

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

**COMMISSIONERS:**      **William E. Kovacic, Chairman**  
                                 **Pamela Jones Harbour**  
                                 **Jon Leibowitz**  
                                 **J. Thomas Rosch**

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<b>In the Matter of</b>	)	
	)	
<b>MICHAEL GENDROLIS dba</b>	)	<b>DOCKET NO. C-</b>
<b>GOOD LIFE FUNDING</b>	)	
	)	
	)	

**COMPLAINT**

The Federal Trade Commission, having reason to believe that Michael Gendrolis dba Good Life Funding (“respondent”), a sole proprietorship owned by Michael Gendrolis, has violated the provisions of the Federal Trade Commission Act and the Truth in Lending Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Michael Gendrolis dba Good Life Funding is a sole proprietorship with its principal office or place of business at 1901 Newport Blvd. Suite 350, Costa Mesa, CA 92627.
2. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
3. In the mortgage lending industry, there are certain terms of art. These terms generally have the following meanings. An “interest rate” is the rate charged the consumer for the loan. It is usually stated as an annual amount, such as “6% interest.” “Interest” is the dollar amount the consumer owes based on the interest rate. A “payment rate” is the rate used to calculate the consumer’s monthly payment amount, and is not necessarily the same as the interest rate. If the payment rate is less than the interest rate, the consumer’s monthly payment amount does not include the full interest owed each month; the difference between the amount the consumer pays, and the amount the consumer owes, is added to the total amount due from the consumer. “Negative amortization” is an increase in the consumer’s total debt due during the term of the loan. It occurs when the consumer’s monthly payment amount does not contain the amount of interest owed for that month. The difference between the amount the consumer pays, and the amount the consumer owes, is added to the consumer’s total debt, causing it to increase.

4. Since at least 2007, respondent has disseminated or has caused to be disseminated advertisements that promote extensions of closed-end credit in consumer credit transactions, as the terms “advertisement” and “consumer credit” are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2.
5. Respondent has disseminated or has caused to be disseminated mortgage loan advertisements, including but not necessarily limited to the attached Exhibit A. Exhibit A is a direct mail advertisement, which contains the following statements:
  - a. At the top of the advertisement, respondent states the following:

RE Northern Trust Bank of CA  
Original Loan: \$557,000

Case Number: DBA19282009  
Re-Negotiation Department

- b. In the body of the advertisement, respondent states the following:

Your first Mortgage originally funded by Northern Trust Bank of CA can be restructured to a TEN Yr fixed payment of only \$116. . .

Your payment rate is only 1/4%\* and is fixed for TEN years. . . This is the lowest payment in mortgage history.

You can receive an additional \$88,252 Cash out with a monthly payment of only \$134. . .

Call Today, and have No House Payments until June 2008 (that’s 12 months)\*\*.

A fine print disclosure at the bottom of the advertisement states: “Good Life Funding is not sponsored or affiliated with Northern Trust Bank of CA and the solicitation is not authorized by Northern Trust Bank of CA. . . \*Payment Rate 1/4% 6.75% APR. Deferred interest will accrue. . . \*\* . . . Based on the first year 1/4% interest only payment at close . . .” [Exhibit A]

### **FEDERAL TRADE COMMISSION ACT VIOLATIONS**

#### **COUNT I: Failure to Disclose, or Failure to Disclose Adequately, Material Terms**

6. Through the means described in Paragraph 5, respondent has represented, expressly or by implication, that consumers can receive mortgage loans at the terms prominently stated in the advertisements, including but not necessarily limited to a low monthly payment amount and/or a low payment rate.
7. In its mortgage loan advertisements as described in Paragraph 5, respondent has failed to disclose, or failed to disclose adequately, additional terms pertaining to the mortgage offer, such as:

- a. That the advertised low monthly payment amount: (1) applies only for a limited period of time, after which the monthly payment amount will increase; (2) does not include the amount of interest that the consumer owes each month; and (3) is less than the monthly payment amount (including interest) that the consumer owes, with the difference added to the total amount due from the consumer.
  - b. That the advertised payment rate: (1) applies only for a limited period of time, after which the rate will increase; (2) does not include the amount of interest that the consumer owes each month, and (3) is less than the interest rate that the consumer owes, with the difference added to the total loan balance.
8. The information described in Paragraph 7 would be material to consumers shopping for a mortgage loan. The failure to disclose, or failure to disclose adequately, this information, in light of the representations made in Paragraph 6, was, and is, a deceptive practice.
  9. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

**COUNT II: Failure to Disclose Adequately the Identity of the Entity Extending the Mortgage Offer**

10. Through the means described in Paragraph 5, respondent has represented, expressly or by implication, that the offer is made by the consumer's current lender.
11. In its mortgage loan advertisements as described in Paragraph 5, respondent has failed to disclose adequately that the mortgage offer is made by respondent and not the consumer's current lender. This information would be material to consumers shopping for a mortgage loan. The failure to disclose adequately the identity of the true offeror, in light of the representations made in Paragraph 10, was, and is, a deceptive practice.
12. Respondent's practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).

**TRUTH IN LENDING ACT AND REGULATION Z VIOLATIONS**

**COUNT III: Failure to Disclose, or Failure to Disclose Clearly and Conspicuously, Required Credit Advertisement Terms**

13. Respondent's mortgage loan advertisements, including but not necessarily limited to Exhibit A, state periodic payment amounts for certain loan principal amounts but fail to disclose, or fail to disclose clearly and conspicuously, certain additional terms required by the Truth in Lending Act and Regulation Z, including one or more of the following terms:

- a. the terms of repayment;
  - b. the “annual percentage rate,” using that term; and
  - c. if the annual percentage rate may be increased after consummation, that fact.
14. Respondent’s practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664 (as amended) and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c).

**COUNT IV: Failure to Disclose, or Failure to Disclose Clearly and Conspicuously, Required Credit Advertisement Rate Information**

15. Respondent’s mortgage loan advertisements, including but not necessarily limited to Exhibit A, state a rate of finance charge and/or a payment rate for mortgage loan advertisements, but fail to disclose, or fail to disclose clearly and conspicuously, the following information required by Regulation Z:
- a. the rate of finance charge stated as an “annual percentage rate,” using that term;
  - b. the annual percentage rate, stated in conjunction with and at least as conspicuously as the stated simple annual rate; and
  - c. required payment rate disclosures.
16. Respondent’s practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664 (as amended), and Section 226.24(b) of Regulation Z, 12 C.F.R. § 226.24(b) (including as more fully set out in Section 226.24(b) of the Official Staff Commentary on Regulation Z, 12 C.F.R. § 226.24(b), Supp. 1).

THEREFORE, the Federal Trade Commission this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, has issued this complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary

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