

CODEY FARLEY, individually and on  
behalf of all others similarly situated,  
Plaintiff

vs.  
PENNSYLVANIA STATE EMPLOYEES  
CREDIT UNION

Defendant.

COURT OF COMMON PLEAS  
PHILADELPHIA COUNTY

JUNE TERM, 2017

NO. 001889

CLASS ACTION

## **NOTICE OF PROPOSED CLASS ACTION SETTLEMENT**

### **You may be entitled to receive a settlement payment and cancellation of any Deficiency Balance in connection with a class action against Pennsylvania State Employees Credit Union**

*A Pennsylvania Court has authorized this notice.  
This is not a solicitation from a lawyer.  
You are not being sued.*

- This settlement resolves a lawsuit over whether Pennsylvania State Employees Credit Union (“PSECU”) sent borrowers proper notice of their rights after vehicle repossession.
- PSECU denies and disputes the claims asserted in the Litigation. The parties disagree about whether any money (and if so, how much) could have been awarded to you if the Plaintiff were to prevail at trial. The settlement avoids the costs and risks to members of the Class (like you) from continuing with the lawsuit and provides relief to the Class.
- This settlement will (a) provide a gross fund of \$16,000,000 to be distributed to Class Members after payment of administrative costs, Class Counsel fees and costs, and a service award to Plaintiff, (b) forgive post-repossession Deficiency Balances of approximately \$36,000,000, and (c) require PSECU to request credit reporting agencies to delete your loan from your credit report, in accordance with the proposed Class Action Settlement Agreement.
- Your rights are affected whether you act or not. Read this notice carefully.

#### **Your Legal Rights and Options in this Settlement:**

- Do Nothing** You will be paid a share of the net settlement proceeds which will come to **approximately \$1,132.00 per loan** for members of Class A and **approximately \$95.00 per loan** for members of Class B, have any post-auction sale deficiency balance forgiven, and have a request made to the credit reporting agencies to delete your loan from your credit report if the settlement is approved by the Court as presented.
- You are a member of «class».**
- Exclude Yourself** Get no payment. This is the only option that allows you to ever be part of any other lawsuit against PSECU concerning repossession or financing of your vehicle. Act by **March 31, 2020**.
- Object** Write to the Court about why you don’t like the settlement and do not want it approved. Act by **March 31, 2020**.
- Go to a Hearing** Ask to speak in Court about the fairness of the settlement on **April 27, 2020**.

- These rights and options – **and the deadlines to exercise them** – are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after any appeals are resolved. Please be patient.

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## BASIC INFORMATION

### 1. Why did I get this notice package?

The Court approved this notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the settlement. If the Court approves it, and objections and appeals (if any), are resolved, the Settlement Administrator will make the payments the settlement allows.

The Court in charge of the case is the Court of Common Pleas of Philadelphia County, Pennsylvania, and the case is known as *Codey Farley, individually and on behalf of all others similarly situated v. Pennsylvania State Employees Credit Union*, June Term, 2017, No. 001889. The person suing is Codey Farley, the Plaintiff (also called “Class Representative”), and the company being sued, Pennsylvania State Employees Credit Union, is called the Defendant or “PSECU.”

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible, and how to get them.

PSECU’s records reflect that you and/or a co-borrower on your vehicle loan received one or more notices from PSECU following the repossession of your vehicle between June 16, 2011 and December 31, 2017. PSECU’s conduct post-repossession, including its use of these notices, forms the basis for this lawsuit.

### 2. What is this lawsuit about?

The lawsuit claims that PSECU violated Pennsylvania’s Uniform Commercial Code by failing to send its borrowers in Pennsylvania (a) proper notice of disposition of collateral (“Repossession Notice”) after repossession of their vehicle(s), and (b) proper explanation of calculation of deficiency (“Deficiency Notice”) after the sale of the vehicle(s).

