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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

FEDERAL TRADE COMMISSION,

Plaintiff,

vs.

ELEGANT SOLUTIONS, INC., a
corporation, also
d/b/a Federal Direct Group;
TREND CAPITAL LTD., a corporation,
also d/b/a Mission Hills Federal;
DARK ISLAND INDUSTRIES, INC., a
corporation, also d/b/a Federal Direct
Group and f/k/a Cosmopolitan Funding
Inc.;

Civ. No. 8:19-cv-01333-JVS-KES

**FIRST AMENDED COMPLAINT
FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF**

1 HERITAGE ASSET MANAGEMENT,
2 INC., a corporation, also d/b/a National
3 Secure Processing;
4 TRIBUNE MANAGEMENT, INC., a
5 corporation, also d/b/a The Student
6 Loan Group;
7 MAZEN RADWAN, a/k/a Michael
8 Radwan and Mike Radwan, individually
9 and as an officer of Elegant Solutions,
10 Inc., Trend Capital Ltd., Dark Island
11 Industries, Inc., Heritage Asset
12 Management, Inc., and Tribune
13 Management, Inc.;

14 RIMA RADWAN, individually and as
15 an officer of Elegant Solutions, Inc.,
16 Trend Capital Ltd., Dark Island
17 Industries, Inc., Heritage Asset
18 Management, Inc., and Tribune
19 Management, Inc.;

20 LABIBA VELAZQUEZ, a/k/a Labiba
21 Radwan, individually and as an officer
22 of Elegant Solutions, Inc. and Trend
23 Capital Ltd.; and
24 DEAN ROBBINS, individually and as
25 an officer of Elegant Solutions, Inc.,
26 Trend Capital Ltd., Dark Island
27 Industries, Inc., Heritage Asset
28 Management, Inc., and Tribune
Management, Inc.

Defendants.

Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57(b) and the Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing

1 Act”), 15 U.S.C. §§ 6101-6108, to obtain temporary, preliminary, and permanent
2 injunctive relief, rescission or reformation of contracts, restitution, the refund of
3 monies paid, disgorgement of ill-gotten monies, and other equitable relief for
4 Defendants’ acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
5 § 45(a), and the FTC’s Telemarketing Sales Rule (“TSR”), 16 C.F.R. Part 310, in
6 connection with their deceptive marketing and sale of student loan debt relief
7 services.
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10 **JURISDICTION AND VENUE**

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12 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
13 1331, 1337(a), and 1345.

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15 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2),
16 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).

17 **PLAINTIFF**

18
19 4. The FTC is an independent agency of the United States Government
20 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC
21 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
22 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§
23 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces
24 the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing
25 acts or practices in or affecting commerce.
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1 5. The FTC is authorized to initiate federal district court proceedings, by
2 its own attorneys, to enjoin violations of the FTC Act and the TSR, and to secure
3 such equitable relief as may be appropriate in each case, including rescission or
4 reformation of contracts, restitution, the refund of monies paid, and the
5 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b) and 57(b).
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8 **DEFENDANTS**

9 6. **Defendant Elegant Solutions, Inc., also d/b/a Federal Direct**
10 **Group (“Elegant Solutions”)**, is a South Dakota corporation formed in May 2016
11 that has listed its principal executive office as 110 E. Center St., Ste. 2053,
12 Madison, SD 57042 in its Articles of Incorporation. Elegant Solutions has also
13 used 300 Spectrum Center Drive #400, Irvine, CA 92618 as its business address in
14 communications with banks and service providers. Elegant Solutions is registered
15 as a foreign corporation in California. Federal Direct Group is registered with the
16 South Dakota Secretary of State as a d/b/a of Elegant Solutions. Elegant Solutions
17 transacts or has transacted business in this District and throughout the United
18 States. At all times material to this Complaint, acting alone or in concert with
19 others, or as part of the common enterprise described in Paragraph 15, Elegant
20 Solutions has advertised, marketed, offered to provide, sold, or provided student
21 loan debt relief services to consumers throughout the United States.
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1 **7. Defendant Trend Capital Ltd., also d/b/a Mission Hills Federal**

