

ADDENDUM TO SETTLEMENT AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND WESTLAKE SERVICES, LLC D/B/A WESTLAKE FINANCIAL SERVICES AND WILSHIRE COMMERCIAL CAPITAL, LLC D/B/A WILSHIRE CONSUMER CREDIT

WHEREAS, on September 27, 2017, the United States of America (“the United States”), through the Department of Justice, filed a lawsuit in the United States District Court for the Central District of California against Westlake Services, LLC d/b/a Westlake Financial Services and Wilshire Commercial Capital, LLC d/b/a Wilshire Consumer Credit (collectively referred to as “Defendants”), alleging that Defendants violated the Servicemembers Civil Relief Act (“SCRA”), 50 U.S.C. §§ 3901-4043, by repossessing motor vehicles from “SCRA-protected servicemembers” without court orders (the “Civil Action”).

WHEREAS, also on September 27, 2017, the United States and Defendants (collectively referred to as the “Parties”) entered into a Settlement Agreement resolving the allegations in the Civil Action.

WHEREAS, Paragraph 63 of the Settlement Agreement permits modification of the Settlement Agreement through the written consent of the Parties, signed by the Parties through their authorized representatives.

WHEREAS, during the course of monitoring Defendants’ compliance with the Settlement Agreement, the United States raised potential concerns about Defendants’ compliance with Section 3937 of the SCRA, 50 U.S.C. § 3937. *See also* Settlement Agreement at ¶ 11.

WHEREAS, Defendants fully cooperated with the United States’ inquiry regarding compliance with Section 3937 of the SCRA.

WHEREAS, based on its review of the information provided by Defendants, the United States has determined that Defendants have violated Section 3937 of the SCRA by failing to

provide interest rate benefits during the “early alert” periods (i.e., the time between when members of a reserve component receive their military orders and when they report for active duty). *See* 50 U.S.C. §§ 3917(a) & 3937(b)(2). The United States also has identified a small number of additional violations of the SCRA related to unjustified delays in granting interest rate benefits, *see* 50 U.S.C. § 3937(b)(2).

WHEREAS, the Parties agree, and the United States believes that it is in the public’s best interest, that the United States’ claims related to Defendants’ compliance with Section 3937 of the SCRA should be resolved amicably through modification of the existing Settlement Agreement.

WHEREAS, the Parties agree and acknowledge that the consideration set forth in this Addendum is adequate and sufficient.

THEREFORE, to avoid the delay, uncertainty, inconvenience and expense of protracted litigation of the United States’ claims, and in consideration of the mutual promises and obligations set forth below, the Parties agree and covenant, consistent with Paragraph 63 of the Settlement Agreement, to the following material modifications and additional terms to the Settlement Agreement:

1. Paragraph 51 of the Settlement Agreement is modified to extend the term of the Settlement Agreement until seven (7) years after the date of execution (i.e., until September 27, 2024). All other provisions in the Settlement Agreement that require Defendants to take certain actions during or after a five (5) year period, including in Paragraphs 29 (unless the specific state in which the Servicemember is a resident requires compliance with their unclaimed property using a shorter timeframe), 30, and 35 of the Settlement Agreement, are modified to be extended to a seven (7) year period.

2. Within sixty (60) days after the date this Addendum has been signed by all Parties, through their authorized representatives, Defendants shall submit revised enhanced SCRA Policies and Procedures for Providing SCRA Relief in their motor vehicle lending lines of business to counsel for the United States for review consistent with Paragraph 13 of the Settlement Agreement. In addition to maintaining compliance with the requirements set forth in Paragraph 11 of the Settlement Agreement, the revised policies and procedures shall add a more detailed explanation regarding the requirement that interest rate benefits be provided during servicemembers' "early alert" periods (i.e., the time between when the servicemember receives military orders and reports for active duty).
3. Within forty-five (45) calendar days of the United States' approval of or non-objection to the revised enhanced SCRA Policies and Procedures, Defendants shall develop and provide to the United States revised curriculum, instructions, and any written material for the trainings required by Paragraph 16 of the Settlement Agreement. The revised training materials shall, in addition to meeting the requirements set forth in the Settlement Agreement, highlight the requirement that interest rate benefits be provided during servicemembers' "early alert" periods (i.e., the time between when military orders are issued to the servicemember and the date the servicemember reports for active duty). The United States shall have forty-five (45) calendar days from receipt of these documents to raise any objections to the Defendants' training materials, and, if they raise any, the Parties shall confer to resolve their differences.

