

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

GoLoansOnline.com, Inc., a corporation,

Defendant.

Case No. 4:14-cv-1262

**STIPULATED ORDER FOR
PERMANENT INJUNCTION AND
CIVIL PENALTY JUDGMENT**

Plaintiff, the United States of America, acting upon notification and authorization to the Attorney General by the Federal Trade Commission ("Commission"), filed its Complaint seeking a permanent injunction, civil penalties, and other equitable relief in this matter pursuant to Sections 13(b) and 16(a)(1) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 56(a)(1). Defendant has been served with the Summons and the Complaint. Plaintiff and Defendant stipulate to the entry of this Stipulated Order For Permanent Injunction And Civil Penalty Judgment ("Order") to resolve all matters in dispute in this action between them.

THEREFORE, IT IS ORDERED as follows:

FINDINGS

1. This Court has jurisdiction over this matter.
2. The Complaint charges that Defendant disseminated deceptive commercial

communications regarding mortgage credit products in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, the Mortgage Acts and Practices – Advertising rule (“MAP Rule”), 16 C.F.R. Part 321, and the Mortgage Acts and Practices – Advertising rule (Regulation N) (“Regulation N”), 12 C.F.R. Part 1014. The Complaint further alleges that Defendant failed to include required disclosures in their advertisements for mortgage loans in violation of the Truth in Lending Act (“TILA”), 15 U.S.C. §§ 1601-1666j and its implementing Regulation Z, 12 C.F.R. Part 1026.

3. Defendant neither admits nor denies any of the allegations in the Complaint, except as specifically stated in this Order. Only for purposes of this action, Defendant admits the facts necessary to establish jurisdiction.

4. Defendant waives any claim that it may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action through the date of this Order, and agrees to bear its own costs and attorney fees.

5. Defendant and Plaintiff waive all rights to appeal or otherwise challenge or contest the validity of this Order.

DEFINITIONS

For purposes of this Order, the following definitions shall apply:

1. “Assisting others” includes, but is not limited to:
 - a. formulating or providing, or arranging for the formulation or provision of, any commercial communication in connection with mortgage credit products; and
 - b. providing names of, or assisting in the generation of, potential customers.

2. **“Commercial communication”** means any written or oral statement, illustration, or depiction that is designed to effect a sale or create interest in purchasing goods or services, whether it appears on or in a label, package, package insert, radio, television, cable television, brochure, newspaper, magazine, pamphlet, leaflet, circular, mailer, book insert, free standing insert, letter, catalogue, poster, chart, billboard, public transit card, point of purchase display, film, slide, audio program transmitted over a telephone system, telemarketing script, on-hold script, upsell script, training materials provided to telemarketing firms, program-length commercial (“infomercial”), the internet, cellular network, or any other medium.

3. **“Commission”** means the Federal Trade Commission.

4. **“Closed-end credit”** means consumer credit other than open-end credit.

5. **“Credit”** means the right to defer payment of debt or to incur debt and defer its payment.

6. **“Defendant”** means GoLoansOnline.com, Inc., and its successors and assigns.

7. **“Financial related product or service”** means any product, service, plan, or program represented, expressly or by implication, to:

- a. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, credit, debit, or stored value cards;
- b. improve, or arrange to improve, any consumer’s credit record, credit history, or credit rating;
- c. provide advice or assistance to any consumer with regard to any activity or service the purpose of which is to improve a consumer’s credit record, credit history, or credit rating; or

- d. provide any consumer, arrange for any consumer to receive, or assist any consumer in receiving, a loan or other extension of credit.

8. **“Mortgage credit product”** means any form of credit that is secured by real property or a dwelling and that is offered or extended to a consumer primarily for personal, family, or household purposes.

9. **“Open-end credit”** means consumer credit extended by a creditor under a plan in which: (i) the creditor reasonably contemplates repeated transactions; (ii) the creditor may impose a finance charge from time to time on an outstanding unpaid balance; and (iii) the amount of credit that may be extended to the consumer during the term of the plan (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.

10. **“Person”** means any natural person, organization, or other legal entity, including a corporation, partnership, proprietorship, association, or cooperative, limited or general partnership, corporation, or other business entity.

