meaning of the credit terms shown.
2. In letters of the same conspicuousness as the numerical amounts featured in conjunction therewith, thereby obscuring, and detracting from, the meaning of the credit terms shown.

By means of such advertisements respondents Pacific and Michelson violated Section 226.6(a) of Regulation Z which requires disclosures to be made clearly, conspicuously, and in meaningful sequence.

PAR. 8. Subsequent to July 1, 1969, respondent Pacific, in connection with its business of arranging consumer credit transactions has sold and is now selling, substantial numbers of customers credit life, and credit accident and health insurance in connection with the credit transaction.

Respondent Pacific includes premiums for such insurance in the sum of the "Amount Financed" in its "Disclosure Statement of Loan Made in Compliance with Federal Law" (hereinafter sometimes referred to as "the disclosure statement") on which certain disclosures required by the Truth in Lending Act and Regulation Z are made. In selling such insurance, respondent Pacific does not:

1. Clearly and conspicuously disclose in writing to the customer that such credit insurance coverage is not required by the creditor; and
2. Obtain from each customer desiring credit insurance a specifically dated and separately signed affirmative written indication of the customer's desire for such insurance after the customer has received a written disclosure of the cost of such insurance.

PAR. 9. In connection with the acts and practices described in Paragraph Eight above, respondent Pacific has failed to include charges for credit life, and credit accident and health insurance in the finance charge when a specifically dated and separately signed affirmative written indication of the customer's desire for such insurance has not been obtained as required by Section 226.4(a)(5) of Regulation Z; and thereby respondent Pacific:

1. Fails to compute and disclose accurately the "finance charge" as required by Section 226.4 and 226.8 of Regulation Z; and
2. Fails to compute and disclose the "annual percentage rate" accurately to the nearest quarter of one percent as required by Section 226.5 and 226.8 of Regulation Z.

PAR. 10. Subsequent to July 1, 1969, respondent Pacific in connection with its business of arranging consumer credit transactions has sold and is now selling substantial numbers of customers fire insurance written in connection with the credit transaction.

Complaint

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On the disclosure statement referred to in Paragraph Eight, above, the following disclosure is made:

(1) Fire Insurance Premium (includes policy servicing fee)
\$18.50.

The amount "\$18.50" is preprinted on the face of the statement.

At the same time at which the disclosure statement is furnished to the customer, respondent Pacific causes the customer to execute an Agency and Servicing Agreement, hereinafter sometimes referred to as "the Agreement." The portion of the Agreement which deals with insurance reads as follows:

Borrowers hereby appoint as their insurance agent to obtain Fire Insurance/Life and Accidental Bodily Injury and Sickness Insurance to protect their obligations under said loan in the event of sickness, injury or death:

Fire Insurance \$-----
Life, Health and Accident Insurance
-----for the term of this loan \$-----

(Borrowers write in name
of insurance agent)

Borrowers hereby state that their choice of insurance agent was voluntarily made and was not a condition precedent to their obtaining the above referred to loan, and that said Borrowers understand that said insurance may be obtained from a person of Borrowers' choice. Dated-----, 19-- Signature-----

Before the Agreement is presented to the customer, respondent Pacific types the name "Scurry-Burns" above the line immediately under which are the words "(Borrowers write in name of insurance agent)." When the Agreement is presented to the borrower, the borrower is instructed to write the name "Scurry-Burns" on the line and to sign the agreement.

PAR. 11. Despite the declaration in the above-quoted portion of the Agreement that fire insurance may be obtained from a person of the customer's choice, respondent Pacific, by instructing the customer to write the name "Scurry-Burns" in the manner described in Paragraph Ten and by preprinting the cost of insurance on the disclosure statement, defeats the elective language contained in the Agreement by obscuring the disclosure that the customer may seek the person through which the fire insurance may be obtained. This practice has the effect of discouraging substantial numbers of customers from exercising their own independent, voluntary choice of the person through which fire insurance may be obtained.

