

# Office of Attorney General Terry Goddard



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FOR IMMEDIATE RELEASE

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## **Tucson Auto Dealers Charged with Fraud, Money Laundering**

(Phoenix, Ariz. - June 16, 2009) Attorney General Terry Goddard today announced the indictment of John David "Jay" Franklin, 47, of Tucson, and John D. Franklin, Sr., 72, of Tucson, on charges of fraudulent schemes and artifices, theft, illegally conducting an enterprise and money laundering.

The Franklins owned and operated Hurricane Motors, a used car dealership located in Tucson. They are alleged to have stolen approximately \$50,000 from Hurricane customers as well as \$145,000 from Car Financial Services, Inc ("CFI"), a motor vehicle financing company.

According to investigators, Hurricane Motors allegedly defrauded individual buyers out of more than \$50,000 through a scheme known as "shuffling titles." The company allegedly assured buyers that the cars they were purchasing had clean titles, meaning there were no outstanding debts or liens on the cars. In many cases, there allegedly were significant existing liens on the cars.

When customers attempted to register their cars with the Arizona Motor Vehicle Department, they were unable to do so because of the existing lien. In addition, the customers who purchased the cars became responsible for the payment of the pre-existing lien.

When customers complained to Hurricane Motors, investigators say that Jay Franklin assured the customers that he would resolve the problem. However, after several unsuccessful attempts to obtain permanent registration, many buyers stopped payment on the cars. Consequently, Hurricane Motors would repossess the cars and, according to investigators, resell them using the same fraudulent tactics.

Additionally, the Franklins allegedly sold the auto financing agreements that individual buyers formed with Hurricane Motors to the financing company, CFI. CFI buys and services contracts from car dealers across the company, thereby absolving dealers of the expense of running a finance company and assuring the payment of contracts.

As a result of this arrangement, CFI became the holder of the financing agreements and stepped in as the replacement financier on the loans. CFI owned the cars until the individual buyers fully paid off the principal and interest on their loans.

Investigators said that the Franklins also established their own finance company, "Riteway," to finance the end-user loans. All contracts with individual buyers that were financed were sold through loans offered by Riteway.

When the Franklins sold contracts to CFI, they allegedly did not inform many of their individual customers that the financing contracts had been sold and that all payments should be directed to CFI. As a result, Hurricane Motors, through its financing affiliate, Riteway, continued to collect monthly payments from individual buyers.

Further, when individual buyers questioned the new CFI bills they received in the mail, the Franklins allegedly assured them that they would forward payments to CFI and instructed buyers to continue to make payments to Riteway.

As a result, CFI did not receive payment on the cars and repossessed the vehicles. These repossessions led to numerous consumer complaints and ultimately led CFI to learn that Hurricane Motors and its affiliate Riteway never informed the customers that their contracts were sold.

If convicted on all charges, John David "Jay" Franklin faces between 15 and 85.6 years in prison, and John D. Franklin, Sr. faces between 10 and 62.8 years in prison.

Assistant Attorney General Mike Jette is prosecuting this case in Pima County Superior Court.

If you believe you have been a victim of fraud, please contact the Attorney General's Office in Phoenix at 602.542.5763, in Tucson at 520.628.6504 or outside the Phoenix and Tucson metro areas at 1.800.352.8431. To file a complaint in person, the Attorney General's Office has satellite offices throughout Arizona with volunteers available to help. Locations and hours are posted on the Attorney General's Web site, [www.azag.gov](http://www.azag.gov). An online complaint form is also posted on the Attorney General's Web site.

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