ORDER

I. MORTGAGE ACTS AND PRACTICES - ADVERTISING

IT IS HEREBY ORDERED that Defendant, Defendant's officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the advertising, marketing, promotion, offering for sale, or sale of any mortgage credit product, are permanently restrained and enjoined from:

- A. Misrepresenting, or assisting others in misrepresenting, expressly or by

implication, any term of any mortgage credit product, including but not limited to:

1. The interest charged for the mortgage credit product, including but not limited to misrepresentations concerning:
 - (a) The amount of interest that the consumer owes each month that is included in the consumer's payments, loan amount, or total amount due, or
 - (b) Whether the difference between the interest owed and the interest paid is added to the total amount due from the consumer;
2. The annual percentage rate, simple annual rate, periodic rate, or any other rate;
3. The existence, nature, or amount of fees or costs to the consumer associated with the mortgage credit product, including but not limited to misrepresentations that no fees are charged;
4. The existence, cost, payment terms, or other terms associated with any additional product or feature that is or may be sold in conjunction with the mortgage credit product, including but not limited to credit insurance or credit disability insurance;
5. The terms, amounts, payments, or other requirements relating to taxes or insurance associated with the mortgage credit product, including but not limited to misrepresentations about:
 - (a) Whether separate payment of taxes or insurance is required; or

- (b) The extent to which payment for taxes or insurance is included in the loan payments, loan amount, or total amount due from the consumer;
- 6. Any prepayment penalty associated with the mortgage credit product, including but not limited to misrepresentations concerning the existence, nature, amount, or terms of such penalty;
- 7. The variability of interest, payments, or other terms of the mortgage credit product, including but not limited to misrepresentations using the word "fixed;"
- 8. Any comparison between:
 - (a) Any rate or payment that will be available for a period less than the full length of the mortgage credit product; and
 - (b) Any actual or hypothetical rate or payment;
- 9. The type of mortgage credit product, including but not limited to misrepresentations that the product is or involves a fully amortizing mortgage;
- 10. The amount of the obligation or the existence, nature, or amount of cash or credit available to the consumer in connection with the mortgage credit product, including but not limited to misrepresentations that the consumer will receive a certain amount of cash or credit as part of a mortgage credit transaction;

11. The existence, number, amount, or timing of any minimum or required payments, including but not limited to misrepresentations about any payments or that no payments are required in a reverse mortgage or other mortgage credit product;
12. The potential for default under the mortgage credit product, including but not limited to misrepresentations concerning the circumstances under which the consumer could default for nonpayment of taxes, insurance, or maintenance, or for failure to meet other obligations;
13. The effectiveness of the mortgage credit product in helping the consumer resolve difficulties in paying debts, including but not limited to misrepresentations that any mortgage credit product can reduce, eliminate, or restructure debt or result in a waiver or forgiveness, in whole or in part, of the consumer's existing obligation with any person;
14. The association of the mortgage credit product or any provider of such product with any other person or program, including but not limited to misrepresentations that:
 - (a) The provider or Defendant is, or is affiliated with the Federal Housing Administration, the United States Department of Veterans Affairs, or any other governmental entity or other organization; or
 - (b) The product is or relates to a government benefit, or is endorsed, sponsored by, or affiliated with any government or other program,

including but not limited to through the use of formats, symbols, or logos that resemble those of such entity, organization, or program;

15. The source of any commercial communication, including but not limited to misrepresentations that a commercial communication is made by or on behalf of the consumer's current mortgage lender or servicer;
16. The right of the consumer to reside in the dwelling that is the subject of the mortgage credit product, or the duration of such right, including but not limited to misrepresentations concerning how long or under what conditions a consumer with a reverse mortgage can stay in the dwelling;
17. The consumer's ability or likelihood to obtain any mortgage credit product or term, including but not limited to misrepresentations concerning whether the consumer has been preapproved or guaranteed for any such product or term;
18. The consumer's ability or likelihood to obtain a refinancing or modification of any mortgage credit product or term, including but not limited to misrepresentations concerning whether the consumer has been preapproved or guaranteed for any such refinancing or modification;
19. The availability, nature, or substance of counseling services or any other expert advice offered to the consumer regarding any mortgage credit product or term, including but not limited to the qualifications of those offering the services or advice; or
20. That Defendant itself provides a product, service, plan, or program;

- B. Failing to maintain, for a period of twenty-four (24) months from the last date a person made or disseminated the applicable commercial communication regarding any term of any mortgage credit product, the following evidence of compliance:
1. Copies of all materially different commercial communications as well as sales scripts, training materials, and marketing materials, regarding any term of any mortgage credit product, that the person made or disseminated during the relevant time period;
 2. Documents describing or evidencing all mortgage credit products available to consumers during the time period in which the person made or disseminated each commercial communication regarding any terms of any mortgage credit product available to consumers; and
 3. Documents describing or evidencing all additional products or services (such as credit insurance or credit disability insurance) that are or may be offered or provided with the mortgage credit products available to consumers during the time period in which the person made or disseminated each commercial communication regarding any term of any mortgage credit product, including but not limited to the names and terms of each such additional product or service available to consumers;
- C. Misrepresenting, or assisting others in misrepresenting, expressly or by implication any material fact concerning any mortgage credit product; and
- D. Violating the Mortgage Acts and Practices - Advertising rule ("Regulation N"), 12

C.F.R. Part 1014.