2 **(“Trend Capital”)**, is a South Dakota corporation that is registered to do business
3 in California as a foreign corporation and has listed its principal executive office as
4 110 E. Center St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation.
5 Trend Capital has used 3 Studebaker, Irvine, CA 92618 as its business address in

6 correspondence with service providers and addresses including 30211 Avenida del
7 las Banderas #200, Rancho Santa Margarita, CA 92688 in bank correspondence.
8 Trend Capital incorporated in South Dakota in June 2016. Mission Hills Federal is
9 registered with the South Dakota Secretary of State as a d/b/a of Trend Capital.

10 Trend Capital transacts or has transacted business in this District and throughout
11 the United States. At all times material to this Complaint, acting alone or in
12 concert with others, or as part of the common enterprise described in Paragraph 15,

13 Trend Capital has advertised, marketed, offered to provide, sold, or provided
14 student loan debt relief services to consumers throughout the United States.
15 Trend Capital has advertised, marketed, offered to provide, sold, or provided
16 student loan debt relief services to consumers throughout the United States.
17 Trend Capital has advertised, marketed, offered to provide, sold, or provided
18 student loan debt relief services to consumers throughout the United States.
19 Trend Capital has advertised, marketed, offered to provide, sold, or provided
20 student loan debt relief services to consumers throughout the United States.

21 **8. Defendant Dark Island Industries, Inc., also d/b/a Federal Direct**

22 **Group and f/k/a Cosmopolitan Funding, Inc. (“Dark Island”)**, is a South
23 Dakota corporation that is registered to do business in California as a foreign
24 corporation. Dark Island has listed its principal executive office as 110 E. Center
25 St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation. Dark Island has
26 listed 3 Studebaker Irvine, CA 92618 as its business address in public documents.
27 Dark Island has listed 3 Studebaker Irvine, CA 92618 as its business address in public documents.
28 Dark Island has listed 3 Studebaker Irvine, CA 92618 as its business address in public documents.

1 Cosmopolitan Funding, Inc., was incorporated in South Dakota in May 2016 and
2 amended to be renamed Dark Island Industries, Inc. in June 2016. Dark Island was
3 separately incorporated in South Dakota in May 2016. Dark Island transacts or has
4 transacted business in this District and throughout the United States. At all times
5 material to this Complaint, acting alone or in concert with others, or as part of the
6 common enterprise described in Paragraph 15, Dark Island has advertised,
7 marketed, offered to provide, sold, or provided student loan debt relief services to
8 consumers throughout the United States.
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12 9. **Defendant Heritage Asset Management, Inc., also d/b/a National**
13 **Secure Processing (“Heritage”)**, is a South Dakota corporation that is registered
14 to do business in California as a foreign corporation. Heritage has listed its
15 principal executive office as 110 E. Center St., Ste. 2053, Madison, SD 57042 in
16 its Articles of Incorporation. Heritage has also listed 6A Liberty #125, Aliso
17 Viejo, CA 92656 as its business address in public documents. Heritage
18 incorporated in South Dakota in May 2014. National Secure Processing is
19 registered with the South Dakota Secretary of State as a d/b/a of Heritage.
20 Heritage transacts or has transacted business in this District and throughout the
21 United States. At all times material to this Complaint, acting alone or in concert
22 with others, or as part of the common enterprise described in Paragraph 15,
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1 Heritage has advertised, marketed, offered to provide, sold, or provided student
2 loan debt relief services to consumers throughout the United States.