4. The revised training materials shall be used in all annual trainings required by Paragraph 16 of the Settlement Agreement that are offered after the date this Addendum has been signed by all Parties.
5. The United States and Defendants have reviewed accounts for which borrowers sought interest rate benefits pursuant to the SCRA from Defendants between September 27, 2017, and February 15, 2022. The United States has identified 293 servicemembers for whom it has determined that Defendants failed to provide interest rate benefits during the required “early alert” periods, resulting in those servicemembers paying interest in excess of 6% during protected periods. The United States has provided to Defendants a list of those servicemembers, and the amounts overpaid by those servicemembers. In many of the identified cases, servicemembers have already received some remediation, and the United States has agreed to credit Defendants for the amount of that remediation. In 54 of the identified cases, Defendants have already provided sufficient remediation and those servicemembers are not due any further compensation under this Addendum.
6. For each account identified pursuant to Paragraph 5 of this Addendum, Defendants shall provide the following compensation:
 - a. a refund of all interest and fees charged above six percent (6%) that were paid by the servicemember; and
 - b. an additional payment of \$100 or three times the amount set forth in subparagraph (a), whichever amount is larger.

In cases where Defendants have already taken remedial actions with respect to a claimed violation of Section 3937 of the SCRA, DOJ has considered such remedial

actions and has adjusted the compensation to be awarded. This includes 54 accounts for which Defendants already provided sufficient remediation.

7. The amount calculated pursuant to Paragraph 6(a) of this Addendum shall be distributed equally among all co-borrowers (including non-servicemember borrowers) in the event there is a co-borrower on the account. The amount calculated pursuant to Paragraph 6(b) of this Addendum shall be paid only to the servicemember.
8. The United States has also identified eleven (11) accounts for which borrowers sought interest rate benefits pursuant to the SCRA from Defendants between September 27, 2017, and February 11, 2021, and for which Defendants failed to provide benefits within sixty (60) days of receipt of notice and orders, despite the borrowers qualifying for interest rate benefits under the SCRA. In each such instance, Defendants have already taken remedial action, which the United States has considered. Defendants shall pay an additional \$500 to each servicemember associated with those accounts.
9. For interest rate violations identified pursuant to Paragraphs 5 and 8 of this Addendum, Defendants must issue and mail compensation checks to each servicemember and co-borrower (except for those servicemembers and co-borrowers currently residing in Oregon), in the amount determined by the United States pursuant to Paragraphs 6-8 of this Addendum, within thirty (30) days after the date this Addendum has been signed by all Parties. All compensation checks may include the phrase "Settlement in Full" in the memorandum section. All compensation checks shall be accompanied by a letter (the form of which is to be approved in advance by the United States) explaining that cashing or endorsing the

check releases all claims related to the SCRA Section 3937 violations during the period covered by Paragraphs 5 and 8 of this Addendum.

10. For servicemembers and co-borrowers currently residing in Oregon, Defendants shall send a letter (the form of which is to be approved in advance by the United States) containing a Release in the form attached as Exhibit A within thirty (30) days after the date this Addendum has been signed by all Parties, through their authorized representatives. Within thirty (30) days of receiving a properly executed copy of the Release at Exhibit A, Defendants shall issue and mail compensation checks to each servicemember and co-borrower receiving payment in the amount calculated pursuant to Paragraphs 6-8 of this Addendum.
11. Defendants shall promptly skip trace and redeliver or reissue any payment or notification required under this Addendum that is returned as undeliverable, or that is not deposited, cashed, or returned within six (6) months of the date the initial payment or notification is sent.
12. Servicemembers and co-borrowers shall have six (6) months after issuance to cash or deposit their compensation checks. During the term of the Settlement Agreement, Defendants shall, upon the request of a servicemember or co-borrower entitled to compensation, reissue any checks that are not cashed or deposited prior to their expiration.
13. The Defendants will deposit an additional \$185,460.11 in the interest-bearing escrow account that was previously established pursuant to Paragraph 20 of the Settlement Agreement. The Defendants will provide written verification of the deposit to the United States within fifteen (15) calendar days after the date this Addendum has been signed by all Parties, through their authorized representatives.

14. With respect to any account that is still active or has been charged off, Defendants may, in lieu of sending compensation checks as described in Paragraph 9 of this Addendum, send a letter (the form of which is to be approved in advance by the United States) to the servicemember within thirty (30) days after the date this Addendum has been signed by all Parties offering the servicemember a choice of either a cash payment or an account credit, and providing a mailing address and e-mail address by which the servicemember can state their preference. If the servicemember requests a cash payment, Defendants shall promptly mail check compensation in accordance with Paragraph 9 of this Addendum. If the servicemember requests a credit or does not respond to the letter within ninety (90) days after it was sent, Defendants shall promptly provide a credit to the servicemember or co-borrower equal to the amount owed to that servicemember or co-borrower under this Addendum. Defendants shall be entitled to remove money from the escrow account in an amount equal to the value of the credits provided.
15. The procedures set forth in Paragraph 32 of the Settlement Agreement shall apply to disputes about non-compliance with this Addendum.
16. No individual may obtain review by the Parties of the identifications made, and payments disbursed, pursuant to this Addendum.
17. Within thirty (30) days after the date this Addendum has been signed by all Parties, through their authorized representatives, Defendants must request that all the credit bureaus to which they report remove negative entries for the servicemember(s) and any co-borrowers(s) attributable to non-payment of any amounts that would not have been owed if Defendants had not charged interest in excess of the SCRA's 6% interest rate cap.

