

UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU

In the Matter of:

World Acceptance Corp.

Supervisory
Designation Proceeding

File No. 2023-CFPB-SUP-0001

DECISION AND ORDER (PUBLIC VERSION)

The matter before the Consumer Financial Protection Bureau (CFPB or Bureau) is a supervisory designation proceeding. Unlike an administrative enforcement proceeding, which entails findings of fact and conclusions of law on whether an entity violated federal consumer financial protection laws, this matter is different. The proceeding addresses whether the CFPB has reasonable cause to determine that the conduct of a covered person under the Consumer Financial Protection Act “poses risks to consumers with regard to the offering or provision of consumer financial products or services,” for the purpose of designating the entity for supervision.¹

Importantly, the question of whether an entity poses such risks does not require a determination of whether the entity is violating laws or regulations. There are multiple indicia that World Acceptance Corporation (World Acceptance) meets the standard for supervision under the CFPA. For the reasons set forth below, a supervisory designation is warranted and is so ordered.

I. Background

A. Statutory Framework

Congress charged the CFPB with “ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive.”² One of the key tools that Congress gave the CFPB is the authority to supervise certain nonbank financial companies under CFPA section 1024.³ Because this is one of the first contested proceedings under section 1024(a)(1)(C), this order describes the relevant statutory framework in detail.

1. CFPA Section 1024(a)(1): Who Is Supervised

Section 1024(a)(1) establishes five categories of nonbank financial companies that are subject to CFPB supervision. Relevant to this proceeding, section 1024(a)(1)(C) authorizes CFPB supervision of:

¹ See Consumer Financial Protection Act of 2010 (CFPA) § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)). Congress enacted the CFPA as title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. No. 111-203, 124 Stat. 1376 (2010).

² *Id.* § 1021(a) (codified at 12 U.S.C. § 5511(a)).

³ *Id.* § 1024 (codified at 12 U.S.C. § 5514).

any [nonbank] covered person who ... the Bureau has reasonable cause to determine, by order, after notice to the covered person and a reasonable opportunity for such covered person to respond, based on complaints collected through the system under section 1013(b)(3) [“Collecting and Tracking Complaints”] or information from other sources, that such covered person is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services.⁴

This provision contains several key terms, many of which are defined in the statute itself. The term “consumer financial product or service” includes a range of enumerated activities.⁵ A “covered person” is “any person that engages in offering or providing a consumer financial product or service.”⁶ The term “consumer” is defined as “an individual or an agent, trustee, or representative acting on behalf of an individual.”⁷

“Risk” is not defined in the statute but is a familiar term referring to “the possibility of loss or injury.”⁸ In contrast to other Dodd-Frank Act provisions,⁹ CFPB section 1024(a)(1)(C) does not specify the character or magnitude of “risks to consumers” that is required to subject a covered person to supervision. Instead, Congress empowered the CFPB to determine whether the risks to consumers posed by a covered person’s conduct warrant supervisory oversight. Congress cabined this discretion with the requirements that the CFPB (1) identify concrete risks to consumers, which it has reasonable cause to determine exist; (2) notify the entity of those risks; and (3) give the entity a reasonable chance to respond. Moreover, final CFPB agency action may not be arbitrary or capricious.¹⁰ Congress’s election not to use more specific or directive language in CFPB section 1024(a)(1)(C), however, indicates that Congress intended to grant the CFPB significant discretion in determining whether the character and magnitude of the risks posed by a particular covered person’s conduct merit supervision.

Section 1024(a)(1)(C) only requires that the CFPB have “reasonable cause to determine” that the covered person’s conduct poses risks to consumers.¹¹ Whatever the precise meaning of “reasonable cause,” it must be less demanding than the default preponderance-of-the-evidence standard generally applicable in noncriminal matters.¹² If Congress had intended for the default

⁴ *Id.* § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)).

⁵ *Id.* § 1002(5), (15) (codified at 12 U.S.C. § 5514(5), (15)).

⁶ *Id.* § 1002(6) (codified at 12 U.S.C. § 5514(6)). Certain affiliates of a covered person are also deemed covered persons. *Id.*

⁷ *Id.* § 1002(4) (codified at 12 U.S.C. § 5514(4)).

⁸ *Risk*, *Merriam-Webster’s Collegiate Dictionary* (11th ed. 2009); *accord Risk*, *Black’s Law Dictionary* (11th ed. 2019) (“the chance of injury, damage, or loss”).

⁹ *See* 12 U.S.C. § 5466(f)(1) (requiring reasonable cause to conclude that an “*imminent* risk of *substantial* harm” exists (emphasis added)); *id.* § 5467(e)(2)(A)(iv)(II) (requiring “reasonable cause to believe that the financial institution’s noncompliance ... poses a *substantial* risk to other financial institutions, critical markets, or the broader financial system” (emphasis added)); *id.* § 5467(e)(2)(B)(iii)(II) (requiring “reasonable cause to believe that the financial institution’s noncompliance ... poses *significant* liquidity, credit, operational, or other risks to the financial markets or to the financial stability of the United States” (emphasis added)).

¹⁰ *See* 5 U.S.C. § 706(2)(A).

¹¹ CFPB § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)).

¹² *See Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989) (plurality op.) (discussing the “conventional rule[]” that “parties to civil litigation need only prove their case by a preponderance of the evidence”); *accord, e.g., Conley*

preponderance standard to apply, there would have been no need to insert the phrase “reasonable cause” in section 1024(a)(1)(C), and if Congress had intended a standard more demanding than the preponderance standard, such as the “clear and convincing” evidence standard, it would have used language different than “reasonable cause,” which resembles the relatively lenient standards of “reasonable suspicion” or “probable cause” from criminal-procedure case law.¹³

Congress’s decision in section 1024(a)(1)(C) to grant the CFPB considerable discretion in designating covered persons for supervision, and to make the exercise of that discretion subject to a relatively lenient burden of persuasion (“reasonable cause”), reflects the limited consequences of a section 1024(a)(1)(C) determination. As explained further below, such a determination merely means that the CFPB may periodically “require reports” from, and “conduct examinations” of, the covered person.¹⁴ It does not necessarily entail a finding that the covered person has violated any law. Nor does it impose any monetary penalties or new legal requirements (other than the requirement to provide reports or participate in examinations in accordance with lawful supervisory directives). It does not even definitively label the covered person as a “risky” business; it merely indicates that the CFPB has “reasonable cause” to determine that the covered person’s conduct poses risks to consumers.¹⁵ The relatively low bar for subjecting a covered person to supervision under section 1024(a)(1)(C) reflects the relatively limited impact of such a determination on the entity.

2. CFPA Section 1024(b)(1): Purposes of Supervision

CFPA section 1024(b)(1) sets out the purposes of CFPB supervision of nonbank covered persons:

The Bureau shall require reports and conduct examinations on a periodic basis of persons described in subsection (a)(1) for purposes of—
(A) assessing compliance with the requirements of Federal consumer financial law;
(B) obtaining information about the activities and compliance systems or procedures of such person; and

v. United States, 5 F.4th 781, 794-95 (7th Cir. 2021); *see also United States v. Chen*, 99 F.3d 1495, 1503 (9th Cir. 1996) (explaining, in the context of applying the crime-fraud exception to attorney-client privilege, that “[r]easonable cause is more than suspicion but less than a preponderance of evidence”).