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4 **10. Defendant Tribune Management, Inc., also d/b/a The Student**
5 **Loan Group (“Tribune”)**, is a Nevada corporation. Tribune’s Articles of
6 Incorporation, filed in 2014, identify its registered agent as Corp 95, LLC at 2620
7 Regatta Dr. Suite 102, Las Vegas, Nevada, 89128. Tribune has listed 6A Liberty
8 Ste. 175, Aliso Viejo, CA 92656 as its business address in public documents. The
9 Student Loan Group is registered with the Nevada Secretary of State as a Fictitious
10 Firm Name for Tribune. Tribune filed a Certificate of Dissolution in November
11 2017. Tribune transacts or has transacted business in this District and throughout
12 the United States. At all times material to this Complaint, acting alone or in
13 concert with others, or as part of the common enterprise described in Paragraph 15,
14 Tribune has advertised, marketed, offered to provide, sold, or provided student
15 loan debt relief services to consumers throughout the United States.

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20 **11. Defendant Mazen Radwan** has held himself out as an officer of
21 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has used
22 the name “Michael Radwan” and “Mike Radwan” in bank and service provider
23 documents in connection with the business activities alleged in this Complaint. He
24 has been a signatory on the corporate defendants’ bank and American Express
25 accounts and has served as the customer contact for Defendants’
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1 telecommunications and merchant processing agreements. At all times material to
2 this Complaint, acting alone or in concert with others, he has formulated, directed,
3 controlled, had the authority to control, or participated in the acts and practices of
4 the Corporate Defendants, including the acts and practices set forth in this
5 Complaint. Mazen Radwan resides in this District and, in connection with the
6 matters alleged herein, transacts or has transacted business in this District and
7 throughout the United States.
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10 12. **Defendant Rima Radwan** has held herself out as an officer of
11 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. She has
12 been a signatory on the Corporate Defendants' bank accounts and has served as the
13 customer contact for Defendants' payroll company. At all times material to this
14 Complaint, acting alone or in concert with others, she has formulated, directed,
15 controlled, had the authority to control, or participated in the acts and practices of
16 the Corporate Defendants, including the acts and practices set forth in this
17 Complaint. Rima Radwan resides in this District and, in connection with the
18 matters alleged herein, transacts or has transacted business in this District and
19 throughout the United States.
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22 13. **Defendant Labiba Velazquez**, also known as Labiba Radwan, has
23 held herself out as an officer of Elegant Solutions and Trend Capital. She has
24 served as the customer contact for Defendants' payroll company and held an
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1 American Express card for Elegant Solutions' account in her name. At all times
2 material to this Complaint, acting alone or in concert with others, she has
3 formulated, directed, controlled, had the authority to control, or participated in the
4 acts and practices of the Corporate Defendants, including the acts and practices set
5 forth in this Complaint. Labiba Velazquez resides in this District and, in
6 connection with the matters alleged herein, transacts or has transacted business in
7 this District and throughout the United States.
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10 14. **Defendant Dean Robbins** has held himself out as an officer of
11 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has been
12 a signatory on the Corporate Defendants' bank and American Express accounts
13 and has served as the customer contact for Defendants' virtual office provider. At
14 all times material to this Complaint, acting alone or in concert with others, he has
15 formulated, directed, controlled, had the authority to control, or participated in the
16 acts and practices of the Corporate Defendants, including the acts and practices set
17 forth in this Complaint. Dean Robbins resides in this District and, in connection
18 with the matters alleged herein, transacts or has transacted business in this District
19 and throughout the United States.
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24 **COMMON ENTERPRISE**
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26 15. Defendants Elegant Solutions, Trend Capital, Dark Island, Heritage,
27 and Tribune (collectively, "Corporate Defendants") have operated as a common
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1 enterprise while engaging in the deceptive acts and practices and other violations
2 of law alleged below. Defendants have conducted the business practices described
3 below through an interrelated network of companies that have common ownership
4 or officers, business functions, employees, office locations, and that commingled
5 funds. Because these Corporate Defendants have operated as a common
6 enterprise, each of them is jointly and severally liable for the acts and practices
7 alleged below. Defendants Mazen Radwan, Rima Radwan, Labiba Velazquez, and
8 Dean Robbins have formulated, directed, controlled, had the authority to control,
9 or participated in the acts and practices of the Corporate Defendants that constitute
10 the common enterprise.
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15 **COMMERCE**

16 16. At all times material to this Complaint, Defendants have maintained a
17 substantial course of trade in or affecting commerce, as “commerce” is defined in
18 Section 4 of the FTC Act, 15 U.S.C. § 44.
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22 **DEFENDANTS’ DECEPTIVE STUDENT LOAN DEBT** 23 **RELIEF OPERATION**

24 17. Since at least May 2014, Defendants have operated an unlawful debt
25 relief enterprise that preys on consumers with student loan debt. Defendants’
26 scheme has involved promising consumers affordable loan repayment plans,
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1 severing consumers' contact with their federal loan servicers, and pocketing the
2 consumers' monthly loan payments.