**II. PROHIBITED MISREPRESENTATIONS RELATING TO
FINANCIAL RELATED PRODUCTS OR SERVICES**

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the advertising, marketing, promotion, offering for sale, or sale of any financial related product or service, are permanently restrained and enjoined from:

- A. Misrepresenting or assisting others in misrepresenting, expressly or by implication, any material fact, including but not limited to:
 - 1. The terms or rates that are available for any loan or other extension of credit, including but not limited to:
 - a. closing costs or other fees;
 - b. the payment schedule, the monthly payment amount(s), or other payment terms, or whether there is a balloon payment; interest rate(s), annual percentage rate(s), or finance charge; the loan amount, the amount of credit, the draw amount, or outstanding balance; the loan term, the draw period, or maturity; or any other term of credit;
 - c. the savings associated with the credit;

- d. the amount of cash to be disbursed to the borrower out of the proceeds, or the amount of cash to be disbursed on behalf of the borrower to any third parties;
 - e. whether the payment of the minimum amount specified each month covers both interest and principal, and whether the credit has or can result in negative amortization;
 - f. that the credit does not have a prepayment penalty or that no prepayment penalty and/or other fees or costs will be incurred if the consumer subsequently refinances; and
 - g. that the interest rate(s) or annual percentage rate(s) are fixed rather than adjustable or adjustable rather than fixed;
- 2. Any person's ability to improve or otherwise affect a consumer's credit record, credit history, or credit rating or ability to obtain credit;
 - 3. That any person can improve any consumer's credit record, credit history, or credit rating by permanently removing negative information from the consumer's credit record, credit history, or credit rating, even where such information is accurate and not obsolete; and
 - 4. That a consumer will receive legal representation; and
- B. Advertising or assisting others in advertising credit terms other than those terms that actually are or will be arranged or offered by a creditor or lender.

III. TRUTH IN LENDING ACT

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, servants,

employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with advertising closed-end credit, are permanently restrained and enjoined from:

- A. Advertising credit terms other than those terms that actually are or will be arranged or offered by the creditor;
- B. Advertising a rate of finance charge without disclosing that rate as an annual percentage rate, using that term or the abbreviation "APR," and if the annual percentage rate may be increased after consummation, that fact;
- C. Advertising a payment amount without disclosing:
 1. The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment; and
 2. The annual percentage rate, using that term or the abbreviation "APR," and, if the annual percentage rate may be increased after consummation, that fact;
- D. Using the word "fixed" in advertisements for variable-rate mortgages where:
 1. The phrase "Adjustable-Rate Mortgage," "Variable-Rate Mortgage," or "ARM" does not appear at all in the advertisement, or not as conspicuously as the word "fixed;" and
 2. Each use of the word "fixed" is not accompanied by an equally prominent and closely proximate statement of the time period for which the payment is fixed, and the fact that the rate may vary or the payment may increase

after that period; and

- E. Violating the Truth In Lending Act, 15 U.S.C. §§1601-1666j, and Regulation Z, 12 C.F.R. Part 1026.

IV. PROHIBITION ON DISCLOSING CONSUMER INFORMATION

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, servants, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, are permanently restrained and enjoined from disclosing, using, or benefitting from consumer information, including the name, address, telephone number, email address, social security number, or other identifying information, or any data that enables access to a consumer's account (including a credit card, bank account, or other financial account), of any person that Defendant obtained prior to entry of this Order in connection with the advertising, marketing, promotion, offering for sale, or sale of any mortgage credit product.

V. MONETARY JUDGMENT FOR CIVIL PENALTY

IT IS FURTHER ORDERED that:

- A. Judgment in the amount of **Two Hundred Twenty-Five Thousand Dollars (\$225,000)** is entered in favor of the Plaintiff against Defendant, as a civil penalty.
- B. Defendant is ordered to pay to the Plaintiff, by making payment to the Treasurer of the United States, **Two Hundred Twenty-Five Thousand Dollars (\$225,000)**, which, as Defendant stipulates, its undersigned counsel holds in escrow for no purpose other than payment to the Plaintiff. Such payment must be made within 7

days of entry of this Order by electronic fund transfer in accordance with instructions previously provided by a representative of the Plaintiff.