Specifically, Plaintiff asserts on behalf of himself and a class of borrowers (“Class A”) that the Repossession Notice sent by PSECU impermissibly misstates the amount needed to redeem, misrepresents the time period the borrower has to redeem the vehicle, and fails to adequately disclose the right to request an accounting of the unpaid indebtedness. Plaintiff also asserts on behalf of himself and a class of borrowers (“Class B”) that the Deficiency Notice fails to provide a proper explanation of how PSECU calculated a deficiency balance.

PSECU denies that its disclosures violated any law, and PSECU asserts that it satisfied all of the legal requirements as to its notices. PSECU asserts other defenses. PSECU further contends that many of the members of the Class owe PSECU money for balances still due on their accounts following the sale of their vehicle(s) at auction.

### 3. Why is this a class action?

In a class action, one or more people called Class Representatives (in this case Codey Farley), sue on behalf of all people who have similar claims. All these people are “Class Members,” and grouped together are a “Class.” One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. PSECU has challenged whether this case should proceed as a class action but has agreed not to oppose certification of a class for settlement purposes only.

### 4. Why is there a settlement?

Plaintiff believes the Class might have won more money than the settlement amount had the case gone to trial, but substantial delays and risks would have occurred, including the risk of the suit not being certified as a class. PSECU believes that the claims asserted in the case are without substantial merit, and that the Plaintiff may have recovered nothing if there had been a trial. But, there has been no trial. Instead, both sides agreed to a settlement. That way, they avoid the cost of a trial and appeal, and the people affected will get compensation and other settlement benefits promptly. The Class Representative and his attorneys think the settlement is best for all Class Members.

## WHO IS IN THE SETTLEMENT

### 5. How do I know that I am part of the settlement?

If you received this Notice in the mail, PSECU's records reflect that you are part of the Class. The Court has preliminarily certified two classes, Class A and Class B. To see which Class you belong to, see the bottom of the first page. Class A includes those borrowers who were sent certain notices after their vehicle was repossessed. Class B includes those borrowers who were sent certain notices after their repossessed vehicle was sold by PSECU.

Class A is defined as All Persons who purchased a motor vehicle as a consumer good; who financed the vehicle purchase through PSECU, or whose vehicle loan or Retail Installment Sales Contract was later assigned to PSECU; from whom PSECU, as secured party, repossessed the vehicle or ordered it repossessed; who had a Pennsylvania address as of the date of repossession, and; who were not sent a post-repossession notice which stated that the borrower had a right to redeem the property any time before the secured party sells or disposes of the vehicle; or who were not sent a post-repossession notice which stated that the borrower is entitled to an accounting of the unpaid indebtedness and the charge, if any, for an accounting; or stated "if you want us to explain to you in writing how we have figured the amount that you owe us ..."; or who were sent a post-repossession notice that included lump-sum "storage fees" as part of the amount that must be paid to the secured party to redeem the collateral; in the period from June 16, 2011, through December 31, 2017.

Class B is defined as All Persons who financed a motor vehicle primarily for consumer use through PSECU or whose loan contract or installment sales contract was assigned to PSECU; who had a Pennsylvania address as of the date of repossession; from whom PSECU, as secured party, repossessed the vehicle, or ordered it repossessed; whose vehicle was sold or auctioned by PSECU, but leaving a surplus or claimed deficiency balance; and who were sent an explanation of the alleged deficiency or surplus ("Deficiency Notice") that failed to: state that future debits, credits, charges, including additional credit service charges or interest, rebates and expenses may affect the amount of the surplus or deficiency; and provide in the following order: (1) the aggregate amount of the obligation secured by the security interest under which the disposition was made, and if the amount reflects a rebate of unearned interest or credit service charge, an indication of that fact, and a calculation thereof; (2) the amount of proceeds of the disposition; (3) the aggregate amount of the obligations after deducting the amount of the proceeds; (4) the amount, in the aggregate or by type, and types of expenses, including expenses of retaking, holding, preparing for disposition, processing and disposing of the collateral and attorney's fees secured by the collateral which are known to the secured party and relate to the current disposition; (5) the amount, in the aggregate or by type and types of credits, including rebate of interest or credit service charges, to which the obligor is known to be entitled; and (6) the amount of the surplus or deficiency; in the period from June 16, 2011 through December 31, 2017.