3 18. Defendants have lured consumers with telephone calls and emails
4 promising to reduce consumers' monthly student loan payments or loan balances
5 by consolidating their loans or enrolling them in income-based repayment plans.
6 Defendants have promised to service the repayment of consumers' student loans
7 and, in many instances, inform consumers they have already or will "manage" or
8 "take over" the loans. Defendants tell consumers who sign up for Defendants'
9 services to cease making payments to their servicers and, instead, to make monthly
10 loan payments to the Defendants.
11

12 19. Defendants have then engaged in a variety of tactics to arrange for
13 consumers' loans to go into forbearance, deferment, or zero dollar monthly
14 payment status where lenders would not expect to receive monthly payments nor
15 contact consumers when payments were not received. In numerous instances,
16 Defendants have required consumers to provide their federal student aid personal
17 identification numbers ("FSA PINs"), or other personal information, in order to
18 enroll in Defendant's debt relief program. Defendants have used consumers' FSA
19 PINs to change the contact information on file with consumers' federal loan
20 servicers – effectively preventing contact between consumers and their federal loan
21 servicers.
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1 20. Consumers have discovered, sometimes after years of making
2 monthly loan payments to Defendants, that Defendants failed to apply most or any
3 of their payments to their student loans, but rather diverted consumers' loan
4 payments to themselves. In numerous instances, Defendants also failed to obtain
5 the lower monthly payment amount or loan balance that they promised consumers.
6

7
8 21. In exchange for the promised debt relief services, Defendants have
9 collected hundreds to thousands of dollars per consumer in illegal advance fees.
10 Defendants have collected a total of more than \$23 million from consumers since
11 at least January 2016. Moreover, because Defendants have failed to apply most or
12 any of consumers' payments to their student loans, many consumers have accrued
13 additional capitalized interest on the balance of their loans. As a result, many
14 consumers have owed more on the balances of their student loans after signing up
15 with Defendants.
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23 **Background on Student Loan Forgiveness and Repayment Programs**

24 22. Student loan debt is the second largest class of consumer debt; more
25 than 42 million Americans collectively owe nearly \$1.5 trillion. The student loan
26 market shows elevated levels of distress relative to other types of consumer debt.
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1 23. To address this mounting level of distressed debt, the Department of
2 Education (“ED”) and state government agencies administer a limited number of
3 student loan forgiveness and discharge programs. Most consumers, however, are
4 not eligible for these programs because of strict eligibility requirements. For
5 example, one program requires the consumer to demonstrate a total and permanent
6 disability; another applies only to consumers whose school closed while the
7 consumer was still enrolled. A third program, the Borrower Defense to Repayment
8 (“BDR”), may provide a loan discharge if the school, through an act or omission,
9 violated state law directly related to the borrower’s federal student loan or to the
10 educational services for which the loan was provided.
11

12 24. Other forgiveness programs require working in certain professions for
13 a period of years. Teacher Loan Forgiveness applies to teachers who have worked
14 full-time for five years in a low-income elementary or secondary school or
15 educational service agency. Public Service Loan Forgiveness (“PSLF”) applies to
16 employees of governmental units or non-profit organizations who make timely
17 monthly payments for a period of ten years while employed in the public sector.
18

19 25. The federal government also offers loan forgiveness through income-
20 driven repayment (“IDR”) programs that enable borrowers to reduce their monthly
21 payments and have portions of their loans forgiven. IDR programs allow eligible
22 borrowers to limit their monthly payments based on a percentage of their
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1 discretionary monthly income. To remain in an IDR program, borrowers must
2 recertify their income and family size annually. Obtaining forgiveness through
3 IDR programs requires a minimum of 20 or 25 years of qualifying payments.
4