- C. Defendant relinquishes dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and may not seek the return of any assets.
- D. The facts alleged in the Complaint will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of the Commission, including in a proceeding to enforce its rights to any payment or monetary judgment pursuant to this Order.
- E. Defendant acknowledges that its Taxpayer Identification Number(s) (Social Security Number(s) or Employer Identification Number(s)), which Defendant must submit to the Commission, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. §7701.

VI. ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Defendant obtain acknowledgments of receipt of this Order:

- A. Defendant, within 7 days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.
- B. For 5 years after entry of this Order, Defendant must deliver a copy of this Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees, agents, and representatives who participate in the conduct specified in

Sections I, II, III, and IV of this Order; and (3) any business entity resulting from any change in structure as set forth in the Section titled Compliance Reporting. Delivery must occur within 7 days of entry of this Order for current personnel. For all others, delivery must occur before they assume their responsibilities.

- C. From each individual or entity to which Defendant delivered a copy of this Order, Defendant must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order.

VII. COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Defendant make timely submissions to the Commission:

- A. One year after entry of this Order, Defendant must submit a compliance report, sworn under penalty of perjury. Defendant must: (1) identify the primary physical, postal, and email address and telephone number, as designated points of contact, which representatives of the Commission and Plaintiff may use to communicate with Defendant; (2) identify all of Defendant's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; (3) describe the activities of each business, including the goods and services offered, the means of advertising, marketing, and sales; (4) describe in detail whether and how Defendant is in compliance with each Section of this Order; and (5) provide a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.
- B. For 20 years after entry of this Order, Defendant must submit a compliance notice,

sworn under penalty of perjury, within 14 days of any change in the following:
Defendant must report any change in: (1) any designated point of contact; or (2) the structure of Defendant or any entity that Defendant has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.

- C. Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against Defendant within 14 days of its filing.
- D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: “I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____” and supplying the date, signatory’s full name, title (if applicable), and signature.
- E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The

subject line must begin: FTC v. GoLoansOnline.com, Inc., 1223228.

VIII. RECORDKEEPING

IT IS FURTHER ORDERED that Defendant must create certain records for 20 years after entry of the Order, and retain each such record for 5 years. Specifically, Defendant, in connection with the conduct specified in Sections I, II, III, and IV of this Order, must create and retain the following records:

- A. Accounting records showing the revenues from all goods or services sold;
- B. Personnel records showing, for each person providing services, whether as an employee or otherwise, that person's: name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;
- C. Records of all consumer complaints and refund requests related to mortgage credit products, whether received directly or indirectly, such as through a third party, and any response.
- D. All records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Commission; and
- E. A copy of each unique advertisement or other marketing material related to mortgage credit products.

IX. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Defendant's compliance with this Order, including any failure to transfer any assets as required by this Order:

- A. Within 14 days of receipt of a written request from a representative of the Plaintiff, Defendant must: submit additional compliance reports or other requested

information, which must be sworn under penalty of perjury; appear for depositions; and produce documents for inspection and copying. The Commission and Plaintiff are also authorized to obtain discovery, without further leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and 69.

- B. For matters concerning this Order, the Commission and Plaintiff are authorized to communicate directly with Defendant. Defendant must permit representatives of the Commission and Plaintiff to interview any employee or other person affiliated with Defendant who has agreed to such an interview. The person interviewed may have counsel present.
- C. The Commission and Plaintiff may use all other lawful means, including posing, through its representatives as consumers, suppliers, or other individuals or entities, to Defendant or any individual or entity affiliated with Defendant, without the necessity of identification or prior notice. Nothing in this Order limits the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

X. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

SO ORDERED this 14th day of May, 2014.


UNITED STATES DISTRICT JUDGE

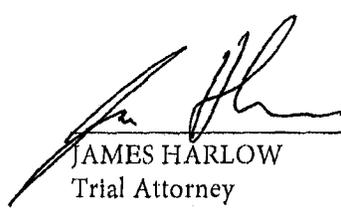
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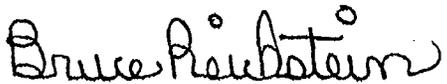
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Date: _____

Bruce Reichstein,
As an Officer of Goloansonline.com, Inc.

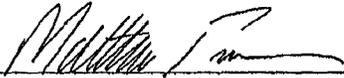
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DEFENDANT: Goloansonline.com, Inc.

Bruce Reichstein,
As an Officer of Goloansonline.com, Inc.

Date: _____