	Case 8:19-cv-01728 Document 1 Filed 09/1	1/19 P	age 1 of 34	Page ID #:1	
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10 11	UNITED STATES DISTRICT COURT				
12 13	CENTRAL DISTRICT	OF CA	ALIFORN	ΙΑ	
14 15	FEDERAL TRADE COMMISSION, )	Case N	No.: 8:19-0	ev-1728	
13 16 17	Plaintiff, ) vs. )			OR PERMANENT ND OTHER	
18 19	STUDENT ADVOCATES TEAM, LLC, a) limited liability company;	EQUI	TABLE R	ELIEF	
20 21 22	PROGRESS ADVOCATES GROUP, LLC, a limited liability company, also dba Student Advocates;				
22 23 24	STUDENT ADVOCATES GROUP, LLC, ) a limited liability company;				
25 26	ASSURANCE SOLUTION SERVICES, ) LLC, a limited liability company; )				
27 28	BRADLEY JASON HUNT, an individual; ) SEAN QUINCY LUCERO, an individual; )				
	/ 	AINT			

1and)2EQUITABLE ACCEPTANCE)3CORPORATION, a corporation,)4Defendants.)500

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), for its
Complaint alleges:

The FTC brings this action under Sections 13(b) and 19 of the Federal 9 1. Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, the Telemarketing 10 and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. 11 §§ 6101-6108, and the Truth in Lending Act ("TILA"), 15 U.S.C. § 1601-1666j, to 12 obtain temporary, preliminary, and permanent injunctive relief, rescission or 13 reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-14 gotten monies, and other equitable relief for Defendants' acts or practices in violation 15 of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a); the Telemarketing Sales Rule 16 ("TSR"), 16 C.F.R. Part 310; or TILA, and its implementing Regulation Z, 12 C.F.R. 17 Part 1026, in connection with marketing, promotion, offering for sale, sale, and 18 extension of credit for the purchase of student loan debt relief services. 19

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# **SUMMARY OF THE CASE**

2. Plaintiff alleges violations of various consumer protection statutes in 21 connection with the sale of student loan debt relief services and the financing of the 22 fees that were charged for those services. As set forth in Counts I-VI below, this 23 Complaint alleges law violations on the part of the sellers of these services—Student 24 Advocates Team, LLC ("SAT"), Progress Advocates Group, LLC dba Student 25 Advocates ("PAG"), Student Advocates Group ("SAG"), and Assurance Solutions 26 Services, LLC ("ASSL") (referred to collectively herein as the "Corporate Debt 27 Relief Defendants")—and their owners—Bradley J. Hunt ("Hunt") and Sean Q. 28

#### Case 8:19-cv-01728 Document 1 Filed 09/11/19 Page 3 of 34 Page ID #:3

Lucero ("Lucero") (collectively with Corporate Debt Relief Defendants, referred to
 herein as "Debt Relief Defendants"), as well as violations on the part of the company
 that extended credit to pay for the Corporate Debt Relief Defendants' fees, Equitable
 Acceptance Corporation ("EAC").

- 5 3. The alleged violations by the Debt Relief Defendants, as described in
  6 more detail below, include:
- 7 a. violating the FTC Act and the TSR by making deceptive 8 representations regarding Corporate Debt Relief Defendants' services 9 and the payment that consumers were, or were not, required to make; 10 and b. violating the TSR by requesting or receiving payment in advance of 11 fully performing the debt relief service. 12 13 4. The alleged violations by EAC include: a. violating the TSR by assisting and facilitating Debt Relief Defendants 14 15 in their violations of the TSR, while knowing or consciously avoiding 16 knowing that Debt Relief Defendants were engaged in such 17 violations; and 18 b. violating TILA and Regulation Z by failing to clearly and conspicuously make written disclosures that are required by TILA 19 20 and Regulation Z. 21 JURISDICTION AND VENUE 22 This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 5. 23 1337(a), and 1345. 24 6. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2), (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b). 25 26 **PLAINTIFF**

7. The FTC is an independent agency of the United States Government
created by statute. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC

1 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or 2 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. 3 §§ 6101–6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive 4 5 telemarketing acts or practices in or affecting commerce. The FTC also enforces TILA, 15 U.S.C. § 1601 et seq., and its implementing Regulation Z, 12 C.F.R. Part 6 7 1026, which establishes, *inter alia*, disclosure and calculation requirements for 8 consumer credit transactions and advertisements.