¹³ *See, e.g., Kansas v. Glover*, 140 S. Ct. 1183, 1187-88 (2020); *Kaley v. United States*, 571 U.S. 320, 338 (2014); *Florida v. Harris*, 568 U.S. 237, 243-44 (2013). Congress has defined the term “reasonable cause to believe” in the context of other statutory provisions. *See* 12 U.S.C. § 4003(c)(1) (“For purposes of the preceding sentence, reasonable cause to believe requires the existence of facts which would cause a well-grounded belief in the mind of a reasonable person.”); *id.* § 5006(d)(2)(C) (providing that a bank “has reasonable cause to believe that [a] claim is fraudulent” where the facts “would cause a well-grounded belief in the mind of a reasonable person that the claim is fraudulent”). It is unclear whether any meaningful difference exists between those definitions and the concepts of “reasonable suspicion” or “probable cause.” Regardless, Congress chose not to import those definitions from other statutes into CFPA section 1024(a)(1)(C).

¹⁴ *See* CFPA § 1024(b)(1) (codified at 12 U.S.C. § 5514(b)(1)).

¹⁵ *Id.* § 1024(a)(1)(C) (codified at 12 U.S.C. § 1024(a)(1)(C)); *see also* Procedural Rule to Establish Supervisory Authority Over Certain Nonbank Covered Persons Based on Risk Determination, 78 Fed. Reg. 40352, 40359 (July 3, 2013) (“Supervision alone does not impose any penalty on a person, does not deprive it of any property, and does not restrict its ability to engage in a viable business.”).

(C) detecting and assessing risks to consumers and to markets for consumer financial products and services.¹⁶

Accordingly, under paragraph (A), one of the purposes of CFPB supervision is assessing compliance with Federal consumer financial law. “Federal consumer financial law” covers the provisions of the CFPA, such as the CFPA’s prohibition on unfair, deceptive, or abusive acts or practices, as well as various other laws that the CFPB administers, such as the Fair Credit Reporting Act (FCRA) and its implementing Regulation V.¹⁷

Congress, however, did not limit the CFPB’s supervisory authority to assessing compliance with Federal consumer financial law under paragraph (A); it added paragraphs (B) and (C) as well. With respect to paragraph (C), Congress recognized that risks to consumers are not necessarily limited to violations of the laws administered by the CFPB—many of which had been found wanting in the 2008 financial crisis.¹⁸ Instead, the CFPB was charged with using supervisory reports and examinations to detect a range of potential harms to consumers.

3. CFPA Section 1024(b)(2): Mandate for “Risk-Based Supervision Program”

Section 1024(b)(2), titled “Risk-Based Supervision Program,” provides that the Bureau’s exercise of its supervisory authority under paragraph (b)(1) should be:

based on the assessment by the Bureau of the risks posed to consumers in the relevant product markets and geographic markets, and taking into consideration, as applicable—

- (A) the asset size of the covered person;
- (B) the volume of transactions involving consumer financial products or services in which the covered person engages;
- (C) the risks to consumers created by the provision of such consumer financial products or services;
- (D) the extent to which such institutions are subject to oversight by State authorities for consumer protection; and
- (E) any other factors that the Bureau determines to be relevant to a class of covered persons.¹⁹

This risk assessment governs when the CFPB is deciding how to exercise its supervisory authority under section 1024(b)(1)—not, as here, when the CFPB is making a threshold determination to designate an entity for supervision under section 1024(a)(1)(C). Nevertheless,

¹⁶ CFPA § 1024(b)(1) (codified at 12 U.S.C. § 5514(b)(1)). The CFPB also has certain additional supervision-related authorities under CFPA § 1024(b)(7) (codified at 12 U.S.C. § 5514(b)(7)).

¹⁷ CFPA §§ 1002(12), (14), 1031, 1036 (codified at 12 U.S.C. § 5514(12), (14), 5531, 5536).

¹⁸ The conclusion that Congress did not intend to limit the objectives of CFPB supervision under CFPA section 1024 to identifying legal violations is bolstered by the contrast between the use of “risks” in section 1024 and the use of “violate” or “violation” in the CFPA’s enforcement provisions. *See, e.g.*, CFPA § 1051(1), (5) (codified at 12 U.S.C. § 5561(1), (5)); CFPA § 1052(c)(1) (codified at 12 U.S.C. § 5562(c)(1)); *id.* § 1054(a) (codified at 12 U.S.C. § 5564(a)); *id.* § 1055(c)(1) (codified at 12 U.S.C. § 5565(c)(1)). The enforcement provisions demonstrate that if Congress had intended for the CFPB to consider only whether a covered person may have violated the law in making designations under section 1024(a)(1)(C), “Congress knew how to draft” the provision to accomplish that objective. *City of Chicago v. Env’t Def. Fund*, 511 U.S. 328, 337-38 (1994) (citation omitted).

¹⁹ CFPA § 1024(b)(2) (codified at 12 U.S.C. § 5514(b)(2)).

because section 1024(b)(2), like section 1024(a)(1)(C), is focused on assessing risks to consumers, the CFPB “may consider the (b)(2) factors to the extent applicable in making a reasonable-cause determination” under section 1024(a)(1)(C).²⁰

4. Distinction Between Supervision and Enforcement

Under the CFPA, the CFPB’s enforcement authority is governed by a separate set of provisions from its supervisory authority. The CFPB can issue civil investigative demands, which are a type of administrative subpoena.²¹ After an investigation concludes, the CFPB may either bring an enforcement action in federal district court or an administrative enforcement proceeding.²² The CFPB’s enforcement authority extends, with certain exceptions, to “any person” who “violates a Federal consumer financial law.”²³ Accordingly, a defendant in a CFPB enforcement action is not necessarily a supervised entity.

If CFPB supervisory examiners identify a violation of Federal consumer financial law by a supervised entity, these examiners may decide to refer the matter to the Office of Enforcement, but that is not the primary purpose of supervision. Instead, when examiners detect activities that violate Federal consumer financial law or otherwise pose risks to consumers, the CFPB may take a variety of actions other than enforcement. “Most supervisory activities do not result in a referral to Enforcement.”²⁴ For example, responsible companies generally share the CFPB’s goals of avoiding violations of law and harm to their customers, so examiners often work informally and collaboratively with supervised institutions to address issues. As another example, supervisory findings may help inform the CFPB’s research, market monitoring, and rulemaking functions. For instance, Congress required the CFPB to analyze and report on “developments in markets for consumer financial products or services, including market areas of alternative consumer financial products or services with high growth rates and areas of risk to consumers.”²⁵ Congress also gave the CFPB rulemaking authorities that it can use to address risks to consumers.²⁶

Unlike the enforcement process, the purpose of supervision is not to impose sanctions for legal violations. Similarly, a determination under section 1024(a)(1)(C) that supervision is warranted is not a finding that an entity is guilty of wrongdoing.

B. Factual Background

World Acceptance is “one of the nation’s largest small-loan consumer finance companies.”²⁷ The company operates over 1,000 branches across sixteen states.²⁸ It issues consumers “amortizing

²⁰ 78 Fed. Reg. at 40358.