5 26. Because a borrower's income is likely to fluctuate over the life of the
6 loan, monthly payments under the IDR programs can vary considerably from year
7 to year. If a borrower's income were to increase over the repayment period, for
8 example, the monthly payment amount could correspondingly increase to the point
9 where those payments would pay off the loan before any amount could be forgiven
10 at the end of the repayment term.
11

12 27. Consumers can apply for BDR, PSLF, IDR, and other loan repayment
13 and forgiveness or discharge programs through ED or their student loan servicers
14 at no cost; these programs do not require the assistance of a third-party company or
15 payment of application fees.
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18 28. ED will grant forbearance while processing applications for an
19 alternative repayment plan, and in some cases of hardship. During forbearance,
20 and, under some circumstances, during deferment, unpaid interest is added to the
21 principal balance.
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24 **Defendants' Deceptive Marketing of Student Loan Debt Relief Services**

25 29. To lure consumers into purchasing their purported student loan debt
26 relief services, Defendants make at least three types of deceptive claims: (1)
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1 Consumers who purchase Defendants' debt relief services will be enrolled in a
2 repayment plan that will reduce their monthly payments to a lower, specific
3 amount or have their loan balances forgiven in whole or in part; (2) Most or all of
4 consumers' monthly payments to Defendants will be applied toward consumers'
5 student loans; and (3) Defendants will assume responsibility for the servicing of
6 consumers' student loans.
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9 30. Defendants make outbound telemarketing calls to consumers to offer
10 their services and convince student loan borrowers to sign up with the company. In
11 some instances, consumers view the Defendants' websites and call Defendants'
12 telemarketers for more information.
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15 **Deceptive Representations During Calls**

16 31. In telephone calls, Defendants' telemarketers have told numerous
17 consumers that Defendants will obtain a student loan repayment schedule for
18 consumers with specific monthly loan payment amounts that are significantly
19 lower than what the consumer had been paying. Defendants have typically quoted
20 consumers a monthly payment that is half or less than what consumers were then
21 paying their loan servicers at the time. For example, one consumer who had been
22 paying \$200 per month was told her new monthly payment would be \$50; another
23 consumer who had been paying \$130 per month was told the new payment would
24 be \$61. Defendants have told numerous consumers that they will accomplish this
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1 reduced payment by consolidating or refinancing the consumers' loans, enrolling
2 them in a loan forgiveness program, or placing consumers into an income-based
3 repayment program. In some instances, Defendants have told consumers their loan
4 balances will be forgiven after the consumer makes lower monthly payments for a
5 specific period of years, for example, after three, seven, ten, or fifteen years of
6 making loan payments to Defendants.
7

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9 32. In numerous instances, Defendants have represented in calls and
10 emails to consumers that they will be purchasing, taking over, or handling
11 servicing of consumers' loans. Defendants have instructed consumers that
12 Defendants will handle all loan communications and that consumers should stop
13 payments to their "previous" servicers. For example, some consumers received the
14 following in an email from Defendants shortly after signing up:
15
16

17
18 During this transition you may receive calls and/or correspondence from
19 your previous servicers, please disregard as we will encounter a short
20 transition period.

21
22 If you are currently enrolled in any automatic payment withdrawals with
23 your previous lenders, it is recommended that you check to make sure that
24 future drafts will not be processed through your bank.

