

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	
	)	
FREEDOM STORES, INC.,	)	ORDER FOR RESTITUTION
as an institution-affiliated	)	AND ORDER TO PAY CIVIL
party of	)	MONEY PENALTY
BANK OF LAKE MILLS	)	
LAKE MILLS, WISCONSIN	)	FDIC-15-0308b
	)	FDIC-15-0309k
(Insured State Nonmember Bank)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Freedom Stores, Inc. (“Freedom”), an institution-affiliated party (“IAP”) of Bank of Lake Mills, Lake Mills, Wisconsin (“the Bank”), under sections 3(q) and 3(u) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q) and 1813(u).

The FDIC determined that Freedom engaged in unfair and deceptive acts or practices in or affecting commerce, in violation of section 5 of the Federal Trade Commission Act (“Section 5”), 15 U.S.C. § 45(a)(1), engaged in deceptive marketing of loans on the Bank’s behalf, as well as deceptive marketing of add-on products.

Freedom, by and through its duly elected and acting Board of Directors (“Board”), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER FOR RESTITUTION, AND ORDER TO PAY CIVIL MONEY PENALTY (“CONSENT AGREEMENT”), dated April 13, 2017, which is accepted by the FDIC. With the CONSENT AGREEMENT, Freedom has consented, solely for the purposes of this proceeding and without

admitting or denying any facts, findings, conclusions of law, and/or charges of violations of law or regulation, to the issuance of this ORDER FOR RESTITUTION AND ORDER TO PAY CIVIL MONEY PENALTY (collectively “ORDER”) by the FDIC.

Having determined that the requirements for issuance of an ORDER under sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. §§ 1818(b) and 1818(i), have been satisfied, the FDIC accepts the CONSENT AGREEMENT and issues the following ORDER:

**IT IS HEREBY ORDERED**, that Freedom and its successors and assigns, cease and desist from operating in violation of Section 5 in connection with the activities described herein.

**ORDER FOR RESTITUTION**

IT IS HEREBY ORDERED that Freedom provide restitution to consumers as follows:

**Restitution Account**

1. Freedom understands that the Bank shall deposit into a trust or otherwise segregated deposit account an amount not less than \$3,000,000 for the purpose of providing restitution (“Restitution Account”) as required by the Order For Restitution and Order to Pay Civil Money Penalty between the FDIC and the Bank.

2. All restitution payments required by the Restitution Plan shall be made from the Restitution Account, provided, however, that if the total of such payments exceeds the amount in the Restitution Account, Freedom understands that the Bank shall deposit additional funds in the Restitution Account from which the restitution payments shall be made. If the total of payments is less than the Reserve Account, the excess shall be returned to the Bank.

### Restitution Plan

3. Freedom has cooperated with the Bank in connection with the preparation and submission to the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") a comprehensive Restitution Plan ("Restitution Plan") for all past and present borrowers who, from August 14, 2013 to September 11, 2015 (or such earlier date as provided in the Restitution Plan) ("Eligible Consumers"), are entitled to receive restitution pursuant to the Restitution Plan, including samples of letters and/or electronic mail to the Eligible Consumers. The Regional Director has provided its non-objection to the Restitution Plan, which includes the identification of Eligible Consumers, the methodology for calculating the amount of restitution for each Eligible Consumer, and the process for providing restitution to all of the Eligible Consumers. The Restitution Plan submitted to the Regional Office included the text of letters and/or electronic mail to be sent to Eligible Consumers, including language explaining the reason for the restitution and shall not, in any manner, condition the payment of any redress to any Eligible Consumer waiving any right. The letters and/or electronic mail shall be sent by United States Postal Service first-class and/or electronic mail to all Eligible Consumers entitled to receive restitution in accordance with this ORDER.

4. The Restitution Plan requires restitution to Eligible Consumers, which includes the provision of credits to the accounts of Eligible Consumers, who have a charged-off account balance as follows:

a. Provide restitution, in accordance with this ORDER, to Eligible Consumers who: (i) applied for and received loans from the Bank through the Freedom online channel that were promoted with six months no interest from August 14, 2013 to June 30, 2015; and, (ii) paid off these loans within six months;

b. Provide restitution, in accordance with this ORDER, to Eligible Consumers who received loans from the Bank through the Freedom channel and purchased overlapping and multiple memberships in the United Motor Club;

c. Provide restitution, in accordance with this ORDER, to Eligible Consumers who received loans from the Bank through the Freedom channel and purchased multiple memberships in the Freedom Value Club; and

d. Provide restitution, in accordance with this ORDER, to Eligible Consumers who received loans from the Bank through the Freedom channel and purchased the Optional Debt Cancellation Contract Amendment and were not given the opportunity to exercise the monthly premium payment option provided for by the contract.