## THE SETTLEMENT BENEFITS – WHAT YOU GET

### 6. What does the settlement provide for me?

- Cash Component:
  - PSECU has agreed to create a Settlement Fund of \$16,000,000.00. Approved administrative costs, Class Counsel fees and expenses, and a service award for the Class Representative will be paid from that fund. The amount that remains (i.e. the "Net Fund") will be distributed to the members of Class A and Class B.
  - If you are a member of Class A, 96% of the Net Fund will be distributed in equal amounts to you and the other members of Class A. There are approximately 8,021 members of Class A. If fees and expenses are allowed as requested, it is expected that your cash payment will be approximately \$1,132.00, unless there were multiple borrowers on your loan in which case you will receive a portion of this amount.
  - If you are a member of Class B, 4% of the Net Fund will be distributed in equal amounts to you and the other members of Class B. There are approximately 3,962 members of Class B. If fees and expenses are allowed as requested, it is expected that your cash payment will be approximately \$95.00, unless there were multiple borrowers on your loan in which case you will receive a portion of this amount.

- Individuals who are members of both Class A and Class B will be entitled to payment from both—approximately \$1,227.00.
- If, after the first distribution of checks to the Classes, more than \$500,000 remains in the Net Fund (from uncashed or undistributable checks), there will be a second distribution of checks to the Classes. A balance remaining after the second distribution will be paid to *cy pres* beneficiaries, Pennsylvania Interest on Lawyers Trust Account (“IOLTA”), North Penn Legal Services and Pennsylvania Legal Aid Network (“PLAN”) for consumer uses.
- **Credit Reporting Relief:** If your repossessed vehicle was not reclaimed by you and your loan reinstated, PSECU will request that the credit reporting agencies update your credit report to remove any reference to the PSECU auto loan contract. Details about how and when this will be done, and limits on PSECU’s obligation to provide credit reporting relief are spelled out further in the Settlement Agreement.
- **Forgiveness of Deficiency Balance:** If you have been advised by PSECU that there is a shortfall after the auction proceeds were applied, that balance claimed due is called a “Deficiency Balance.” Unless you elect otherwise, PSECU will forgive and eliminate any Deficiency Balance on your vehicle loan. The average Deficiency Balance claimed due is around \$8,340.00. Yours could be more or less than this amount. NOTE: *see Tax Implications* in Section 7 below. You can choose not to receive debt forgiveness by submitting the enclosed Election Not to Accept Deficiency Balance Debt Forgiveness.

## TAX IMPLICATIONS

### 7. Tax Implications

This settlement has potential tax implications for you. The Settlement Administrator may issue IRS 1099-series forms for cash payments over \$600. You may be required to furnish your Social Security Number to the administrator as a condition of payment of settlement proceeds over \$600.

If you accept the Deficiency Balance forgiveness, PSECU may issue to you and to the IRS a 1099C form for the amount of the Deficiency Balance forgiven. This could result in your having to declare income in that amount on your next tax return and pay tax on all or some of that amount! You should consult your tax advisor to help decide if accepting the Deficiency Forgiveness is right for you.

## HOW YOU GET THE BENEFITS OF THE SETTLEMENT

### 8. Do I need to do anything to get a payment or the credit reporting benefit?

No. You do not need to do anything further to remain in the Class. You will get a payment and the credit reporting benefit automatically, after court approval of the Settlement.

### 9. Do I need to do anything to have my outstanding debt eliminated?

No. Unless you submit an Election Not To Accept Deficiency Balance Debt Forgiveness Form, any outstanding debt related to the financing of your repossessed vehicle will automatically be eliminated. If you **do not want** your outstanding debt to be forgiven, please read the instructions carefully, fill out the Election Not To Accept Deficiency Balance Debt Forgiveness Form, and mail it postmarked no later than **March 31, 2020** to:

Farley v. PSECU Class Settlement  
c/o Settlement Administrator  
P.O. Box 23648  
Jacksonville, FL 32241

If you do nothing, PSECU will automatically forgive and eliminate your Deficiency Balance. In addition, if you have already been sued and there is a legal judgment against you relating to your Deficiency Balance, PSECU will inform the Court that you have resolved the issue and release the judgment. If you do not know if you have any Deficiency Balance, you can call the Settlement Administrator at 833-404-4963 or Class Counsel at 1-888-668-1225 to inquire or to find out the amount of any Deficiency Balance.

