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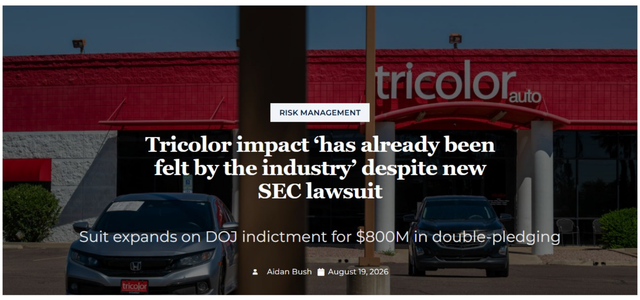

RISK MANAGEMENT

Tricolor impact 'has already been felt by the industry' despite new SEC lawsuit

Suit expands on DOJ indictment for $800M in double-pledging

Aidan Bush August 19, 2026

While a new **SEC** lawsuit charges former **Tricolor** executives with securities fraud, lenders say buy here, pay here capital access remains largely unchanged.

A lawsuit filed Aug. 18 says former Chief Executive **Daniel Chu**, former Chief Financial Officer **Jerome Kollar** and former Senior Director of Procurement **Ameryn Seibold** committed fraud against Tricolor's investors by offering $800 million in fictitious asset-backed securitization (ABS) collateral, creating fictional loan data and providing false information to auditors.

Read more about Tricolor's collapse here.

Additional enforcement against Tricolor's former leadership unlikely will change buy here, pay here (BHPH) investors' lending requirements, **Stephen Geis**, partner at investment bank **LEHNS Capital**, told *Auto Finance News* today.

Lenders to BHPH retailers such as Tricolor already have adjusted following Tricolor's shuttering in September 2025, he said, and now expect:

- Higher costs for accessing capital;
- More frequent collateral audits; and
- Requirements for third-party custodians to hold onto titles and contracts.

"The practical implication [of Tricolor] has already been felt by the industry," Geis said. "Capital broadly has retreated from subprime and buy here, pay here sectors."

At the least, ABS issuers can expect scrutiny of the segment to continue, **George Fussell**, chief executive of subprime lender **Southern Auto Finance Co.**, told *AFN*.

"One bad player makes it tougher on everyone … it gives scrutiny on what is already a tough market," he said, noting that most industry experts view Tricolor as "a one-off given the brazenness of the fraud."

Regulatory implications for industry

Increased federal scrutiny may come to lenders following enforcement actions against former Tricolor executives, **Christina Milnor**, founder of **Milnor Law**, told *AFN*. She specializes in SEC enforcement and was previously a senior attorney at the SEC.

Buy here, pay here companies can anticipate more rigorous inquiries, she said, into:

- Whether collateral exists;
- Whether collateral was double-pledged;
- Whether delinquency numbers reported to rating agencies are accurate; and
- Whether parties verifying data are independent from the originators.

Assuming the SEC allegations are proven true, she said: "When fraud of this magnitude surfaces in a specific market segment, regulators and lenders inevitably begin auditing other participants rather than assuming the industry is operating cleanly."

The SEC suit expands on allegations the **Department of Justice** made against Chu and other former executives in a December 2025 indictment. Chu is the only defendant to plead not guilty; his criminal trial is scheduled for January.

Parallel civil and criminal cases from the SEC and DOJ are not rare, **David Chase**, an SEC defense attorney, told *AFN*. However, the dual prosecution can indicate the government is confident in its case, he said.

"The evidence, at least from the perspective of the criminal authorities, is very clear and provable beyond a reasonable doubt," Chase said.

The new lawsuit demands Chu, Kollar and Seibold pay back all "ill-gotten gains" from Tricolor and would ban them from owning, buying or selling securities. In response to the lawsuit, Chu's attorney **Matthew Schwartz** provided *AFN* with the following statement:

"Daniel Chu is innocent. Mr. Chu created a business that empowered thousands of Americans to purchase reliable vehicles, a critical first step toward financial independence. We look forward to meeting the government's case in court, putting the evidence before a jury and clearing Mr. Chu's name."

*Auto Finance Summit, the premier industry event for auto lending and leasing, will cover emerging fraud trends and subprime lending with executives from **Wells Fargo**, **Chase Auto** and **Westlake Financial**. The summit returns October 5-7 at Caesars Palace Las Vegas. To learn more about the 2026 event and register for early-bird pricing through Aug. 21, visit **www.AutoFinance.live/AFS**.*

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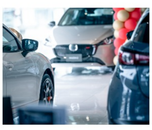

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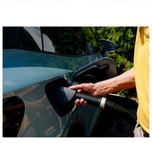

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