²¹ CFPA § 1052(c) (codified at 12 U.S.C. § 5562(c)); 12 C.F.R. pt. 1080.

²² CFPA §§ 1053-1054 (codified at 12 U.S.C. §§ 5563-5564).

²³ CFPA § 1054(a) (codified at 12 U.S.C. § 5564(a)); *see also id.* § 1053(a) (codified at 12 U.S.C. § 5563(a)).

²⁴ CFPB, *An Introduction to CFPB’s Exams of Financial Companies* 3 (Jan. 9, 2023), https://files.consumerfinance.gov/f/documents/cfpb_an-introduction-to-cfpbs-exams-of-financial-companies_2023-01.pdf.

²⁵ CFPA § 1013(b)(1) (codified at 12 U.S.C. § 5493(b)(1)).

²⁶ *E.g.*, CFPA §§ 1022(b)(1), 1031, 1032 (codified at 12 U.S.C. §§ 5512(b)(1), 5531, 5532).

²⁷ World Acceptance Corporation, *2023 Annual Report* 5 (World 2023 Annual Report), https://assets.website-files.com/650d9ff90428b7ea045467f4/65329a25adfc307a5b9717a1_2023-World-Acceptance-Annual-Report.pdf.

²⁸ World 2023 Annual Report at 5; *see also* World Resp. at 2.

installment loans that are repayable in a series of equal payments.”²⁹ World Acceptance’s loans are generally between \$500 and \$6,000 and have an average term of 20 months.³⁰ As of March 31, 2023, World Acceptance had over 600,000 loans outstanding totaling nearly \$1.4 billion in loans receivable.³¹ According to World Acceptance, the average balance on these loans is around \$2,000 and the average annual interest rate is around 46%.³² Some loans originated by World Acceptance have annual interest rates as high as 100%.³³

World Acceptance routinely refinances its loans. “It is not unusual for the [c]ompany to have made a number of loans to the same customer over the course of several years.”³⁴ The company refinances both current and delinquent loans.³⁵ In 2023, over 70% of its loan originations were refinancings of existing loans.³⁶ While most of World’s revenues are generated from interest and fees on installment loans, it also sells a variety of other ancillary products, including insurance, roadside assistance memberships, and tax preparation services, which are bundled into consumers’ loan amounts.³⁷

C. Procedural History

The CFPB has issued a procedural rule at 12 C.F.R. part 1091 that governs proceedings under CFPA section 1024(a)(1)(C). On March 10, 2023, the Assistant Director for Supervision, who acts as the “initiating official” under the procedural rule, began this proceeding by issuing what the rule terms a “Notice of Reasonable Cause.”³⁸ World Acceptance submitted its written response on April 12, 2023.³⁹ World Acceptance provided a supplemental oral response on May 17, 2023.⁴⁰ I then received a recommendation regarding a determination.⁴¹

On July 17, 2023, I ordered the initiating official to file a supplemental brief providing additional analysis regarding why a risk determination under section 1024(a)(1)(C) may be warranted. I also ordered the initiating official to file, along with the supplemental brief, copies of certain consumer complaints. In addition, I ordered the initiating official to file any responses from World Acceptance to those complaints. I also provided World Acceptance an opportunity, at its option, to file a supplemental brief responding to any arguments in either the recommended determination or the initiating official’s supplemental brief. On August 21, 2023, the initiating official filed her supplemental brief and the additional materials I requested. On October 16, 2023, World Acceptance filed a supplemental brief.

²⁹ World Resp. at 2.

³⁰ World 2023 Annual Report at 5; World Resp. at 2.

³¹ World 2023 Annual Report at 9.

³² *Id.* at 6, 9.

³³ *Id.* at 6.

³⁴ *Id.* at 9.

³⁵ *Id.* at 10.

³⁶ *Id.* at 10.

³⁷ *Id.* at 7-8.

³⁸ See 12 C.F.R. § 1091.102.

³⁹ See *id.* § 1091.105.

⁴⁰ See *id.* §§ 1091.105(b)(3), 106.

⁴¹ My decision and order here fully set forth the factual findings and reasoning underlying my decision to designate World for supervision under CFPA section 1024(a)(1)(C). To the extent the findings and reasoning in this decision and order differ from the recommended determination, I have exercised my authority to modify the recommended determination under 12 C.F.R. § 1091.109.

II. Analysis

A. World Acceptance Is a Covered Person That Offers or Provides a Consumer Financial Product or Service

To be subject to supervision under section 1024(a)(1)(C), an entity must be a “covered person” that offers or provides a “consumer financial product or service.”⁴² Consumer financial products or services include extending credit used primarily for personal, family, or household purposes. World Acceptance did not dispute that it is a “covered person” under the CFPA.⁴³ Therefore, World Acceptance is a covered person that offers or provides a consumer financial product or service.

B. The CFPB Has Reasonable Cause to Determine That World Acceptance’s Conduct Poses Risks to Consumers

There is reasonable cause to determine that World Acceptance’s conduct poses risks to consumers. World Acceptance’s conduct presents four such risks. First, the CFPB has reasonable cause to determine that World Acceptance does not adequately explain to its customers that the insurance coverage World Acceptance offers is optional, which may cause consumers to be deceived or misled into purchasing coverage they do not want or need. Second, the CFPB has reasonable cause to determine that World Acceptance engages in excessive, harassing, and coercive collection practices that, in some cases, may jeopardize consumers’ employment or cause significant emotional distress. Third, the CFPB has reasonable cause to determine that World Acceptance furnishes inaccurate information to consumer reporting agencies or fails to adequately respond to consumer disputes regarding the accuracy of information it has furnished, which may negatively impact consumers’ credit scores and thereby restrict their access to credit. Fourth, the CFPB has reasonable cause to determine that World Acceptance’s business model relies on serially refinancing its loans, a practice that may harm consumers in a variety of ways. Each of these risks alone is a sufficient basis to exercise the CFPB’s supervision authority pursuant to section 1024(a)(1)(C).

1. Risks Related to Bundling Loans with Insurance Coverage

Consumer complaints submitted to the CFPB provide reasonable cause to determine that World Acceptance does not adequately explain the terms of its loans to many of its customers.⁴⁴ Of the most concern, consumers complain that World Acceptance hides within its loan agreements expensive and unwanted insurance products or that World Acceptance misleads consumers into believing that these unwanted insurance products are mandatory.⁴⁵ [REDACTED]

⁴² CFPA § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)).

⁴³ See Initiating Official Supp. Br. at 3 (noting that World “does not contest its status as a covered person”).

⁴⁴ See *id.* at 9-11 (citing consumer complaints); Notice of Reasonable Cause at 2 (noting that “consumer complained about problems understanding the loan terms”); [REDACTED]

⁴⁵ See Initiating Official Supp. Br. at 9 (citing consumer complaints).