**10. When would I get my payment?**

The Court will hold a hearing on **April 27, 2020 at 10:00 A.M.** in **Courtroom 630**, City Hall, Philadelphia, PA to decide whether to approve the settlement. If the Court approves the settlement after hearing, there may be appeals. It is always uncertain whether there will be an appeal and if so, when it will be resolved. Resolving them can take time, often more than a year. Please be patient.

**11. What am I giving up to get a payment or stay in the Class?**

Unless you exclude yourself, you will stay in the Class, and that means that you can't sue, continue to sue, or be part of any other lawsuit against PSECU for any claims, damages or any other amounts or relief of any kind, whether known or unknown, which were or could have been raised in the Litigation, which arise out of or relate to the Repossession Notice or Deficiency Notice issued by PSECU, the sale of any repossessed motor vehicles, the conditions of reinstatement and/or redemption, the collection of deficiencies allegedly owed by Class Members, or the reporting of Deficiency Balances to any consumer reporting agencies. It also means that the Court's orders will apply to you and legally bind you. Unless you "opt-out" or exclude yourself from this case, you will automatically be deemed to have agreed to a "Release of Claims" which describes exactly the legal claims that you give up if you remain in the Class.

**EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment or other benefits from this settlement but you want to keep the right to sue or continue to sue PSECU on your own about any of the subjects or issues set forth in the paragraph above, then you must take steps to get out. This is called excluding yourself – sometimes referred to as "opting out" of the Class.

**12. How do I get out of the settlement?**

To exclude yourself from the settlement, you must send a letter to the Settlement Administrator, with copies to counsel, by mail (first class, postage pre-paid) saying that you, as well as any and all other person(s) who signed your vehicle loan, want to be excluded from *Codey Farley, individually and on behalf of all others similarly situated v. Pennsylvania State Employees Credit Union*, June Term, 2017, No. 001889. Be sure to include your name, address, email (if available), telephone number and your signature. Mail your exclusion request postmarked no later than **March 31, 2020** to all of three different places below.

**Settlement Administrator**

Farley v. PSECU Class Settlement  
c/o Settlement Administrator  
P.O. Box 23648  
Jacksonville, FL 32241-3648

**Class Counsel**

Cary L. Flitter, Esq.  
FLITTER MILZ, P.C.  
450 N. Narberth Avenue Suite 101  
Narberth, PA 19072

**Defense Counsel**

Kimberly M. Colonna, Esq.  
MCNEES WALLACE & NURICK, LLC  
100 Pine Street  
Harrisburg, PA 17101

**13. If I don't exclude myself, can I sue PSECU for the same thing later?**

No. Unless you exclude yourself, you give up any right to sue PSECU for the claims that this settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from this Class to continue your own lawsuit.

**14. If I exclude myself, can I get money from this settlement?**

No. If you exclude yourself, you will not receive any money from this lawsuit or settlement, credit report deletion, forgiveness of any Deficiency Balance, or other relief that this Class Settlement provides.

**THE LAWYERS REPRESENTING YOU**

**15. Do I have a lawyer in this case?**

The Court has approved the law firm of Flitter Milz, P.C., in Narberth, PA to represent you and other Class Members. These lawyers are called Class Counsel. You will not be charged individually for these lawyers. If you want to be represented by your own lawyer, you may hire a firm at your own expense.

#### 16. How will the lawyers be paid?

Class Counsel will ask the Court to approve a payment out of the settlement fund in the amount of \$6,400,000 for Class Counsel fees and up to \$50,000 for reimbursement of expenses. The fees would pay Class Counsel for investigating the facts, litigating the case, negotiating the settlement, filing legal papers with the Court, and oversight of future implementation of the settlement, including fielding inquiries from Class Members. Class Counsel has not been paid for its time or services since this case was originally filed in June 2017. The Court could award less than this amount.

