

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	CIVIL ACTION NO. 4:20-cv-3221
	)	
CONN CREDIT I, LP,	)	COMPLAINT AND DEMAND FOR
CONN APPLIANCES, INC., and	)	JURY TRIAL
CONN’S, INC.,	)	
	)	
Defendants.	)	
_____	)	

**COMPLAINT**

The United States alleges as follows:

**INTRODUCTION AND NATURE OF ACTION**

1. This action is brought by the United States to enforce the Servicemembers Civil Relief Act (“SCRA”), 50 U.S.C. §§ 3901-4043, against Conn Credit I, LP, Conn Appliances, Inc., and Conn’s, Inc. (hereinafter collectively “the Conn Defendants”).

2. The purpose of the SCRA is to provide certain benefits and protections to individuals in military service, enabling servicemembers to fully devote themselves to the Nation’s defense. One of these benefits is the requirement that creditors reduce to 6% the interest rate (inclusive of fees, except for bona fide insurance) on financial obligations, such as retail installment contracts, incurred by individuals when they are not in military service but who later enter military service during the term of the contract. 50 U.S.C. § 3937. In order to receive this benefit, a servicemember must submit a written notice and documentation of military service, such as a copy of military orders or a certified letter from a commanding officer. *Id.* at §

3937(b)(1)(A). In response, a creditor must forgive – not defer – interest greater than 6% per year, retroactively back to the first day the servicemember was called to military service, and may not accelerate the payment of principal. *Id.* at § 3937(a)(2)-(3) & (b)(2).

3. When companies that extend in-house credit in connection with the sale of goods or other credit servicers fail or refuse to lower the interest rate on pre-military service obligations, servicemembers are deprived of this SCRA benefit.

### **JURISDICTION AND VENUE**

4. This Court has jurisdiction over this action under 28 U.S.C. §§ 1331 and 1345 and 50 U.S.C. § 4041. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b)(1), because the Conn Defendants are headquartered in this judicial district.

### **PARTIES**

5. Defendant Conn's, Inc. is a Delaware Corporation with principal executive offices at 2445 Technology Forest Boulevard in The Woodlands, Texas. At all times relevant to this complaint, Defendant Conn's, Inc. operated an online customer service center and a telephone call center that, *inter alia*, processed requests for SCRA benefits.

6. Defendant Conn Appliances, Inc. is a Texas corporation and a wholly owned subsidiary of Defendant Conn's, Inc., with principal executive offices at 2445 Technology Forest Boulevard in The Woodlands, Texas. Defendant Conn's Appliances, Inc. also does business under the name Conn's HomePlus. Conn's HomePlus has retail stores in over 130 locations in at least 14 states. At all times relevant to this complaint, Defendant Conn Appliances, Inc. entered into retail installment contracts with consumers purchasing goods from Conn's HomePlus, and then sold, assigned, or transferred these retail installment contracts to Defendant Conn Credit I, LP. At all times relevant to this complaint, Defendant Conn Appliances, Inc. had an agreement

with Defendant Conn Credit I, LP to provide servicing functions for Defendant Conn Credit I, LP 's retail installment contracts, including processing customer payments, adjusting payment amounts, calculating amortization schedules, assessing fees, and processing requests for SCRA interest rate benefits.

7. Defendant Conn Credit I, LP is a Texas limited partnership and a wholly owned subsidiary of Defendant Conn's, Inc., with principal executive offices at 2445 Technology Forest Boulevard in The Woodlands, Texas. At all times relevant to this complaint, Defendant Conn Credit I, LP purchased, was assigned, or had transferred to it retail installment contracts between Defendant Conn Appliances, Inc. and consumers purchasing goods from Conn's HomePlus.

### **FACTUAL ALLEGATIONS**

8. Sergeant Travon Sargent is a member of a United States Army Reserve Component with the Oklahoma National Guard. In early May 2018, Sergeant Sargent received military orders dated May 2, 2018, to report to Fort Hood, Texas, on June 29, 2018, for military activation in support of Operation Enduring Freedom (Spartan Shield), a military operation in the Middle East, for a period of 400 days.

9. Sergeant Sargent has been in military service, as that term is defined in 50 U.S.C. § 3911(2)(A), since June 29, 2018.

10. From May 2, 2018, to June 29, 2018, Sergeant Sargent was on "early alert" status and was entitled to receive the SCRA's interest rate benefit on his pre-military service obligations beginning May 2. A member of a reserve component is considered to be on early alert and protected by the SCRA from the date of his or her receipt of military orders until the date he or she reports for military service. *See* 50 U.S.C § 3917.

11. On May 27, 2015, prior to entering military service, Sergeant Sargent entered into a retail installment contract with Defendant Conn Appliances, Inc. to finance the purchase of a computer and a dining room set from a Conn's HomePlus store in Oklahoma City, Oklahoma.