PAR. 12. By and through the acts and practices described in Paragraphs Ten and Eleven hereof, respondent Pacific has failed to include the charges for fire insurance in the Finance Charge when the customer has not been furnished a statement in writing which states

that the customer may choose the person through which the fire insurance is to be obtained, as required by Section 226.4(a)(6) of Regulation Z, and thereby respondent Pacific:

1. Fails to compute and disclose accurately the "finance charge" as required by Section 226.4 and 226.8 of Regulation Z; and
2. Fails to compute and disclose the "annual percentage rate" accurately to the nearest quarter of one percent, as required by Sections 225.5 and 226.8 of Regulation Z.

PAR. 13. By and through the use of the disclosure statement referred to in Paragraph Eight respondent Pacific:

1. Fails when making a joint disclosure, to identify all creditors to the transaction, as required by Section 226.6(d) of Regulation Z;
2. Fails to disclose the date on which the finance charge begins to accrue, when different from the date of the transaction, as required by Section 226.8(b)(1) of Regulation Z;
3. In the instances where a balloon payment is scheduled, within the meaning of Section 226.8(b)(3) of Regulation Z, fails to state the conditions under which that payment may be refinanced if not paid when due, as required by that Section;
4. Fails to disclose the amount of the first payment scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z;
5. Fails to describe the penalty charge and to explain the method of computation of such charge and the conditions under which it may be imposed for prepayment of the principal of the obligation, as required by Section 226.8(b)(6) of Regulation Z;
6. Fails to disclose the amount and method of computing the amount of foreclosure charges which automatically become due in the event of default, as required by Section 226.8(b)(4) of Regulation Z.

PAR. 14. In the ordinary course and conduct of its business as aforesaid, respondent Pacific arranges for the extension of credit in transactions in which a security interest is acquired in real property which is used as the principal residence of the customer. The retention or acquisition of such security interest in said real property thereby entitles customers to be given the right to rescind that transaction until midnight of the third business day following the consummation of the credit transaction or the date of delivery of all the disclosures required by Regulation Z, whichever is later, pursuant to Section 226.9 of Regulation Z.

Respondent Pacific has provided customers who have the right to rescind with copies of a notice of right to rescind pursuant to Section 226.9 of Regulation Z, which notice fails to contain the correct date of consummation of the credit transaction, and the correct date by which

the customer may give notice of cancellation, as required by Section 226.9(b) of Regulation Z. Respondent has, therefore, failed to give the disclosures required by Section 226.9(a) of Regulation Z in the manner and form required by Section 226.9(b) of the Regulation.

PAR. 15. Pursuant to Section 103(q) of the Truth in Lending Act, respondents' aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents have thereby violated the Federal Trade Commission Act, as amended.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act, as amended, the Truth in Lending Act, and the regulations promulgated under the Truth in Lending Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Pacific Homes Mortgage and Investment Co. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 2200 Sand Hill Rd., Menlo Park, California.

- Respondent Michelson Advertising, Inc. is a corporation organized,

existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 3345 El Camino Real, Palo Alto, California.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

I

It is ordered, That respondent Pacific Homes Mortgage and Investment Co., a corporation doing business as Pacific Plan of California or by any other name, its successors and assigns, and its officers, (hereinafter, in this and other paragraphs of this order, referred to as "Pacific") and Pacific's agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension or arrangement of consumer credit, or any advertisement to aid, promote, or assist directly or indirectly any arrangement or extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. §226) of the Truth in Lending Act (Pub. L. 90-321, 15 U.S.C. §1601, *et seq.*), do forthwith cease and desist from:

1. Failing in connection with all television and radio advertisements in which cost of credit disclosures must be made, pursuant to Section 226.10 of Regulation Z, to make such disclosures clearly, conspicuously, and in meaningful sequence, as required by Section 226.6(a) of Regulation Z. The following standards shall be met in order for a television advertisement to be deemed a "clear and conspicuous" disclosure within the meaning of this order:

(a) The required disclosures shall be presented simultaneously in both the audio and video portions of the television advertisement.