[REDACTED]

Other consumers reported similar experiences. For example, one consumer submitted a complaint to the CFPB explaining that she “never knew” that various insurance products had been added to her account.⁴⁹ The consumer’s loan contract included five different insurance policies with premiums totaling \$124.38. According to the consumer, she later developed health issues that required her to take time off work. As a result, she defaulted on the loan. A World Acceptance employee later told her that she could have avoided default by filing a claim on the insurance coverage she purchased when she took out her loan, but the consumer had not filed a claim because she did not realize she had purchased the policy. By the time she was advised of her coverage, it was “too late.”⁵⁰ Another consumer stated that she was “presented with a loan application that included all types of unnecessary insurances and [REDACTED] insurance etc.” and that World Acceptance’s employees were “forceful and rude” when she inquired about the additional charges.⁵¹ This consumer successfully had the unwanted insurance products removed from her loan, but wrote to the CFPB to express concern that World Acceptance misleads other consumers: “This company should be investigated for loan sharking and taking advantage[] of low income people who have little or no options. It[’s] really sad people like this exist. I can defend myself but what about the old person on a fixed income or the single parent or the [REDACTED] veteran. These people make a living scavenging on the poor.”⁵²

Moreover, World Acceptance, based on the available evidence, does not appear to include the cost of unwanted insurance products in its calculation of the annual percentage rate it discloses to consumers even when consumers are led to believe that the insurance products are mandatory.

[REDACTED]

These complaints establish reasonable cause to determine that World Acceptance’s conduct with regard to bundling loans with insurance products poses a risk to consumers. Specifically, there is reasonable cause to determine that, as a result of World Acceptance’s conduct, many of World

⁴⁶ [REDACTED]
⁴⁷ [REDACTED]
⁴⁸ [REDACTED]
⁴⁹ Complaint ID [REDACTED] (3507867).

⁵⁰ *Id.*

⁵¹ Complaint ID [REDACTED] (3701826).

⁵² *Id.*

⁵³ [REDACTED]

Acceptance's customers do not understand that they are purchasing insurance coverage, do not understand that the insurance coverage is optional and not required to take out the loan, and/or do not understand the true cost of their loan because the insurance premiums they were led to believe were mandatory are not included in the disclosed annual percentage rate.

World Acceptance states that the initiating official's supplemental brief "*ignores* World's response[s] to the complaints lodged with the Bureau."⁵⁴ However, World Acceptance was provided copies of all of the complaints cited by the initiating official, including its responses to those complaints. In its briefing, World Acceptance never discusses or contests any of the consumer complaints regarding its apparent practice of adding unwanted insurance products onto its loans, nor does World Acceptance ever cite any of its responses to those complaints or explain how any such response adequately addressed the consumer's allegations. Indeed, World Acceptance's supplemental brief does not discuss its practices regarding the sale of insurance at all. Thus, to the extent that World believes that the consumer complaints discussed in this order are inaccurate, not credible, or contradicted by other evidence, that argument was not developed in this proceeding and has been waived.

Moreover, World Acceptance's responses to the individual consumer complaints cited above, which World Acceptance submitted to the CFPB prior to this proceeding, illustrate why supervision is warranted. Those responses generally either disregard the substance of the relevant portion of the consumer's complaint, offer a conclusory denial of any wrongdoing, or, in some cases, describe the relevant facts differently than the consumer without providing evidence sufficient to resolve the factual dispute. Accordingly, those responses do not provide a sufficient basis to disregard those complaints. For example, in response to one consumer's complaint, which alleged that World Acceptance's conduct created the overall impression that the purchase of insurance coverage was mandatory, World Acceptance emphasized that the loan documents state that "[c]onsumer [c]redit insurance is not required for this loan."⁵⁵ However, despite the contractual language, World Acceptance employees still could have made misleading or deceptive statements or omissions that caused the consumer to believe that the coverage was mandatory.⁵⁶ The complaints, therefore, still support a finding of reasonable cause that World Acceptance's conduct poses a risk to consumers. Supervision will allow the CFPB to learn more about World Acceptance's practice of bundling loans with insurance products and to resolve any outstanding factual uncertainty as to whether World Acceptance's conduct misleads consumers into believing insurance is mandatory, notwithstanding contrary contractual language.

There is no need to determine whether World Acceptance's conduct with regard to bundling loans with insurance products rises to the level of a legal violation because, as discussed above, section 1024(a)(1)(C) does not require an entity to have violated any law in order to be eligible for supervision.⁵⁷ [REDACTED]

⁵⁴ World Supp. Br. at 4.

⁵⁵ [REDACTED]

⁵⁶ [REDACTED]

⁵⁷ See *supra* at 3-4; see also *Supervisory Authority Over Certain Nonbank Covered Persons Based on Risk Determination; Public Release of Decisions and Orders*, 87 Fed. Reg. 70703, 70704 (Nov. 21, 2022) ("[T]he

[REDACTED]

2. The Risk of Harmful Collection Practices

Consumer complaints submitted to the CFPB provide reasonable cause to determine that World Acceptance harasses and embarrasses defaulted borrowers in order to collect on its loans. Consumers have complained about three general categories of potentially harmful collection practices. First, consumers have complained that World Acceptance has contacted them at their places of employment or contacted their employers, even after being told not to do so. Second, consumers have complained that World Acceptance has contacted friends, family members, and other third parties. Third, consumers have complained about a variety of other excessive and harassing tactics.

To begin, consumers have complained about World Acceptance contacting them at their place of employment or contacting their employer, even after being told not to do so. [REDACTED]

[REDACTED]

Other consumers have complained that World Acceptance contacted their employers directly. One consumer said that World Acceptance “repeatedly called” their workplace and provided the consumer’s coworkers information about their loan “that should be private.”⁶³ Another consumer said that World Acceptance “has called my place of work and asked for my boss then hung-up multiple times.”⁶⁴

Next, consumers have complained that World Acceptance has disclosed their debts to friends and family members in an effort to embarrass consumers into making a payment. For example, one

Bureau notes that Congress authorized the Bureau to make a risk designation when it has reasonable cause to determine there are risks to consumers. Congress did not require the Bureau to make findings that a respondent has violated the law ... instead, that is part of the purpose of subsequent examinations of the respondent. . . . Through the supervisory process CFPB examiners can work with the company in question to fully understand and manage its risks. This preferably would occur before there has been any violation of law ... rather than after.” (quotation omitted); Initiating Official Supp. Br. at 5-7 (arguing that a violation of law is not necessary for a risk designation under section 1024(a)(1)(C)).

58 [REDACTED]
59 [REDACTED]
60 [REDACTED]
61 [REDACTED]
62 [REDACTED]

⁶³ Complaint ID [REDACTED] (5922801).