5. Within thirty (30) days of receipt of non-objection from the Regional Director, Freedom shall commence implementation of the Restitution Plan. Restitution provided under the Restitution Plan shall not limit consumers' rights in any way.

6. Within thirty (30) days of the effective date of this ORDER, Freedom shall submit to the Regional Director, for review and non-objection, a proposed announcement to be prominently posted on Freedom's websites, if any, that describes this ORDER and the restitution payments to be made to Eligible Consumers. The announcement shall set forth procedures whereby individuals can check their eligibility for restitution and can provide updated electronic mail and/or United States Postal Service mailing address information, via a toll-free number and via the websites indicated above. The Regional Director shall notify Freedom in writing of any comments or non-objection to the proposed announcement. Upon receipt of the Regional Director's written non-objection, the announcement, incorporating any changes that may be required in response to comments made by the Regional Director, shall be prominently and

promptly posted by Freedom to Freedom's websites no later than ten (10) days after receipt of the Regional Director's written non-objection.

#### Independent Auditor

7. Within thirty (30) days from the effective date of this ORDER, Freedom shall cooperate with the Bank with respect to the retention of an independent auditing firm ("Firm") to determine compliance with the Restitution Plan as follows:

- a. Freedom accurately identified the Eligible Consumers entitled to restitution pursuant to the Restitution Plan required by this ORDER;
- b. Freedom accurately calculated the restitution amount for each Eligible Consumer pursuant to the Restitution Plan required by this ORDER; and
- c. The appropriate restitution payments were made from the Restitution Account by the Bank to each Eligible Consumer as required by the Restitution Plan.

8. The engagement letter between the Bank and the independent auditing firm shall grant the FDIC access to the independent auditing firm's staff, workpapers, and materials prepared in the course of the independent auditing firm's engagement to determine compliance with the Restitution Plan and any reports required by this ORDER.

#### Mailing Refunds

9. The Restitution Plan shall provide for making, as applicable, cash restitution by certified or bank check made payable to an Eligible Consumer and sending the certified or bank check by United States Postal Service first-class mail, address correction service requested, to the Eligible Consumer's last address as maintained in Freedom's records. Freedom shall make reasonable attempts to obtain a current address for any Eligible Consumer whose notification letter and/or restitution check is returned for any reason, using standard address search

methodologies, and shall promptly re-mail all returned letters and/or restitution checks to current addresses, if any. If the certified or bank check for any Eligible Consumer is returned to Freedom after such second mailing by Freedom, or if a current mailing address cannot be identified using standard address search methodologies, the Bank shall retain the restitution amount of such Eligible Consumer in the Restitution Account for a period of three hundred sixty (360) days from the date the restitution check was originally mailed, during which period such amount may be claimed by such Eligible Consumer upon appropriate proof of identity. After such time, these monies shall be disposed of in accordance with the Restitution Plan.

#### Recordkeeping

10. For five (5) years from the effective date of this ORDER, Freedom shall retain all records pertaining to the restitution required by this ORDER, including, but not limited to: documentation of the processes and procedures used to identify the Eligible Consumers; the names, contact and loan information of the Eligible Consumers; mailing records; and any other documentation confirming that the restitution required by this ORDER was made.

#### **ORDER TO PAY CIVIL MONEY PENALTY**

IT IS FURTHER ORDERED that, by reason of the violations of law and regulation set forth herein, and after taking into account the appropriateness of the penalty with respect to the size of financial resources and good faith of Freedom, the gravity of the violations, the history of previous violations by Freedom, and such other matters as justice may require, pursuant to 12 U.S.C. § 1818(i)(2), a penalty of \$54,000 is assessed against Freedom. Freedom shall pay such amount to the Treasury of the United States.

IT IS FURTHER ORDERED that Freedom is prohibited from seeking or accepting indemnification from any third party for the civil money penalty assessed and paid in this matter.

## **NOTIFICATION AND REPORTING REQUIREMENTS**

1. During the life of this ORDER, on or before the thirtieth day after the end of the first calendar quarter following the effective date of this ORDER, and on or before the thirtieth day after the end of every quarter thereafter, Freedom shall cooperate with the Bank to furnish written progress reports to the Regional Director detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof.

2. Within thirty (30) days of the effective date of this ORDER, Freedom shall send to its shareholders a copy of this ORDER or a description of this ORDER. If Freedom sends its shareholders a description of this ORDER rather than a copy of it, the description shall fully describe this ORDER in all respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to the shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

## **SAVINGS CLAUSE**

1. The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against Freedom or any of Freedom's current or former affiliated parties.

2. Calculation of time limitations for compliance with the terms of this ORDER shall be based on calendar days, unless otherwise noted.

3. The provisions of this ORDER shall be binding on Freedom, its officers, agents, employees, affiliated parties, and any successors and assigns thereof.

4. The provisions of this ORDER shall remain effective and enforceable