12. On July 3, 2017, prior to entering military service, Sergeant Sargent consolidated the May 27, 2015 retail installment contract and another retail installment contract into a new retail installment contract with Defendant Conn Appliances, Inc. This new retail installment contract was immediately sold, assigned, or transferred to Defendant Conn Credit I, LP. The amount financed was \$5,063.93, at an interest rate of 21%. A payment of \$208.01 was due on the third day of each month starting in August 2017 and lasting 32 months.

13. On May 5, 2018, while on early alert status, Sergeant Sargent provided the Conn Defendants with a written notice pursuant to 50 U.S.C. § 3937, requesting that his interest rate be reduced to 6%.

14. On May 7, 2018, Sergeant Sargent provided the Conn Defendants with a copy of his military orders.

15. On July 27, 2018, more than two and a half months after the Conn Defendants received a copy of Sergeant Sargent's notice and military orders, a Conn Appliances, Inc. customer service representative informed Sergeant Sargent's wife during a telephone call that their monthly payment amount had not changed.

16. Sergeant Sargent's wife struggled to pay the Conn Defendants the original monthly payment amount of \$208.01 during her husband's deployment, and missed the August and September 2018 payments. On September 13, 2018, in a good faith effort to make repayment arrangements, she called the Conn Defendants. During the call, an agent of the Conn Defendants' billing department collected a \$189.28 extension fee to push the end date for the

term of Sergeant Sargent's retail installment contract by two months. This brought the account current by wiping out the missed August and September 2018 payments, making the next payment due in October 2018, and tacking two more months onto the end of the loan term to replace the August and September 2018 missed payments. Since an extension fee constitutes "interest" under the SCRA, *see* 50 U.S.C. § 3937(d)(1), the imposition of this fee would violate the SCRA even if the interest had been reduced to 6%.

17. In about October 2018, some five months after SCRA benefits were first requested in connection with the account and only after Sergeant Sargent's wife had made numerous complaints, the interest rate was reduced to 6%. However, the Conn Defendants applied the 6% rate beginning on June 29, 2018, the date that Sergeant Sargent entered active duty, not on May 2, 2018, his first date of SCRA eligibility.

18. On November 5, 2018, Sergeant Sargent's wife requested an account payment history. The account documentation provided by the Conn Defendants still listed the interest rate as 21%.

19. On December 12, 2018, the United States Army Staff Judge Advocate at the Oklahoma National Guard Joint Force Headquarters in Oklahoma City, Oklahoma, sent a letter to the Conn Defendants requesting confirmation that Sergeant Sargent's interest rate had been lowered to 6%. The Conn Defendants' legal department received the letter on about January 8, 2019, but never responded.

20. The Conn Defendants violated the SCRA rights of at least 184 servicemembers by failing or refusing to provide them a 6% interest rate reduction. For example, on September 13, 2018, a customer service representative for the Conn Defendants misinformed a servicemember who had been approved for SCRA benefits, but whose monthly payments of \$72.76 had not

changed. Specifically, the customer service representative informed the servicemember that what the SCRA “means is that more of the \$72.76 is going towards principle [sic] [and] less towards interest.” The SCRA expressly prohibits the acceleration of principal in response to a properly made 6% interest rate request. *See* 50 U.S.C. § 3937(a)(3).

21. As another example, on July 6, 2018, a customer service representative supervisor for the Conn Defendants informed a servicemember who had been approved for SCRA interest rate benefits on June 3, 2018 that the interest rate would not actually be lowered on the account until the servicemember was ready to pay off the account. The SCRA requires creditors to lower the interest rate “[u]pon receipt” of written notice and orders or other appropriate indicator of military service. *See* 50 U.S.C. § 3937(b)(2).

22. In response to a March 22, 2019 notice from the Department of Justice stating that it was opening an investigation to determine whether Defendant Conn Credit I, LP’s policies and practices complied with the SCRA, counsel for the Conn Defendants admitted to the United States in writing that of the “322 servicemember accounts [that] requested SCRA benefits from March 2014 to May 2019,” 184 (57% of eligible servicemembers) “did not receive the full SCRA benefits they are or were entitled to under the SCRA.”

23. The Conn Defendants have policies and procedures that, when followed, result in SCRA violations. Defendant Conn’s Inc.’s written policies state that in order for a servicemember to receive the SCRA’s 6% interest rate benefit, there must have been at least one payment made on an account before entry on active duty. The SCRA contains no such requirement.

24. Defendant Conn's, Inc.'s written policies state that servicemembers must be on active duty at the time of an SCRA interest rate reduction request. There is no such requirement in the SCRA.

25. Defendant Conn's, Inc.'s written policies require servicemembers seeking a 6% interest rate benefit pursuant to the SCRA to provide military orders that include the expected release date from military service. There is no such requirement in the SCRA.