⁶⁴ Complaint ID [REDACTED] (3423362).

consumer complained that World Acceptance called a family member twice, “one time leaving a voicemail stating that they are about to sue me and wanted to know if I had a lawyer.”⁶⁵ [REDACTED]

[REDACTED] Another consumer stated that she was unable to pay her loan because she lost her job due to [REDACTED], that she had “repeatedly asked” World Acceptance to stop contacting third parties, but, nonetheless, World Acceptance continued to call her daughter “every[] day.”⁶⁷ [REDACTED]

[REDACTED] Another said that “instead of trying to work with me,” World Acceptance called “family and friends several times a day.”⁶⁹ The calls from World Acceptance employees were so persistent that the consumer’s family members “had to block their number(s).”⁷⁰

Finally, consumers have complained about a variety of other excessive, harassing, or coercive tactics. One consumer alleged that World Acceptance called him “10 times a day.”⁷¹ Another consumer said World Acceptance called him “[e]very[] day 3-5 times a day [REDACTED]”⁷² That consumer said the repeat phone calls were “so bad” that “I had to change my phone number.”⁷³ Beyond an excessive volume of calls, consumers have also complained of threatening and menacing tactics. One consumer said he was “cussed out” by a World Acceptance employee.⁷⁴ [REDACTED]

[REDACTED] Another consumer said she was cornered by a World Acceptance employee at a high school football game, the employee “stared [her] down” and then told others at the game that the consumer was a “no good piece of [REDACTED].”⁷⁶ The consumer said she complained to World Acceptance, but that World Acceptance said it would only investigate once she “made a payment” and that if she did not make a payment, World Acceptance would “hunt [her] down.”⁷⁷

These complaints establish reasonable cause to determine that World Acceptance’s collection practices pose risks to consumers. Specifically, there is reasonable cause to determine that World Acceptance engages in excessive, harassing, or coercive tactics to collect unpaid debts.

World states that the initiating official’s supplemental brief “*ignores* World’s response[s] to the complaints lodged with the Bureau.”⁷⁸ However, World Acceptance was provided copies of all of the complaints cited by the initiating official, including its responses to those complaints. In its briefing, World Acceptance never discusses or contests any of the consumer complaints

⁶⁵ Complaint ID [REDACTED] (4087971).

⁶⁶ [REDACTED]
⁶⁷ *Id.*

⁶⁸ [REDACTED]
⁶⁹ Complaint ID [REDACTED] (4923045).

⁷⁰ *Id.*

⁷¹ Complaint ID [REDACTED] (5154387).

⁷² Complaint ID [REDACTED] (4923045).

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ [REDACTED]

⁷⁶ Complaint ID [REDACTED] (3423362).

⁷⁷ *Id.*

⁷⁸ World Supp. Br. at 4.

pertaining to its collection practices, nor does World Acceptance ever cite any of its responses to those complaints or explain how any such response adequately addressed the consumer's allegations. Thus, to the extent that World Acceptance believes that the consumer complaints cited in this order are inaccurate, not credible, or contradicted by other evidence, that argument was not developed in this proceeding and has been waived.

Moreover, World Acceptance's responses to the individual consumer complaints cited above, which World Acceptance submitted to the CFPB prior to this proceeding, illustrate why supervision is warranted. Those responses generally either disregard the substance of the relevant portion of the consumer's complaint, offer a conclusory denial of any wrongdoing, or, in some cases, describe the relevant facts differently than the consumer without providing evidence sufficient to resolve the factual dispute. Accordingly, those responses do not provide a sufficient basis to disregard those complaints. For example, in response to one consumer's complaint that World Acceptance harassed [REDACTED], World Acceptance stated that it instructs its employees to follow its "rules and policies regarding contacting a customer's references," that calls to the consumer's "references regarding [her] account were only made when [her] account was delinquent," and that "[t]hese calls were not excessive."⁷⁹ Notably, World Acceptance's response did not deny that it called the consumer's [REDACTED], did not say how many times they were called or what they were told, did not explain the substance of its policies and procedures with regard to calling third parties, and did not say what, if any, efforts it undertook to confirm that those policies were followed. The complaints, therefore, still supports a finding of reasonable cause that World Acceptance's conduct poses a risk to consumers. Supervision will allow the CFPB to learn more about World Acceptance's collection practices and to resolve any outstanding factual uncertainty as to whether World Acceptance uses excessive, harassing, or coercive tactics when attempting to collect a debt.

There is no need to determine whether World Acceptance's collection practices violate the law because, as discussed above, section 1024(a)(1)(C) does not require an entity to have violated any law in order to be eligible for supervision.⁸⁰ [REDACTED]

⁷⁹ [REDACTED]

⁸⁰ See *supra* at 3-6.

⁸¹ [REDACTED]

⁸² [REDACTED]

[REDACTED]

3. The Risk of Inaccurate Credit Reporting

The consumer complaints submitted to the CFPB provide reasonable cause to determine that World Acceptance has furnished inaccurate information to consumer reporting agencies and has failed to adequately respond to consumer disputes regarding the accuracy of information it has furnished.⁸⁴ The CFPB received more than 210 consumer complaints relating to World Acceptance's obligations as a furnisher during the period from September 1, 2019, through September 21, 2022.⁸⁵ Consumers have complained that World Acceptance reports inaccurate information to the consumer reporting agencies in a variety of different ways. Consumers complained that World Acceptance inaccurately reported information about loans that the consumer had already paid in full.⁸⁶ Some consumers complained that World Acceptance inaccurately reported late payments.⁸⁷ And several consumers complained that World Acceptance reported information to the consumer reporting agencies about fraudulent loans that were opened through identity theft.⁸⁸

Many of these consumers also complained that they disputed the accuracy of the information that World Acceptance reported to the consumer reporting agencies, but World Acceptance failed to adequately resolve their disputes. For example, one consumer wrote, "I have called twice ... to try to remedy the problem. They gave me the run around and said sorry there is nothing we can do, unless you want to pay in full[.]"⁸⁹ Another consumer stated that he had been disputing

⁸³ [REDACTED]

⁸⁴ See Initiating Official Supp. Br. at 12-14; see also Associate Director Proposed Decision at 2-3.

⁸⁵ See Initiating Official Supp. Br. at 13.

⁸⁶ [REDACTED]; Complaint ID [REDACTED] (3487233) ("I've paid World Finance and the information is still reporting on my credit ... [a]s charged off and not paid in full.").

⁸⁷ [REDACTED]

⁸⁸ [REDACTED] Complaint ID [REDACTED] (4068479) ("My identity has been compromised by somebody that I do not know."); [REDACTED]

[REDACTED] see also Complaint ID [REDACTED] (3664609) ("This company has made an account falsely. I did not open this account.").

⁸⁹ Complaint ID [REDACTED] (3735852).

World Acceptance's inaccurate credit reporting for more than a year "and it still has not been resolved."⁹⁰

[REDACTED]

These complaints establish reasonable cause to determine that World Acceptance's furnishing and dispute-investigation practices pose risks to consumers. Specifically, there is reasonable cause to determine that World Acceptance reports inaccurate information to consumer reporting agencies and fails to adequately respond to consumer disputes regarding the accuracy of information it has furnished.

World Acceptance states that the initiating official's supplemental brief "*ignores* World's response[s] to the complaints lodged with the Bureau."⁹⁴ However, World Acceptance was provided copies of all of the complaints cited by the initiating official, including its responses to those complaints. In its briefing, World Acceptance never discusses or contests any of the consumer complaints pertaining to its furnishing practices, nor does World Acceptance ever cite any of its responses to those complaints or explain how any such response adequately addresses the consumer's allegations. Indeed, World Acceptance's supplemental brief does not discuss its furnishing practices at all. Thus, to the extent that World Acceptance believes that the consumer complaints cited in this order are inaccurate, not credible, or contradicted by other evidence, that argument was not developed in this proceeding and has been waived.