(b) The video portion of the required disclosures shall contain letters of sufficient size so that said letters can be easily seen and read on all television sets, regardless of picture tube size, that are commercially available for the consuming public.

(c) The audio portion of the required disclosures shall be spoken with sufficient deliberateness, clarity, and volume, so as not to obscure or detract attention from the required disclosures.

(d) The video portion of the required disclosures shall contain letters of a color or shade that readily contrast with the background on both color and black and white television sets. The background shall consist of only one color or shade.

(e) During the video portion of the required disclosures no words or

images shall appear on the television screen which are not part of the required disclosures; *provided, however*, that during said disclosure one half of the television screen may contain images which contribute to and emphasize said disclosure.

(f) During the audio portion of the required disclosures, no other sounds, including music, may be presented.

(g) The audio and video portions of the required disclosures shall immediately follow the specific representation which triggers the affirmative disclosure requirement contained in Section 226.10(d)(2) of Regulation Z.

(h) The audio and video portions of the required disclosures shall give equal emphasis to each word and numeral of the required disclosure.

(i) The audio and video portions of the required disclosures shall be no less than ten seconds duration.

(j) The video portion of the required disclosures shall present the entire text of the required disclosure for the entire duration of the disclosure.

2. Failing in connection with all newspaper or other printed advertisements in which cost of credit disclosures must be made pursuant to Section 226.10 of Regulation Z, to make such disclosures clearly, conspicuously, and in meaningful sequence, as required by Section 226.6(a) of Regulation Z. The following standards shall be met in order for a newspaper or other printed advertisement to be deemed a "clear and conspicuous" disclosure within the meaning of this order:

(a) The required disclosures shall contain letters of sufficient size so that they can be easily seen and read in the advertisement.

(b) The advertisement shall give equal emphasis to each word and numeral of the required disclosures.

(c) The required disclosures shall contain letters of a color or shade that readily contrasts with the background. The background shall consist of only one color or shade.

(d) The required disclosures shall be a separate element in each advertisement and shall not contain or include any part of any picture, design, illustration or text within the advertisement.

(e) The required disclosures shall appear in immediate conjunction with the specific representation that triggers the affirmative disclosure required by Section 226.10(d)(2) of Regulation Z.

3. When the charges for credit life insurance and/or credit accident and health insurance are not included in the finance charge:

(a) Failing, immediately prior to the time that the borrower is furnished the duplicate of the instrument or the statement required by Section 226.8(a) of Regulation Z, to present to the borrower a separate,

written personal insurance authorization form which sets forth clearly and conspicuously:

(i) that a mortgage loan of a specified amount has been approved for the customer;

(ii) that the customer's decision with regard to purchasing the credit insurance available through Pacific is not considered in granting the credit;

(iii) that the purchase of credit insurance is optional and is not required by the creditor in connection with the loan;

(iv) the amount of the total premium for credit life insurance and/or the amount of the total premium for credit accident and health insurance which if elected, will become part of the loan, and that said amount(s) does not include the finance charge on said credit insurance;

(v) the insurance options available to the customer together with the total premiums (not including the finance charge on said premiums) which will become due upon the customer's election to take the loan: (1) with credit life insurance only, (2) with credit accident and health insurance only, (3) both credit life insurance and credit accident and health insurance, and (4) other available forms of credit insurance if applicable, (5) no insurance;

(vi) a signature and date line for the customer to indicate his election; and

(vii) that the borrower authorizes Pacific on behalf of the borrower to pay the insurance premiums to the insurance company for such personal insurance which has been chosen.

(b) Failing to make the disclosures required by subsection (a) above on a separate document which contains no other printed or written material. The disclosures required by subsections (i), (ii) and (iii) above shall be made in at least 12 point type.

A form substantially in conformance with Attachment A herein will be considered in compliance with the provisions of subsections (a) and (b). Pacific shall maintain the original statement relating to each credit insurance election for two years following its execution and provide the customer with a copy thereof.

(c) Failing to leave the Truth in Lending disclosure statement blank as to the cost of credit life insurance and/or credit accident and health insurance and all other information or amounts which are affected by the election or declination of insurance until the customer has signed the written disclosure required by subsection (a) above.