8. The FTC is authorized to initiate federal district court proceedings, by its
own attorneys, to enjoin violations of the FTC Act, the TSR, and TILA, and to secure
such equitable relief as may be appropriate in each case, including rescission or
reformation of contracts, restitution, the refund of monies paid, and the disgorgement
of ill-gotten monies. 15 U.S.C. §§ 53(b), 57b, 6102(c), and 1607(c).

### **DEFENDANTS**

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# The Corporate Debt Relief Defendants

Student Advocates Team, LLC ("SAT") is a Delaware limited liability 16 9. 17 company. It has operated out of 3100 Bristol Parkway, Suite 300, Costa Mesa, CA 18 92626 and currently has its principal place of business at 95 Enterprise, Aliso Viejo, 19 CA 92656. SAT transacts or has transacted business in this District and throughout 20 the United States. At times material to this Complaint, acting alone or in concert with 21 others, SAT has marketed, promoted, offered for sale, sold, financed, or extended 22 credit for, the purchase of student debt relief products or services to consumers 23 throughout the United States. SAT is a successor in interest to each of the Corporate 24 Debt Relief Defendants; it had common ownership, managers, employees, business 25 functions, and office location as the Corporate Debt Relief Defendants and continues 26 to handle each entities' customer accounts.

27 10. Progress Advocates Group, LLC ("PAG") is a Delaware limited liability
28 company, also doing business as Student Advocates. It has operated out of 3100

Bristol Parkway, Suite 300, Costa Mesa, CA 92626; 615 N. Nash Street, Suite 202A,
El Segundo, CA 90245; and currently has its principal place of business at 95
Enterprise, Aliso Viejo, CA 92656. PAG transacts or has transacted business in this
District and throughout the United States. At times material to this Complaint, acting
alone or in concert with others, PAG has marketed, promoted, offered for sale, sold,
financed, or extended credit for, the purchase of student debt relief products or
services to consumers throughout the United States.

8 Student Advocates Group, LLC ("SAG") is a Delaware limited liability 11. company. It has operated out of 3100 Bristol Parkway, Suite 300, Costa Mesa, CA 9 10 92626 and currently has its principal place of business at 95 Enterprise, Aliso Viejo, CA 92656. SAG transacts or has transacted business in this District and throughout 11 the United States. At times material to this Complaint, acting alone or in concert with 12 13 others, SAG has marketed, promoted, offered for sale, sold, financed, or extended credit for, the purchase of student debt relief products or services to consumers 14 throughout the United States. 15

16 12. Assurance Solution Services, LLC ("ASSL") is a Delaware limited
17 liability company. It has operated out of 3100 Bristol Parkway, Suite 300, Costa
18 Mesa, CA 92626. ASSL transacts or has transacted business in this District and
19 throughout the United States. At times material to this Complaint, acting alone or in
20 concert with others, ASSL has marketed, promoted, offered for sale, sold, financed,
21 or extended credit for, the purchase of student debt relief products or services to
22 consumers throughout the United States.

23 13. Corporate Debt Relief Defendants SAT, PAG, SAG, and ASSL
24 conducted business under the name "Student Advocates" and each of them used that
25 name when marketing and offering their services to consumers.

26

# Individual Defendants

27 14. Bradley Jason Hunt, also known as Brad Hunt ("Hunt"), is or has served
28 as an owner, Member, and/or President and participated in and managed the day-to-

1 day business operations of each of the Corporate Debt Relief Defendants. Hunt 2 formed each entity; set up bank accounts and business relationships; and served as 3 signatory on their bank accounts. Hunt received consumer complaints against the 4 Corporate Debt Relief Defendants, and was also alerted to consumer complaints that 5 Defendant EAC received from customers to whom EAC had extended credit to pay for the Corporate Debt Relief Defendants' services. At all times material to this 6 7 Complaint, acting alone or in concert with others, Hunt formulated, directed, 8 controlled, had the authority to control, or participated in the acts and practices of the 9 Corporate Debt Relief Defendants, including the acts and practices set forth in this 10 Complaint. Hunt resides in this District and, in connection with the matters alleged 11 herein, transacts or has transacted business in this District and throughout the United 12 States.