Moreover, World Acceptance's responses to the individual consumer complaints cited above, which were submitted to the CFPB prior to this proceeding, do not provide a reason to disregard those complaints. Supervision is warranted even to the extent that World Acceptance disputes some of the facts alleged by consumers, because supervision will allow the CFPB to learn more about World Acceptance's furnishing practices and to resolve any outstanding factual uncertainty regarding whether World Acceptance furnishes inaccurate information to consumer reporting agencies or fails to properly and timely resolve consumer disputes regarding the accuracy of the information it has reported.

As noted above, World Acceptance's conduct need not violate the law in order for it to be eligible for supervision under section 1024(a)(1)(C).

[REDACTED]

⁹⁰ Complaint ID [REDACTED] (3487233).

⁹¹ [REDACTED]

⁹² [REDACTED]

⁹³ [REDACTED]

⁹⁴ World Supp. Br. at 4.

⁹⁵ [REDACTED]



4. Risks Related to Serial Refinancing

The frequent or recurrent refinancing of an entity's own loans can pose risks to consumers and, in some circumstances, may suggest that the entity's practices violate the CFPA. The CFPA's prohibition on abusive acts or practices includes taking unreasonable advantage of consumers' lack of understanding or inability to protect their interests.⁹⁸ When Congress formulated the CFPA, one of its main concerns was financial products and services that allow creditors to profit from borrowers who are unable to fulfill their loan obligations. Before the 2007-2008 financial crisis, mortgage lenders were willing to make loans on terms that people could not afford in part due to the ability to off-load default risk into the secondary market. In response, "Congress prohibited certain abusive business models and other acts or practices that—contrary to many consumer finance relationships where the company benefits from consumer success—misalign incentives and generate benefit for a company when people are harmed."⁹⁹ As the CFPB has previously observed, if a consumer lacks understanding or an ability to protect their interests, in many circumstances "it is unreasonable for an entity to benefit from, or be indifferent to, negative consumer consequences resulting" from that lack of understanding or inability to protect.¹⁰⁰ If consumers lacked understanding of the likelihood or consequences of needing to refinance, or if people lacked the monetary means to protect their interests by making timely payments without refinancing, a business model that benefits from the hardship resulting from recurrent refinancings could constitute an abusive act or practice.

There is reasonable cause to determine that World Acceptance's refinancing practices pose risks to consumers. Refinancing loans is a core part of World Acceptance's business model. According to World Acceptance, the "majority of [its] consumer loans are refinanced."¹⁰¹ In the



⁹⁸ See CFPA § 1031(d)(2)(A)-(B) (codified at 12 U.S.C. § 5531(d)(2)(A)-(B)).

⁹⁹ CFPB, *Policy Statement on Abusive Acts or Practices* (Apr. 3, 2023), <https://www.consumerfinance.gov/compliance/supervisory-guidance/policy-statement-on-abusiveness/>.

¹⁰⁰ *Id.*

¹⁰¹ World 2023 Annual Report at 48.

2023 fiscal year, 71.4% of World Acceptance’s loan originations “were refinancings of existing loans.”¹⁰² World Acceptance “allows refinancings of delinquent loans.”¹⁰³

As the initiating official observed, “[c]ourts, regulators, and commentators have identified significant risks to consumers associated with installment lender refinancing practices.”¹⁰⁴ And World Acceptance’s practice of refinancing its loans has been subject to public scrutiny. A public report investigating World Acceptance described how World Acceptance’s refinance practices caused consumers to pay annual percentage rates in excess of those described in the initial loan agreements and risked trapping consumers in debt for years.¹⁰⁵ Based on the facts uncovered, that investigation concluded that “World’s business hinges on convincing low-income borrowers to renew their loans over and over again, a practice that can radically increase the amount of interest they pay.”¹⁰⁶

Consumers are exposed to a variety of specific risks as a result of World Acceptance’s practice of serially refinancing its loans. There is reasonable cause to determine that repeated loan refinancing extends the amount of time that a consumer is in debt and can trap consumers in a cycle of debt.¹⁰⁷ There is also reasonable cause to determine that, when a consumer refinances a loan, the consumer will incur additional fees and charges, including a new origination fee, which increase the overall cost of credit.¹⁰⁸ Relatedly, there is reasonable cause to determine that, when a consumer refinances, the consumer will be pressured or misled into purchasing unwanted insurance coverage or other ancillary products, yet again, which increases the consumers overall costs, sometimes substantially.¹⁰⁹ Finally, there is also reasonable cause to determine that consumers will not understand the consequences of refinancing, including how the decision to refinance affects the costs of credit and the maturity of the loans, and that World Acceptance’s sales representatives will engage in sales tactics to pressure borrowers to refinance and, in doing so, obscure the loan renewal terms or withhold information about alternative payment options.¹¹⁰

Consumer complaints submitted to the CFPB support the conclusion that there is reasonable cause to determine these risks exist. Several consumers have complained that World Acceptance aggressively pressured them to refinance and, in the process, obscured the cost of refinancing. For example, one consumer alleged that she was pressured into refinancing and told that refinancing “would not amount to much more in charges,” but the consumer was later surprised to learn that the refinancing resulted in significant new charges and fees.¹¹¹ The consumer explained that the situation was “really stressing [her] out”¹¹²

[REDACTED]

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ Initiating Official Supp. Br. at 16 (citing *FTC v. AMG Cap. Mgmt., LLC*, 910 F.3d 417, 423 (9th Cir. 2018) *rev’d on other grounds*, 141 S. Ct. 1242 (2021)).

¹⁰⁵ Paul Kiel, *The 182 Percent Loan: How Installment Lenders Put Borrowers in a World of Hurt*, ProPublica (May 13, 2013), <https://www.propublica.org/article/installment-loans-world-finance>; see also Initiating Official Supp. Br. at 16.

¹⁰⁶ Kiel, *supra* note 105.

¹⁰⁷ See Initiating Official Supp. Br. at 15-16.

¹⁰⁸ See *id.* at 16.

¹⁰⁹ See *supra* at 7-10.

¹¹⁰ See Initiating Official Supp. Br. at 16.

¹¹¹ Complaint ID [REDACTED] (4074747).

¹¹² *Id.*

[REDACTED]

Moreover, there is also a risk that when World Acceptance offers renewals to delinquent borrowers, World Acceptance employees might leverage the threat of collection to coerce struggling borrowers into refinancing. [REDACTED]

[REDACTED]

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Again, World Acceptance argues that these complaints must be read along with its responses.¹¹⁵ However, World Acceptance was provided copies of all of the complaints cited by the initiating official, including its responses to those complaints. In its briefing, World Acceptance never discusses or contests any of the consumer complaints regarding its practice of serially refinancing loans, nor does World Acceptance ever cite any of its responses to those complaints or explain how any such response adequately addressed the consumer's allegations. Thus, to the extent that World Acceptance believes that the consumer complaints cited in this order are inaccurate, not credible, or contradicted by other evidence, that argument was not developed in this proceeding and has been waived. Moreover, as noted above, the fact that World Acceptance may dispute certain facts underlying certain consumer complaints does not provide a reason to disregard those complaints.¹¹⁶

Accordingly, World Acceptance's practice of serially refinancing loans poses risks to consumers. The available evidence suggests that many of World Acceptance's customers benefit little from refinancing, but with each refinancing World Acceptance is able to charge new fees, sell ancillary products, and extend the period during which the borrower must pay interest. Especially in light of the consumer complaints indicating that World Acceptance may be taking unreasonable advantage of consumers' lack of understanding of the material risks, costs, or conditions associated with refinanced loans, the CFPB has reasonable cause to determine that World Acceptance's refinancing practices pose risks to consumers warranting supervision under CFPB section 1024(a)(1)(C).