25
26 33. In numerous instances, Defendants have represented that consumers
27 will make one to three initial or set-up fee payments, followed by monthly loan
28 payments of another amount. In numerous instances, Defendants have also
represented that all or most of the consumers' new, lower payments will be applied

1 to their student loans. For example, one consumer reports Defendants “told me
2 that \$10 of the \$51.67 [monthly payment] would be a management fee, and that the
3 other \$41.67 would go toward repaying my loans.”
4

5 **Enrollment in Defendants’ Debt Relief Program**

6 34. Defendants have collected consumers’ personal information, FSA
7 PINs, and bank account payment information from consumers interested in
8 Defendants’ services.
9

10 35. Shortly thereafter, Defendants have emailed consumers a pre-filled
11 electronic contract with an ACH authorization, which allows Defendants to take
12 automatic debits from consumers’ bank accounts, and fine-print disclosures that
13 the consumer is requested to sign electronically. Defendants require consumers to
14 pay for their services via ACH withdrawal.
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17 36. Defendants have typically collected one to three “initial” payments
18 ranging from \$100 to \$500, and then collected ongoing monthly payments in
19 another amount, typically ranging from \$50-\$200. Defendants have collected a
20 total of approximately \$773 to \$7,000 for their debt relief services per consumer,
21 the majority of which consumers believe are going towards paying off their student
22 loan debt, but which are instead going to initial and monthly fees to Defendants.
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1 37. Defendants are not federal loan servicers and despite their
2 representations to consumers, have not taken over or purchased consumers' student
3 loans.
4

5 38. In numerous instances, Defendants have failed to obtain the promised
6 lower monthly payments. Rather, Defendants have placed consumers' student
7 loan accounts into deferment or forbearance or enrolled consumers in a repayment
8 plan with a zero dollar monthly repayment. In numerous instances, Defendants
9 applied for zero dollar payment plans for consumers by providing false income or
10 dependent information to consumers' servicers.
11

12 39. In numerous instances, Defendants failed to apply the majority, if any,
13 of consumers' payments to their loans. Many consumers report that Defendants
14 made no payments towards their student loans. Other consumers learned that
15 Defendants had only made one payment to their loans in over a year or several
16 years of participation.
17

18 40. In some instances, when consumers confronted Defendants to find out
19 what had happened to the payments that had not been applied to their loans,
20 Defendants informed consumers that their entire payments had been collected as
21 "handling" or "management" fees.
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26 **Defendants' Efforts to Perpetuate Their Unlawful Scheme**
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1 41. Defendants have engaged in additional tactics to string consumers
2 along and prevent consumers from learning of Defendants' scheme. For example,
3 in numerous instances, Defendants have obtained consumers' sign-in information
4 and changed consumers' contact information in their federal loan account files,
5 effectively hindering or entirely preventing consumers' loan servicers from
6 communicating with consumers.
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9 42. Defendants have used virtual office addresses and commercial
10 corporate registrations to obscure the location and identity of the entities and
11 individuals responsible for their actions. Defendants also informed consumers who
12 had enrolled with National Secure Processing that National Secure Processing had
13 been purchased by Mission Hills Federal and, as a result, that consumers' accounts
14 were being transferred to Mission Hills Federal. In fact, Mission Hills Federal has
15 been operated by the same individual defendants.
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19 43. In some instances, when consumers have contacted Defendants to
20 cancel their enrollment in Defendants' program, Defendants have told consumers
21 that they could suffer adverse credit consequences if they cancel or that they would
22 be turned over to debt collectors. In many instances, Defendants have refused or
23 ignored requests for refunds by consumers.
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1 44. Consumers have often ended up owing more on their student loans
2 after signing up for Defendants' services based on interest that accrued while
3 Defendants failed to repay consumers' loans.
4

5 45. Based on the facts and violations of law alleged in this Complaint, the
6 FTC has reason to believe that Defendants are violating or are about to violate laws
7 enforced by the Commission.
8

9 **THE FTC ACT**

10 46. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
11 deceptive acts or practices in or affecting commerce."
12

13 47. Misrepresentations or deceptive omissions of material fact constitute
14 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.
15

16 **VIOLATIONS OF THE FTC ACT**

17 **Count I**

18 **Deceptive Representations**

19 48. In numerous instances, in connection with the advertising, marketing,
20 promotion, offering for sale, or sale of student loan debt relief services, Defendants
21 have represented, directly or indirectly, expressly or by implication that:
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- 24 a. Consumers who purchase Defendants' debt relief services will be
25 enrolled in a repayment plan that will reduce their monthly
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1 payments to a lower, specific amount or have their loan balances
2 forgiven in whole or in part;