13 15. Sean Quincy Lucero ("Lucero") is or has served as an owner and Member of the Corporate Debt Relief Defendants. Lucero formed the Corporate 14 15 Debt Relief Defendants and served as signatory on their bank accounts. Lucero provided capital contributions, promissory notes and personal guarantees on behalf of 16 17 each of the Corporate Debt Relief Defendants and also entered agreements on the 18 their behalf. He participated in meetings with EAC about the student debt relief 19 industry and high-level discussions about the Corporate Debt Relief Defendants' 20 business. He was aware of and developed concern about multiple state attorney 21 general inquiries into their business practices, yet proceeded to create and fund 22 several of the Corporate Debt Relief Defendants. At all times material to this 23 Complaint, acting alone or in concert with others, Lucero had the authority to control, 24 or participated in the acts and practices of the Corporate Debt Relief Defendants, 25 including the acts and practices set forth in this Complaint. Lucero resides in this 26 District and, in connection with the matters alleged herein, transacts or has transacted 27 business in this District and throughout the United States.

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### Equitable Acceptance Corporation

Defendant Equitable Acceptance Corporation ("EAC") is a Minnesota 2 16. 3 corporation whose principal place of business is 1200 Ford Road, Minnetonka, MN, 4 55305. EAC transacts or has transacted business in this District and throughout the 5 United States. At all times material to this Complaint, acting alone or in concert with 6 others, EAC, pursuant to an agreement with the Corporate Debt Relief Defendants, 7 extended credit to consumers to pay for the Corporate Debt Relief Defendants' 8 services. EAC also received and responded to consumer complaints related to its 9 business with the Corporate Debt Relief Defendants, and responded to consumer 10 complaints submitted to the Minnesota branch of the Better Business Bureau and 11 from the Consumer Financial Protection Bureau regarding the Corporate Debt Relief Defendants' deceptive sales tactics. 12

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#### **COMMON ENTERPRISE**

14 The Corporate Debt Relief Defendants have operated as a common 17. 15 enterprise while engaging in the deceptive acts and practices and other violations of law alleged below. The Corporate Debt Relief Defendants have conducted the 16 business practices described below through an interrelated network of companies that 17 18 have common ownership, officers, managers, business functions, employees, and 19 office locations, and that have commingled funds. Because the Corporate Debt Relief 20 Defendants have operated as a common enterprise, each of the Corporate Debt Relief 21 Defendants is jointly and severally liable for the acts and practices alleged below.

18. Individual Defendants Bradley Jason Hunt and Sean Quincy Lucero
 have formulated, directed, controlled, had the authority to control, or participated in
 the acts and practices of the Corporate Debt Relief Defendants that constitute the
 common enterprise.

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Case 8:19-cv-01728 Document 1 Filed 09/11/19 Page 8 of 34 Page ID #:8

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### **COMMERCE**

2 19. At all times material to this Complaint, Defendants have maintained a
3 substantial course of trade in or affecting commerce, as "commerce" is defined in
4 Section 4 of the FTC Act,15 U.S.C. § 44.

#### **DEFENDANTS DECEPTIVE BUSINESS PRACTICES**

#### **Overview**

20. Starting in late 2014, the Debt Relief Defendants operated a nationwide
debt relief telemarketing scam preying on thousands of consumers struggling with
student loan debt. Unless otherwise noted, acts and practices described in this
Complaint occurred during November 2014 through the present. References herein
to the practices of "Corporate Debt Relief Defendants" refer to the practices of each
of the Corporate Debt Relief Defendants.

13 21. During telephone calls with consumers, the Corporate Debt Relief Defendants represented that consumers were qualified under a federal program, for 14 15 which consumers would enroll through the Corporate Debt Relief Defendants, to receive forgiveness of all or part of their student loan balances, or to receive a 16 17 permanent reduction of the monthly payments that consumers were required to make 18 on their student loans. In fact, in most instances, consumers were unlikely to qualify 19 for government loan forgiveness programs and/or could not guarantee a permanent reduction in their monthly payments. 20

21 22. During these same calls, the Corporate Debt Relief Defendants also
 22 represented that payment amounts they quoted to consumers would go toward paying
 23 the consumer's student loan balances, when, in fact, all or part of the quoted amounts
 24 would go toward paying the Corporate Debt Relief Defendants' \$1,300-1,400 fee.

25 23. The Corporate Debt Relief Defendants charged illegal advance fees for
26 their purported debt relief services.