113 [REDACTED]

114 [REDACTED]

¹¹⁵ World Supp. Br. at 4.

¹¹⁶ See *supra* at 9, 12, 15.

C. World Acceptance's Other Arguments

None of the other arguments World Acceptance makes in its response or supplemental brief provide a basis to refrain from designating World Acceptance for supervision.

1. Consumer Complaints Are Sufficient to Establish Reasonable Cause That World Acceptance's Conduct Poses Risks to Consumers

World Acceptance questions whether “unverified consumer complaints” are sufficient to designate World Acceptance for supervision.¹¹⁷ But section 1024(a)(1)(C) expressly states that a risk designation may be “based on complaints ... or information from other sources.” Accordingly, Congress expressly allowed the CFPB to designate an entity for supervision based on consumer complaints. The absence of any reference to “verified complaints” or the use of any similar qualifier confirms that Congress did not intend to limit the types of complaints that can serve as the basis for a risk determination. The CFPB is only required to establish reasonable cause that World Acceptance's conduct poses risks to consumers. Consumer complaints, even if unverified,¹¹⁸ are sufficient to satisfy that burden, particularly where, as here, World Acceptance's supplemental brief does not dispute the veracity of the relevant complaints and World Acceptance's responses to those complaints, which were submitted to the CFPB, in many instances confirm or fail to dispute relevant facts.

World Acceptance also makes two other arguments as to why the complaints cited by the initiating official are an insufficient basis for a risk determination under section 1024(a)(1)(C). First, World Acceptance asserts that “World's volume [of complaints] is not materially different from other lenders.”¹¹⁹ But nothing in the statute requires a unique volume of complaints to support a risk determination. As explained above, the determination that World Acceptance's conduct poses risks to consumers is based on the substance and seriousness of the complaints the Bureau has received about World Acceptance's conduct. Second, World Acceptance argues that the initiating official should have considered “the company's handling and resolution of complaints.”¹²⁰ That World Acceptance submits written responses to complaints that, in some cases, raise factual disputes does not render those complaints an improper basis for a supervision designation. Indeed, World Acceptance did not raise any such factual disputes in its supplemental brief. Moreover, supervision will allow the CFPB to resolve those sorts of factual disputes for itself. Finally, contrary to World Acceptance's assertion, reliance on consumer complaints does not “discourage voluntary participation [in the CFPB's consumer-complaint system] by non-banks, to the detriment of consumers.”¹²¹ Consumers may submit complaints to the CFPB about a consumer financial company, whether or not that company responds. World Acceptance is, therefore, not being penalized for voluntarily responding.

¹¹⁷ World Resp. at 5; *see also* World Supp. Br. at 3 n.3 (arguing that complaints “are not indicative of all consumers”); World Resp. at 6 (arguing that the absence of “any ‘information from other sources’” supports a finding that World “does not pose risks to consumers”).

¹¹⁸ While the CFPB does not independently verify the accuracy of consumers' complaints, consumers must affirm that the information they provide is true to the best of their knowledge and belief. *See* Disclosure of Consumer Complaint Data, 78 Fed. Reg. 21218, 21222 (Apr. 10, 2013).

¹¹⁹ World Supp. Br. at 5.

¹²⁰ *Id.* at 4.

¹²¹ *Id.*

2. The CFPB Is Not Required to Show That the Risks Posed by World Acceptance's Conduct Are Unique

World Acceptance argues that the CFPB must “articulate a specific basis” for its risk determination rather than relying “on generalizations that would apply to any lender in its market.”¹²² In other words, according to World Acceptance, in order to be designated for supervision under section 1024(a)(1)(C), its conduct must pose unique risks to consumers that are distinct from the risks posed by other installment lenders. This argument is not a basis to refrain from designating World Acceptance for supervision for three reasons.

First, nothing in the statute requires a finding that the risks World Acceptance's conduct poses to consumers are unique or specific to World Acceptance. The statute requires that there is “reasonable cause to determine” that the entity designated for supervision “is engaging, or has engaged, in conduct that poses risks to consumers.”¹²³ Moreover, World Acceptance's proposed standard would have the perverse consequence of effectively immunizing all providers in a highly risky market from supervision under section 1024(a)(1)(C) as long as the risks they pose to consumers are similar.

Second, even if a showing of risks “specific” to World Acceptance were required, the finding that World Acceptance's conduct poses risks to consumers, explained above, is based on evidence specific to World Acceptance.

Third, World Acceptance has not made a showing that it is improper for the CFPB to designate installment lenders for supervision on a case-by-case basis. World Acceptance concedes that the risks posed by its conduct “might be reason to initiate a larger participant rule,” but contends that those risks are insufficiently specific to designate World Acceptance for supervision under section 1024(a)(1)(C).¹²⁴ But whether to proceed through generalized rulemaking or case-by-case adjudication is a choice “that lies primarily in the informed discretion of the administrative agency.”¹²⁵ In light of the risks to consumers presented by World Acceptance's conduct, there is no persuasive reason to postpone CFPB supervision of World Acceptance until a hypothetical market-wide notice-and-comment rulemaking.¹²⁶

¹²² World Resp. at 1; *see also id.* at 3-4.

¹²³ CFPB § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)).

¹²⁴ World Supp. Br. at 1.

¹²⁵ *SEC v. Chenery Corp.*, 332 U.S. 194, 203 (1947); *accord NLRB v. Bell Aerospace Co. Div. of Textron Inc.*, 416 U.S. 267, 294 (1974) (explaining that an agency “is not precluded from announcing new principles in an adjudicative proceeding and that the choice between rulemaking and adjudication lies in the first instance with the [agency's] discretion”).

¹²⁶ In its supplemental oral response, World suggested that subjecting it to supervision would put it at a “competitive disadvantage” because the exam process is “expensive and burdensome.” Supp. Oral Resp. Hr'g Tr. at 19. As the CFPB has repeatedly found, however, the costs of supervision are generally modest. *See, e.g.*, Defining Larger Participants of the Automobile Financing Market and Defining Certain Automobile Leasing Activity as a Financial Product or Service, 80 Fed. Reg. 37496, 37519-20 (June 30, 2015) (estimating that “the total labor cost of an [on-site auto financing] examination would be about \$27,611”); Defining Larger Participants of the International Money Transfer Market, 79 Fed. Reg. 56631, 56646-47 (Sept. 23, 2014) (examination-related labor cost estimate of \$23,000); Defining Larger Participants of the Student Loan Servicing Market, 78 Fed. Reg. 73383, 73401-03 (Dec. 6, 2013) (examination-related labor cost estimate of \$24,000); Defining Larger Participants of the Consumer Debt Collection Market, 77 Fed. Reg. 65775, 65793-94 (Oct. 31, 2012) (examination-related labor cost estimate of \$12,000 to \$68,000); Defining Larger Participants of the Consumer Reporting Market, 77 Fed. Reg. 42874, 42894-95 (July 20, 2012) (similar to estimates for consumer debt collection market).