26. Two versions of Defendant Conn Appliances, Inc.'s written policies, generated under the name Conn's HomePlus – one effective October 2018, and the other effective January 10, 2019 – require servicemembers to submit a copy of their military orders in order to receive the SCRA's 6% interest rate benefit. Effective August 13, 2018, servicemembers may provide either a copy of their military orders, or a copy of "any other appropriate indicator of military service, including a certified letter from a commanding officer," in order to receive the SCRA's 6% interest rate benefit. 50 U.S.C. § 3937(b)(1)(A).

27. The October 2018 version of Defendant Conn Appliances, Inc.'s written policies state that SCRA interest rate benefits for members of military Reserve components were to begin effective the first day of active duty, rather than the date a servicemember receives his or her military orders as is required by 50 U.S.C. § 3917(a).

28. At all times relevant to this complaint, when servicemembers contacted the Conn Defendants because their monthly payments had not changed despite their having been approved for an SCRA interest rate benefit, some were instructed to contact the payoff department to request a payoff figure because this was the Conn Defendants' only means of reamortizing retail installment contracts.

**SERVICEMEMBER CIVIL RELIEF ACT VIOLATIONS**

29. The SCRA limits the amount of interest that may be charged on certain financial obligations, including retail installment contracts, that were incurred prior to military service to no more than 6% per year, including most charges and fees, except for bona fide insurance. 50 U.S.C. § 3937(a)(1) & (d)(1). As of August 13, 2018, in order to have the interest rate on a financial obligation such as an retail installment contract capped at 6% per year, a servicemember must provide the creditor with a written notice and a copy of either his or her military orders or “any other appropriate indicator of military service, including a certified letter from a commanding officer.” 50 U.S.C. § 3937(b)(1)(A). The notice and orders or indicator of military service may be provided to the creditor up to 180 days after the end of the servicemember’s military service. *Id.* at § 3937(b)(1)(A). Prior to August 13, 2018, in order for a servicemember to get the 6% interest rate cap on certain pre-service financial obligations, he or she had to provide a creditor with a written notice and a copy of his or her military orders. 50 U.S.C. § 3937(b)(1)(A) (2003).

30. In response to a properly made request for SCRA interest rate benefits, a creditor must forgive – not defer – interest greater than 6% per year. *See* 50 U.S.C. § 3937(a)(2). The creditor must forgive this interest retroactively back to the date the servicemember was called to military service or, for members of a reserve component, back to the date the servicemember received military orders to report for military service. *See id.* at §§ 3937(b)(2), 3917(a). The creditor is prohibited from accelerating the payment of principal in response to a properly made request for a 6% interest rate cap. *Id.* at § 3937(a)(3). For all obligations other than mortgages, including retail installment contracts, interest must be capped at 6% for the duration of the period of military service, as well as for any early alert period. *Id.* at §§ 3937(a)(1)(B) & 3917(a).



31. The Conn Defendants' actions in failing or refusing to timely and accurately reduce the interest rate on at least 184 retail installment contracts is a violation of the SCRA that raises an issue of significant public importance under 50 U.S.C. § 4041(a)(2).

32. The Conn Defendants have engaged in a pattern or practice of violating 50 U.S.C. § 3937 by failing or refusing to timely and/or accurately lower the interest rate on pre-service obligations obtained by at least 184 SCRA protected servicemembers to 6% per year after being provided with the documentation required by the SCRA.

33. Sergeant Sargent and other servicemembers who did not receive accurate and/or timely SCRA interest rate benefits from the Conn Defendants are "person[s] aggrieved" pursuant to 50 U.S.C. § 4041(b)(2) and have suffered damages as a result of the Conn Defendants' conduct.

34. The Conn Defendants' conduct was intentional, willful, and taken in reckless disregard for the rights of servicemembers.

**PRAYER FOR RELIEF**

WHEREFORE, the United States prays that the Court enter an order that:

1. Declares that the Conn Defendants' conduct violated the SCRA;
2. Enjoins the Conn Defendants, their agents, employees, and successors, and all other persons and entities in active concert or participation with them, from:
  - a. failing or refusing to timely and accurately lower the interest rate on pre-service obligations obtained by SCRA-protected servicemembers to 6% per year after being provided with written notice, military orders, and/or other appropriate indicator(s) of military service;
  - b. failing or refusing to take such affirmative steps as may be necessary to

restore, as nearly as practicable, each identifiable victim of the Conn Defendants' illegal conduct to the position he or she would have been in but for that illegal conduct; and

- c. failing or refusing to take such affirmative steps as may be necessary to prevent the recurrence of any illegal conduct in the future and to eliminate, to the extent practicable, the effects of the Conn Defendants' illegal conduct;

3. Awards appropriate monetary damages to each identifiable victim of the Conn Defendants' violations of the SCRA, pursuant to 50 U.S.C. § 4041(b)(2); and

4. Assesses civil penalties against the Conn Defendants in order to vindicate the public interest, pursuant to 50 U.S.C. § 4041(b)(3).

The United States further prays for such additional relief as the interests of justice may require.

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Dated: September 15, 2020.

Respectfully submitted,

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