27 24. Defendant EAC provided substantial assistance to each of the Corporate
28 Debt Relief Defendants by extending credit in the form of a high-interest loan to

many of the Corporate Debt Relief Defendants' customers to pay for their services.
 EAC extended credit to customers of the Corporate Debt Relief Defendants who met
 EAC's criteria for creditworthiness, and EAC collected monthly payments from those
 customers.

5 25. While assisting each of the Corporate Debt Relief Defendants, EAC
6 knew, or consciously avoided knowing, that the Corporate Debt Relief Defendant
7 was making the deceptive representations described in this Complaint. EAC also
8 knew, or consciously avoided knowing, that each Corporate Debt Relief Defendant
9 was requesting and receiving fees from its credit customers prior to the time that
10 consumers had received the promised debt relief service and had made at least one
11 payment under a new payment plan.

12 26. In extending loans to customers of each of the Corporate Debt Relief
13 Defendants, EAC failed to include essential disclosures in the credit contracts that
14 consumers signed, such as the amount financed, the finance charge (the dollar amount
15 that the credit was going to cost the consumer), and the total of payments (the amount
16 that consumers would have to pay in total for the Corporate Debt Relief Defendants'
17 service combined with the price of the credit).

18

# **Background on Student Loan Repayment and Forgiveness Programs**

19 27. Student loan debt is the second largest class of consumer debt; more than
20 42 million Americans collectively owe approximately \$1.5 trillion. The student loan
21 market shows elevated levels of distress relative to other types of consumer debt.

22 28. To address this mounting level of distressed debt, the U.S. Department
23 of Education ("ED") and state government agencies administer a limited number of
24 student loan forgiveness and discharge programs. Most consumers, however, are not
25 eligible for these programs because of strict eligibility requirements. For example,
26 one program requires the consumer to demonstrate total and permanent disability;
27 another applies to consumers whose school closed while the consumer was still
28 enrolled. A third program, the Borrower Defense to Repayment ("BDR"), may

provide a loan discharge if the school, through an act or omission, violated state law
 directly related to the borrower's federal student loan or to the educational services
 for which the loan was provided.

29. Other forgiveness programs require working in certain professions for a
period of years. Teacher Loan Forgiveness applies to teachers who have worked fulltime for five years in a low-income elementary or secondary school or educational
service agency. Public Service Loan Forgiveness ("PSLF") applies to employees of
governmental units or non-profit organizations who make timely monthly payments
for a period of ten years while employed in the public sector.

30. The federal government also offers potential loan forgiveness through
income-driven repayment ("IDR") programs that enable borrowers to reduce their
monthly payments. IDR programs allow eligible borrowers to limit their monthly
payments based on a percentage of their discretionary monthly income. To remain in
an IDR program, borrowers must recertify their income and family size each year.
Obtaining forgiveness through IDR programs requires a minimum of 20 to 25 years
of qualifying payments.

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

32. Consumers can apply for BDR, PSLF, IDR, and other loan repayment
and forgiveness or discharge programs through ED or their student loan servicers at
no cost; these programs do not require the assistance of a third-party or the payment
of application fees.

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33. ED will grant forbearance while processing applications for an
 alternative repayment plan, and in some cases of hardship. During forbearance,
 unpaid interest adds to the principal balance.

4 34. ED also allows consumers with multiple federal loans to consolidate
5 them into one "Direct Consolidation Loan" with a fixed interest rate and a single
6 monthly payment. ED does not charge for consolidation and offers a dedicated
7 helpline and webpage to assist borrowers with the process.

8

# The Corporate Debt Relief Defendants' Deceptive Representations Regarding Loan Relief and Forgiveness

10 35. The Corporate Debt Relief Defendants used lead generators, online 11 advertisements, and social media, among other tools, to gather information about 12 consumers struggling to make their monthly student loan payments. The 13 advertisements touted the availability of payment relief and loan forgiveness programs available from the federal government. In some instances, consumers 14 entered their contact information on a landing page to receive further information, 15 after which they received a call from one of the Corporate Debt Relief Defendants. 16 17 In other instances, consumers simply called the toll-free number available in the 18 advertisement and were then connected to one of the Corporate Debt Relief 19 Defendants.

36. The telemarketing calls between Corporate Debt Relief Defendants and
consumers—which were the primary means by which each of the Corporate Debt
Relief Defendants sold its services to consumers—were lengthy, typically lasting 30
minutes to over an hour. Toward the beginning of each call, the Corporate Debt
Relief Defendants told consumers that they could provide the exact amount of the
new reduced payment and/or loan forgiveness the consumer was eligible to receive
under federal law.