### OBJECTING TO THE SETTLEMENT

You can tell the Court that you don't agree with the settlement or some part of it.

#### 17. How do I tell the Court that I don't like the settlement?

If you are a Class Member, you can object to the settlement if you don't like any part of it. You should state why you object and why you think the Court should not approve the settlement. The Court will consider your views. To object, you must file an objection, or send a letter saying that you object to the settlement in *Codey Farley, individually and on behalf of all others similarly situated v. Pennsylvania State Employees Credit Union*, June Term, 2017, No. 001889. Please be sure to include your name, address, email address (if available), telephone number, your signature, and the reasons you object to the settlement. Mail the objection to all of the three different places listed in Section 12 above, postmarked no later than **March 31, 2020**, and file electronically or by mail with the Office of Judicial Records - Civil, Court of Common Pleas of Philadelphia County, Room 284, City Hall, Philadelphia, PA 19107.

#### 18. What's the difference between objecting and excluding?

Objecting is telling the Court that you don't like something about the settlement, and that you, for that reason, want the settlement not to be approved. You can object only if you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

### THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you don't have to.

#### 19. When and where will the Court decide whether to approve the settlement?

The Court will hold a Fairness Hearing on **April 27, 2020 at 10:00 A.M. in Courtroom 630** at City Hall, Philadelphia, Pennsylvania 19107. At this hearing, the Court will consider whether the settlement is fair, reasonable, and adequate and meets the test for class action settlements. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court may also determine the Class Representative Service Award (\$12,500 paid out of the Settlement Fund) and Class Counsel fees and expenses. Following the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

#### 20. Do I have to come to the hearing?

No. Class Counsel will answer any questions the Court may have. But you are welcome to come at your own expense. If you file an objection, you don't have to come to Court to talk about it, but you may. As long as you properly mailed (or electronically filed) your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, if you wish.

#### 21. May I speak at the hearing?

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you or your lawyer must send a letter stating that it is your "Notice of Intention to Appear in *Codey Farley, individually and on behalf of all others similarly situated v. Pennsylvania State Employees Credit Union*, June Term, 2017, No. 001889." Your Notice of Intention to Appear must be filed or mailed so as to be postmarked no later than **March 31, 2020** and be sent to the Office of Judicial Records - Civil and the Administrator at the addresses in Section 12. You cannot speak at the hearing if you exclude yourself from the settlement.

## IF YOU DO NOTHING

### 22. What happens if I do nothing at all?

If you do nothing, you will be a part of this settlement (if the Court approves it) and will receive a settlement payment(s), forgiveness of your Deficiency Balance (if any), and credit reporting relief as provided in the Class Action Settlement Agreement. If you do not want your Deficiency Balance forgiven you must elect in writing by returning the enclosed Form. If you do not exclude yourself, you give up the right to bring your own lawsuit.

## GETTING MORE INFORMATION

### 23. Are there more details about the settlement?

This notice summarizes the proposed settlement. The pleadings and other records in this litigation, including a copy of the Settlement Agreement, may be examined at any time during regular office hours at the Office of Judicial Records - Civil, Philadelphia County Courthouse, Room 284, City Hall, Philadelphia, PA 19103. These documents will also appear on a website created for this case: [www.FarleyRepoSettlement.com](http://www.FarleyRepoSettlement.com).

You may also call or write to the following:

**Settlement Administrator  
Farley v. PSECU Class Settlement  
c/o Settlement Administrator  
P.O. Box 23648  
Jacksonville, FL 32241  
1-833-404-4963**

**Or**

**Class Counsel  
FLITTER MILZ, P.C.  
450 N. Narberth Avenue, Suite 101  
Narberth, PA 19072  
1-888-668-1225**

Please **do not** call the Court, PSECU, or PSECU's counsel.

Dated: February 18, 2020

BY THE COURT

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