3 b. Most or all of consumers' monthly payments to Defendants will be
4 applied toward consumers' student loans; or

5 c. Defendants will assume responsibility for the servicing of
6 consumers' student loans.
7

8
9 49. In truth and in fact, in numerous instances in which Defendants have
10 made the representations set forth in Paragraph 48 of this Complaint, such
11 representations were false or not substantiated at the time Defendants made them.
12

13 50. Therefore, Defendants' representations as set forth in Paragraph 48 of
14 this Complaint are false or misleading and constitute deceptive acts or practices in
15 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
16

17
18 **THE TELEMARKETING SALES RULE**

19 51. Congress directed the FTC to prescribe rules prohibiting abusive and
20 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
21 U.S.C. §§ 6101-6108. The FTC adopted the original TSR in 1995, extensively
22 amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part
23 310.
24

25
26 52. Defendants are "seller[s]" or "telemarketer[s]" engaged in
27 "telemarketing" as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A
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1 “seller” means any person who, in connection with a telemarketing transaction,
2 provides, offers to provide, or arranges for others to provide goods or services to a
3 customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer”
4 means any person who, in connection with telemarketing, initiates or receives
5 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).
6

7
8 “Telemarketing” means a plan, program, or campaign which is conducted to
9 induce the purchase of goods or services or a charitable contribution, by use of one
10 or more telephones and which involves more than one interstate telephone call. 16
11 C.F.R. § 310.2(gg).
12

13 53. Defendants are sellers or telemarketers of “debt relief services” as
14 defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a “debt relief service”
15 means any program or service represented, directly or by implication, to
16 renegotiate, settle, or in any way alter the terms of payment or other terms of the
17 debt between a person and one or more unsecured creditors, including, but not
18 limited to, a reduction in the balance, interest rate, or fees owed by a person to an
19 unsecured creditor or debt collector. 16 C.F.R. § 310.2(o).
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22
23 54. The TSR prohibits sellers and telemarketers from requesting or
24 receiving payment of any fees or consideration for any debt relief service until and
25 unless:
26
27
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- 1 a. The seller or telemarketer has renegotiated, settled, reduced, or
2 otherwise altered the terms of at least one debt pursuant to a
3 settlement agreement, debt management plan, or other such
4 valid contractual agreement executed by the customer; and
5
6 b. The customer has made at least one payment pursuant to that
7 settlement agreement, debt management plan, or other valid
8 contractual agreement between the customer and the creditor;
9 and
10
11 c. To the extent that debts enrolled in a service are renegotiated,
12 settled, reduced, or otherwise altered individually, the fee or
13 consideration either:
14
15 i. Bears the same proportional relationship to the total fee
16 for renegotiating, settling, reducing, or altering the terms
17 of the entire debt balance as the individual debt amount
18 bears to the entire debt amount. The individual debt
19 amount and the entire debt amount are those owed at the
20 time the debt was enrolled in the service; or
21
22 ii. Is a percentage of the amount saved as a result of the
23 renegotiation, settlement, reduction, or alteration. The
24 percentage charged cannot change from one individual
25
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1 debt to another. The amount saved is the difference
2 between the amount owed at the time the debt was
3 enrolled in the service and the amount actually paid to
4 satisfy the debt. 16 C.F.R. § 310.4(a)(5)(i).

5
6 55. The TSR prohibits sellers and telemarketers from misrepresenting
7 directly or by implication, any material aspect of any debt relief service, including,
8 but not limited to, the amount of money or the percentage of the debt amount that a
9 customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).
10
11

12 56. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §
13 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of
14 the TSR constitutes an unfair or deceptive act or practice in or affecting commerce,
15 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
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24 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

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26 **Count II**

27 **Advance Fee for Debt Relief Services**
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57. In numerous instances, in connection with the telemarketing of student loan debt relief services, Defendants have requested or received payment of a fee or consideration for debt relief services before:

- a. Defendants have renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement, debt management plan, or other such valid contractual agreement executed by the customer; and
- b. The customer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor.