27 37. During sales calls, the Corporate Debt Relief Defendants quoted
28 consumers a new reduced monthly student loan payment for which the consumer had

- 11 -COMPLAINT purportedly qualified, which the Corporate Debt Relief Defendants represented was
for the term of the loan. The Corporate Debt Relief Defendants represented that,
upon expiration of that term, the consumer's remaining balance would be forgiven.
In some instances, the Corporate Debt Relief Defendants quoted consumers specific
amounts that they would save, usually in the thousands of dollars, by enrolling in the
program.

7 38. Representations by the Corporate Debt Relief Defendants that they were 8 able to procure a permanent reduction in consumers' monthly payments, or that consumers had qualified for forgiveness, were false or unsubstantiated because none 9 10 of ED's IDR programs guarantees consumers a fixed, reduced monthly payment for more than a year or guarantees any forgiveness. Under ED's IDR programs, monthly 11 payments fluctuate based on a consumer's income in a given year, which the 12 13 consumer must report annually. Additionally, whether forgiveness is available at the end of the term, and the amount of any such forgiveness, depends on the total amount 14 15 that consumers have paid—and the amount that remains unpaid—at the end of the 16 term, which in most instances is 20 to 25 years. Because the Corporate Debt Relief Defendants could not predict consumers' income over a 20-year period, they did not 17 18 have an adequate basis for making representations concerning the amount of 19 forgiveness consumers would receive, or the size of the monthly payments that a 20 consumers would be required to make in future years. In many cases, a consumer's 21 income will rise over the repayment period, and, as the consumer's income rises, so 22 will the monthly payment for the following year. Any representation of a forgiveness 23 amount based on a consumer's current income is, therefore, likely to be overstated.

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# Misrepresentations by the Corporate Debt Relief Defendants Regarding Their Fees

39. The discussion of fees in the Corporate Debt Relief Defendants' sales
pitches was misleading, not only because of direct misrepresentations, but also

because the Corporate Debt Relief Defendants' sales pitches in general obfuscated
 how much consumers would be paying to whom and for what.

40. In numerous instances the Corporate Debt Relief Defendants
misrepresented that the payment amount they quoted would be going toward
consumers' student loans rather than toward paying a fee.

41. The Corporate Debt Relief Defendants also never advised consumers
who signed EAC credit contracts that they would be paying interest on the EAC loan
to pay the Corporate Debt Relief Defendants' \$1,300–1,400 fee or that the annual
percentage rate of that loan was typically between 17% and 22%. And in some
instances the Corporate Debt Relief Defendants led consumers to believe that
payment of the \$1,300–1,400 fee was required for acceptance into a new loan
repayment program.

13 42. One of the ways the Corporate Debt Relief Defendants misled consumers was through their use of the terms "program," "entitled," "approval," 14 "enrollment," and "qualify." The Corporate Debt Relief Defendants used these terms 15 in different ways and at different times to create the impression that they were 16 17 referring to qualification or approval for, or enrollment in, an ED program, or were 18 referring to the consumer's new student loan payment, when in fact they were 19 referring to qualification for a loan from EAC to pay the Corporate Debt Relief 20 Defendants' fee, or referring to the monthly payment on the EAC loan.

21 43. For example, when the Corporate Debt Relief Defendants told 22 consumers the new monthly payment that the consumer was "qualified" for or had 23 been "approved for," they quoted an amount that included both the monthly estimated 24 student loan payment pursuant to an IDR plan and a monthly payment for the 25 Defendants' fee. However, the Corporate Debt Relief Defendants presented this 26 monthly payment simply as "the payment you qualify for" or as a "total monthly 27 payment." For customers whose estimated new student loan payment was zero, the 28 amount of "the payment you qualify for" was solely the monthly payment to EAC for

the Corporate Debt Relief Defendants' fee, and did not include any payment toward
the student loan.

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#### **Electronically Signing Defendants' Contracts**

4 44. During the sales call, consumers were sent an email with links to contracts to sign electronically. The Corporate Debt Relief Defendants used a script 5 to walk consumers through the electronic signing process. The scripts prompted the 6 7 Corporate Debt Relief Defendants' telemarketers to focus consumers on only those 8 portions of the document that the consumer was required to sign electronically. After consumers applied their electronic signature in a box, the telemarketers would guide 9 10 them immediately to the next place in the document with a box for the consumer's signature or initials. Corporate Debt Relief Defendants directed consumers to click 11 the boxes without any suggestion that the consumer read the contract. In some 12 13 instances, the Corporate Debt Relief Defendant assured consumers that the documents merely memorialized what the consumer had been told previously during 14 15 the call.