Finally, contrary to World Acceptance’s suggestion, the fact that section 1024(a)(1)(C) does not require a showing of unique or specific risks does not render the provision unconstitutionally vague.¹²⁷ Even assuming that constitutional vagueness principles apply to a supervisory designation,¹²⁸ the statute cabins the CFPB’s discretion in multiple ways.¹²⁹

3. Neither the CFPB’s Prior Investigation into World Acceptance nor State Supervisory Examinations Provide Grounds for Declining to Designate World Acceptance for CFPB Supervision

World Acceptance argues that the fact that CFPB’s Office of Enforcement previously investigated it but later closed its investigation is evidence that World Acceptance’s conduct does not pose a risk to consumers. To the contrary, the CFPB’s prior investigation of World Acceptance is not a basis to refrain from designating World Acceptance for supervision for two reasons.

First, law enforcement agencies have “broad discretion” in determining whether to pursue an enforcement action.¹³⁰ Decisions to close investigations can be based on resource or other non-substantive considerations, and the market should not interpret the closure of an investigation as a broad conclusion that the CFPB believes the entity does not pose risks in any of its business dealings.

Second, as discussed above, the CFPB’s enforcement authority generally extends to persons that violate Federal consumer financial laws, whereas a supervisory designation requires only a showing that the entity’s conduct poses risks to consumers and that showing is subject to a more lenient burden of persuasion than in an enforcement proceeding.

The fact that World Acceptance is supervised by state regulators also does not provide grounds for declining to designate World Acceptance for CFPB supervision.¹³¹ World Acceptance provided no information about the scope of its examinations by state regulators and provided no basis to conclude that those examinations, no matter their number, adequately covered the risks identified in this order. Moreover, the evidence in this proceeding indicates that existing state supervisory efforts have not obviated the need for Federal supervision to address the risks to consumers posed by World Acceptance’s conduct.

¹²⁷ See World Supp. Br. at 3-4.

¹²⁸ But see *Vill. of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 498 (1982) (explaining vague laws offend the constitution insofar that they deny “fair notice” to the accused, but that that concern is diminished in the context of “economic regulation,” particularly where “regulated enterprises” may seek clarification through “administrative process” rather than risking prosecution). At minimum, constitutional vagueness concerns apply with diminished force in a civil, rather than criminal, context. See *id.* (“The Supreme Court has also expressed greater tolerance of enactments with civil rather than criminal penalties because the consequences of imprecision are qualitatively less severe.”).

¹²⁹ See *supra* at 2.

¹³⁰ *Wayte v. United States*, 470 U.S. 598, 607–08 (1985).

¹³¹ See World Resp. at 4; see also World Supp. Br. at 4.

4. The CFPB Adhered to the Appropriate Process

Before issuing a supervisory designation, Section 1024(a)(1)(C) requires that the CFPB provide “notice to the covered person and a reasonable opportunity for such covered person to respond.” The CFPB has adopted informal procedures designed to ensure an “efficient” and “expeditious” process for determining whether to issue a supervisory designation under section 1024(a)(1)(C).¹³²

The CFPB followed those procedures here. The initiating official served a Notice of Reasonable cause including a description of her bases for asserting that there is reasonable cause to designate World Acceptance for supervision and a summary of the documents she relied on. World Acceptance then provided both a written and a supplemental oral response. I have reviewed a recommended determination and, through this order, am issuing my own determination that adopts the recommended determination with modifications.

Nonetheless, World Acceptance argues that the CFPB has failed to adhere to the proper process for three reasons. First, World Acceptance argues that the Notice of Reasonable Cause was “facially defective” insofar as it relied on “conclusory statements and generalizations that would apply to any consumer lender.”¹³³ The Notice of Reasonable Cause, however, satisfied the statutory notice requirement¹³⁴ and included all of the contents required by the CFPB’s procedural rule.¹³⁵ As discussed above, there is no requirement that the reasons for designating World Acceptance for supervision do not also apply to other lenders.¹³⁶

Second, World Acceptance argues that the initiating official “has repeatedly changed positions regarding the basis for a reasonable cause determination.”¹³⁷ That characterization is inconsistent with the record of this proceeding, but also, it does not matter. World Acceptance was on notice of the reasons for the risk determination in this order, and had an opportunity to respond, which it took advantage of. In any event, the initiating official’s supplemental brief identifies five relevant consumer risks: (1) “[p]roblems understanding the way World conveyed loan terms,” (2) “[c]omplaints about World’s collection practices,” (3) “[c]omplaints about World’s furnishing practices,” (4) “[c]omplaints about World’s handling of identity theft issues,” and (5) “World’s reliance on loan renewals as a business strategy.”¹³⁸ Those are the same consumer risks identified in the Notice.¹³⁹

Third, and finally, World Acceptance argues that my decision to order supplemental briefing deviates from “the process required by the Rule.”¹⁴⁰ But nothing in the CFPB’s procedural rule precludes supplemental briefing. And while World Acceptance has a statutory right to notice and

¹³² See 78 Fed. Reg. at 403653.

¹³³ World Supp. Br. at 1.

¹³⁴ See CFPA § 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(a)(1)(C)).

¹³⁵ See 12 C.F.R. § 1091.103.

¹³⁶ See *supra* at 19-20.

¹³⁷ World Supp. Br. at 1; see also *id.* at 3.

¹³⁸ Initiating Official Supp. Br. at 9, 11, 12, 14, 16.

¹³⁹ Notice of Reasonable Cause at 2 (discussing World’s “volume of loan refinances and renewals”; “problems understanding ... loan terms”; and World’s “practices relating to collections, furnishing, and the handling of identity theft issues”).

¹⁴⁰ Initiating Official Supp. Br. at 1.

a reasonable opportunity to respond,¹⁴¹ it does not have a substantial interest in precisely when or how it is provided such notice and opportunity to respond. Nor has World Acceptance pointed to any possible prejudice from having additional notice and process.

III. Conclusion

For the reasons discussed above, the CFPB has reasonable cause to determine that the Respondent, World Acceptance Corporation, is a nonbank covered person that is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of one or more consumer financial products or services.

IT IS ORDERED, that:

As of the date of this Order, the Consumer Financial Protection Bureau has supervisory authority over Respondent pursuant to section 1024(a)(1)(C) of the Consumer Financial Protection Act of 2010. The Bureau shall have authority over Respondent until such time as this Order is terminated consistent with 12 C.F.R. § 1091.113. Respondent may petition for termination of the Bureau's supervisory authority no sooner than two years from the date of this Order, and no more than annually thereafter.

While this Order establishes that the Bureau has supervisory authority over the Respondent, it does not require any immediate action on the part of Respondent. The Bureau will notify Respondent if and when it elects to require reports from, or conduct an examination of, Respondent pursuant to CFPA section 1024(b).

This Order has no bearing on, and does not preclude, the Bureau's exercise of any of its other authorities, including other supervisory authority, over Respondent.

Within ten days after service of this Order, Respondent may file a submission regarding the publication of this order, pursuant to 12 C.F.R. § 1091.115(c)(2).

Dated: November 30, 2023.



Rohit Chopra
Director
Consumer Financial Protection Bureau

¹⁴¹ 12 U.S.C. § 5514(a)(1)(C).