18. Within thirty (30) calendar days after the date this Addendum has been signed by all Parties, through their authorized representatives, the Defendants shall pay a total of Forty Thousand Dollars (\$40,000) to the United States Treasury as a civil penalty pursuant to 50 U.S.C. § 4041(b)(3) and 28 C.F.R. § 85.5, to vindicate the public interest. The payment shall be in the form of an electronic funds transfer pursuant to written instructions to be provided by the United States.
19. This Addendum releases only the claims for violations of Section 3937 of the SCRA identified in this Addendum. This Addendum does not release any other claims that may be held or are currently under investigation by any federal agency, or any claims that may be pursued for actions that may be taken by any executive agency established by 12 U.S.C. § 5491 or the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against the Defendants, any of their affiliated entities, and/or any of their institution-affiliated parties, as defined by 12 U.S.C. § 1818 or any other statute or regulation.
20. The provisions set forth in Paragraphs 39-43, 45-46, 48, 50, and 52-63 of the Settlement Agreement are also applicable to this Addendum.

For the United States of America:

DATED: 9/27/22

E. MARTÍN ESTRADA
United States Attorney

DAVID M. HARRIS
Chief, Civil Division

RICHARD M. PARK
Chief, Civil Rights Section

KRISTEN CLARKE
Assistant Attorney General

SAMEENA SHINA MAJEED
Chief, Housing and Civil Enforcement Section

ELIZABETH A. SINGER
Director, U.S. Attorneys' Fair Housing Program

MATTHEW NICKELL
Assisted United States Attorney
United States Attorney's Office
Central District of California
300 N. Los Angeles Street
Suite 7516
Los Angeles, CA 90012
Email: matthew.nickell@usdoj.gov
Telephone: 213-894-8805
Fax: 213-894-7819

AUDREY M. YAP
ALAN A. MARTINSON
Trial Attorneys
U.S. Department of Justice
Civil Rights Division
Housing and Civil Enforcement Section
950 Pennsylvania Avenue NW – 4CON
Washington, D.C. 20530
Email: audrey.yap@usdoj.gov
Telephone: 202-305-0015
Fax: 202-514-1116

*For Westlake Services, LLC d/b/a Westlake Financial Services
and Wilshire Commercial Capital, LLC d/b/a Wilshire Consumer Credit*
9/27/2022

DATED: _____

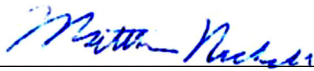
DocuSigned by:

Ian Anderson

2004ECEE42EE4DD...

IAN ANDERSON

Group President



MATTHEW NICKELL
Assisted United States Attorney
United States Attorney's Office
Central District of California
300 N. Los Angeles Street
Suite 7516
Los Angeles, CA 90012
Email: matthew.nickell@usdoj.gov
Telephone: 213-894-8805
Fax: 213-894-7819



AUDREY M. YAP
ALAN A. MARTINSON
Trial Attorneys
U.S. Department of Justice
Civil Rights Division
Housing and Civil Enforcement Section
950 Pennsylvania Avenue NW – 4CON
Washington, D.C. 20530
Email: audrey.yap@usdoj.gov
Telephone: 202-305-0015
Fax: 202-514-1116

*For Westlake Services, LLC d/b/a Westlake Financial Services
and Wilshire Commercial Capital, LLC d/b/a Wilshire Consumer Credit*

DATED: _____

By: _____
IAN ANDERSON
Group President

EXHIBIT A

RELEASE (for Oregon residents)

In consideration of Westlake Services, LLC d/b/a Westlake Financial Services' ("Westlake") and Wilshire Commercial Capital, LLC d/b/a Wilshire Consumer Credit's ("Wilshire") payment to me of \$ [AMOUNT], I, [BORROWER'S NAME], hereby release and forever discharge all claims, arising prior to the date of this Release, related to Section 3937 of the Servicemembers Civil Relief Act between September 27, 2017 and September 27, 2022, that I may have against Westlake and Wilshire and all related entities, parents, predecessors, successors, subsidiaries, and affiliates and all of their past and present directors, officers, agents, managers, supervisors, shareholders, and employees and its heirs, executors, administrators, successors or assigns.

Executed this _____ day of _____, 202__.

SIGNATURE: _____

PRINT NAME: _____