16 45. One of the documents consumers were required to sign electronically 17 was the Corporate Debt Relief Defendants' lengthy form contract (the "Debt Relief 18 Agreement"). All of the Corporate Debt Relief Defendants used substantially 19 identical Debt Relief Agreements. While on the phone with consumers, the 20 Corporate Debt Relief Defendants pressured them to quickly click through and 21 electronically sign or initial multiple pages of the Debt Relief Agreement. Contrary 22 to assurances by the Corporate Debt Relief Defendants, the Debt Relief Agreement 23 that consumers electronically signed did not in fact accurately reflect the 24 representations that the Corporate Debt Relief Defendants had made or the 25 impressions that they had conveyed to consumers during the sales call. In many 26 instances, the Debt Relief Agreement contradicted or was inconsistent with direct 27 representations made to consumers during the sales pitch. For example, according to 28 the Debt Relief Agreement, the service that the Corporate Debt Relief Defendant was

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1 agreeing to provide consisted of "document preparation services to assist consumers 2 who are applying for federal student loan programs using Department of Education 3 (DOE) forms." The Corporate Debt Relief Defendants never stated or even implied 4 during their lengthy sales pitches touting loan forgiveness and permanent payment 5 relief that they only filled out forms for ED programs. To the contrary, the Corporate Debt Relief Defendants geared their sales pitches toward convincing often reluctant 6 7 and financially struggling consumers that they would obtain permanent debt relief 8 from unaffordable monthly loan payments. The Debt Relief Agreements also imposed an obligation on consumers to pay for the Corporate Debt Relief 9 10 Defendants' services.

11 46. During telemarketing calls with consumers whose credit checks 12 prequalified them for the EAC loan to pay the Corporate Debt Relief Defendants' fee, 13 these consumers also received an email link to electronically sign EAC's credit contract and other materials (referred to collectively herein as the "Credit Plan" 14 documents). The Corporate Debt Relief Defendants similarly rushed consumers 15 through the electronic signing of the EAC Credit Plan without reviewing the terms in 16 the agreement with consumers, or providing consumers an opportunity to do so 17 18 themselves. The EAC Credit Plan documents and disclosures are discussed in more detail below. 19

20 21

# The Corporate Debt Relief Defendants Requested and Received Their Fee in Advance of Performance

47. During the relevant time period, the Corporate Debt Relief Defendants
collected their fee of over \$1,300 from their customers in one of two ways: (1) by
way of the loan that EAC extended to the Corporate Debt Relief Defendants'
customers; and (2) directly, through what the Corporate Debt Relief Defendants
referred to as "cash" or "trust" deals. Under both payment methods, the Corporate
Debt Relief Defendants requested or received payment of their fee in advance of
completing their debt relief service.

Credit Payment Through EAC

2 48. Consumers who met EAC's prequalification criteria for the EAC loan 3 received a Debt Relief Agreement requiring payment but stating that payment of the Corporate Debt Relief Defendants' fee would be made by a third party through a 4 5 separate "Credit Plan" that the consumer (concurrently) executed with the third party (i.e., EAC). The consumer would then receive the EAC Credit Plan documents 6 7 directly from EAC, which stated that the agreement "governs all purchases" that the 8 consumer made from the seller, which was identified as the Corporate Debt Relief Defendant. The Credit Plan documents also provided that, except for a three-day 9 10 cancellation right, all sales were final.

49. Shortly after EAC received consumers' electronically signed Credit Plan
documents and approved them for financing, EAC paid the consumer's fee to the
Corporate Debt Relief Defendant that had enrolled the consumer. As EAC described
it, EAC paid to the Corporate Debt Relief Defendant "an agreed amount to satisfy the
consumer's obligation to [the Debt Relief Defendant]." EAC paid this amount to the
Corporate Debt Relief Defendants before they had completed their debt relief service.

50. Pursuant to the Credit Plan documents, consumers who were approved
for financing by EAC were loaned \$1,300 to \$1,400 by EAC and were obligated to
make monthly installment payments to EAC, which were typically \$39 to \$49. The
Corporate Debt Relief Defendants, while on sales calls with consumers, obtained
consumers' bank, debit, or other payment information, which the Corporate Debt
Relief Defendants then provided to EAC.