(d) Making any marks or otherwise instructing a customer where to sign or date the separate personal insurance authorization form required by subsection (a) above in advance of the customer's free and independent choice for such insurance.

(e) Representing, orally or otherwise, directly or by implication, that credit life and/or credit accident and health insurance are required as a condition of obtaining credit from Pacific.

(f) Discouraging, by representation, orally or otherwise, directly or by implication, the declination of credit life and/or credit accident and health insurance.

(g) Representing, orally or otherwise, directly or indirectly, that the customer's failure to elect credit insurance will result in delay in processing his loan or in his receiving the proceeds.

4. When a charge for fire insurance is not included in the finance charge:

(a) Failing to present to the customer prior to closing of the credit transaction a separate written personal insurance authorization form which sets forth clearly and conspicuously:

(i) that a mortgage loan of a specified amount has been approved for the customer;

(ii) the cost of the fire insurance if obtained from or through Pacific;

(iii) the customer may choose the person through which the insurance is to be obtained;

(iv) that the customer's decision with regard to purchasing the fire insurance available through Pacific is not considered in granting the credit;

(v) a description of insurance coverage offered.

(b) Failing to make the disclosures required by subsection (a) above on a separate document which contains no other printed or written material. The disclosures required by subsections (iii) and (iv) above shall be made in at least 12 point type. Pacific shall maintain the original statement relating to each fire insurance election for two years following its execution and provide the customer with a copy thereof.

(c) Failing to leave the Truth in Lending disclosure statement blank as to the cost of fire insurance and all other information or amounts which are affected by the election or declination of insurance until the customer has made a choice regarding the person through which the insurance is to be obtained.

(d) Using any language in addition to and/or unrelated to that which is necessary to make the disclosure statement required by Section 226.4(a)(6) of Regulation Z, which may have the effect of obscuring or detracting from the clarity and conspicuousness of such disclosure statement.

5. Failing to tell every customer the purpose(s) of each signature requested by Pacific on any document directly related to the consummation of the credit transaction.

6. Failing to compute and disclose accurately the finance charge as required by Sections 226.4(a)(5) and 226.8(d) of Regulation Z.
7. Failing to compute and disclose accurately the annual percentage rate to the nearest quarter of one percent as required by Sections 226.5(b) and 226.8(b)(2) of Regulation Z.
8. Failing to disclose the date on which the finance charge begins to accrue when different from the date of the transaction, as required by Section 226.8(b)(1) of Regulation Z.
9. Failing to state the conditions under which a balloon payment may be refinanced if not paid when due, as required by Section 226.8(b)(3) of Regulation Z.
10. Failing to disclose the amount of each payment scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.
11. Failing to disclose the amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments, as required by Section 226.8(b)(4) of Regulation Z.
12. Failing to describe the penalty charge and to explain the method of computation of such charge and the conditions under which it may be imposed for prepayment of the principal of the obligation, as required by Section 226.8(b)(6) of Regulation Z.
13. Failing in any credit transaction in which the customer has a right to rescind under Section 226.9 of Regulation Z, to provide the customer with the notice of right to rescind, in the form and manner provided in that section.
14. Failing in any consumer credit transaction or advertisement to make all disclosures determined in accordance with Sections 226.4 and 226.5 of Regulation Z at the time and in the manner, form and amount required by Sections 226.6, 226.8, 226.9 and 226.10 of Regulation Z.
15. Failing to deliver a copy of this order to cease and desist to all present and future personnel of Pacific at its general offices in Menlo Park and in each of its subsidiary loan offices who are engaged in the consummation of any extension of consumer credit or in any aspect of preparation, creation, or placing of advertising, and failing to secure a signed statement acknowledging receipt of said copy of this order from each such person.

II

It is further ordered, That respondent Michelson Advertising, Inc., a corporation, its successors and assigns, and its officers (hereinafter, in this and other paragraphs of this order, referred to as "Michelson") and Michelson's agents, representatives and employees, directly or through