58. Therefore, Defendants’ acts or practices, as set forth in Paragraph 57 of this Complaint violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

Count III

Material Debt Relief Misrepresentations

59. In numerous instances, in connection with the telemarketing of student loan debt relief services, Defendants have misrepresented, directly or indirectly, expressly or by implication, material aspects of their debt relief services, including, but not limited to that:

- 1 a. Consumers who purchase Defendants’ debt relief services will be
2 enrolled in a repayment plan that will reduce their monthly
3 payments to a lower, specific amount or have their loan balances
4 forgiven in whole or in part;
5
6 b. Most or all of consumers’ monthly payments to Defendants will be
7 applied toward consumers’ student loans; or
8
9 c. Defendants will assume responsibility for the servicing of
10 consumers’ student loans.
11

12 60. Defendants’ acts and practices, as set forth in Paragraph 59 of this
13 Complaint violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).
14

15 **CONSUMER INJURY**

16 61. Consumers are suffering, have suffered, and will continue to suffer
17 substantial injury as a result of Defendants’ violations of the FTC Act and the TSR.
18 In addition, Defendants have been unjustly enriched as a result of their unlawful
19 acts or practices. Absent injunctive relief by this Court, Defendants are likely to
20 continue to injure consumers, reap unjust enrichment, and harm the public interest.
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23 **THIS COURT’S POWER TO GRANT RELIEF**

24 62. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court
25 to grant injunctive and such other relief as the Court may deem appropriate to halt
26 and redress violations of any provision of law enforced by the FTC. The Court, in
27
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1 the exercise of its equitable jurisdiction, may award ancillary relief, including
2 rescission or reformation of contracts, restitution, the refund of monies paid, and
3 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any
4 provision of law enforced by the FTC.
5

6 63. Section 19 of the FTC Act, 15 U.S.C. § 57(b), Section 6(b) of the
7 Telemarketing Act, 15 U.S.C. § 6105(b) and Section 626 of the Omnibus Act
8 authorize this Court to grant such relief as the Court finds necessary to redress
9 injury to consumers resulting from Defendants' violations of the TSR, including
10 the rescission or reformation of contracts, and the refund of money.
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13 **PRAYER FOR RELIEF**
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15 Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act,
16 15 U.S.C. §§ 53(b) and 57(b), and Section 6(b) of the Telemarketing Act, 15
17 U.S.C. § 6105(b), and the Court's own equitable powers, requests that the Court:
18

19 A. Award Plaintiff such preliminary injunctive and ancillary relief as
20 may be necessary to avert the likelihood of consumer injury during the pendency
21 of this action and to preserve the possibility of effective final relief, including a
22 temporary and preliminary injunction, asset freeze, appointment of a receiver, an
23 evidence preservation order, and expedited discovery;
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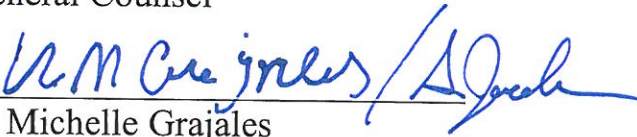
26 B. Enter a permanent injunction to prevent future violations of the FTC
27 Act and the TSR by Defendants;
28

1 C. Award such relief as the Court finds necessary to redress injury to
2 consumers resulting from Defendants' violations of the FTC Act and the TSR,
3 including rescission or reformation of contracts, restitution, the refund of monies
4 paid, and the disgorgement of ill-gotten monies; and

6 D. Award Plaintiff the costs of bringing this action, as well as such other
7 and additional relief as the Court may determine to be just and proper.
8

9
10 Dated: August 27, 2019
11

12
13 Respectfully submitted,
14 ALDEN F. ABBOTT
15 General Counsel

16 
17 K. Michelle Grajales
18 Samuel Jacobson
19 Attorneys for Plaintiff
20 FEDERAL TRADE COMMISSION
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