51. EAC's general policy and practice was to start billing consumers 45 to
75 days after the consumer signed the Credit Plan documents. Later, EAC changed
its practice and started billing consumers upon hearing from the relevant Corporate
Debt Relief Defendant that the consumer's application for a consolidation or
repayment plan had been submitted to ED on the consumer's behalf, and that ED had
approved the application. Starting in mid-2016, EAC started requiring some lower-

1 credit consumers to pay a \$150 deposit immediately; EAC began billing these 2 consumers when EAC heard from the relevant Corporate Debt Relief Defendant that 3 ED had approved the consumer's application. Before sending its first bill to 4 consumers, EAC did not require any documents to verify that the consumer had 5 actually been enrolled in any consolidation or repayment plan. EAC's policy and practice was not, therefore, to refrain from billing consumers until after they had been 6 7 approved and had made their first payment under the new repayment program or 8 consolidated loan. In many instances, EAC sent bills to consumers even when the 9 Corporate Debt Relief Defendant that had contracted with the consumer had not 10 submitted the consumer's application to ED or before ED had approved the consumer's application. EAC's policy and practice was not, therefore, to wait until 11 after Corporate Debt Relief Defendants fully performed their debt relief services for 12 13 the customers before sending bills to those customers.

14 As a general rule, customers of the Corporate Debt Relief Defendants 52. 15 were unable to cancel their obligation to pay for debt relief services following the three day cancellation period, and, therefore, were not able to terminate their 16 contracts at will at any point prior to making their first payment under a new IDR 17 18 plan. EAC's policy was not to let consumers out of their payment obligation, 19 advising consumers who wanted to cancel that they were outside of the three-day 20 cancellation period, and often directing these consumers back to the Corporate Debt 21 Relief Defendant who had sold the debt relief services to the consumer. The 22 Corporate Debt Relief Defendants often advised consumers who wanted to cancel 23 that they owed EAC and that the Corporate Debt Relief Defendant could not cancel that obligation. 24

53. Because EAC was paying consumers' fees to the Corporate Debt Relief
Defendants who had sold them debt relief services, EAC knew that the Corporate
Debt Relief Defendants were receiving their fees prior to completing the debt relief
services for consumers. In light of EAC's billing policy, EAC also knew, or

consciously avoided knowing, that, when it sent its first loan bill to consumers, it was
billing consumers for the Corporate Debt Relief Defendants' fees before the
consumer had made at least one payment pursuant to a new payment plan from ED
and before the Corporate Debt Relief Defendants had fully performed their debt relief
services.

#### Cash Payment

7 54. Throughout 2016, the Corporate Debt Relief Defendants also took
8 payment by cash, or cash equivalent, up front from consumers who did not enter into
9 a Credit Plan with EAC.

55. Under this "cash" model, the Corporate Debt Relief Defendants typically
 imposed upon and charged their customers an initial fee of \$495. The Corporate
 Debt Relief Defendants required this payment to be made before they started work on
 customers' applications. Corporate Debt Relief Defendants then collected the
 remainder of their fee through monthly payments of \$39 to \$49.

15 56. The Corporate Debt Relief Defendants obtained from these customers
16 their bank, debit or other payment information during the telemarketing call.

17 The Corporate Debt Relief Defendants claimed that they placed 57. payments they received from these customers into a "trust" or "special purpose" 18 19 account and waited to take control of those funds until after they submitted the consumer's IDR paperwork to ED. However, the Corporate Debt Relief Defendants 20 21 provided these customers with little or no information about the trust account holding 22 the money the customers had paid to the Corporate Debt Relief Defendants. These 23 customers did not own or have control over or access to the funds that were 24 purportedly being held in these accounts. Consumers were not entitled to return of 25 those funds, even if they terminated the debt relief service prior to performance of the Corporate Debt Relief Defendants' debt relief services. 26

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# The Relationship between EAC, the Corporate Debt Relief Defendants, and Other Student Loan Relief Dealers

3 58. Defendant EAC holds itself out as an "indirect finance company." At 4 the beginning of 2015, EAC entered into an arrangement with PAG pursuant to which 5 EAC, on a case-by-case basis, would extend credit to PAG's customers in the amount of PAG's fee (typically \$1,314). Thereafter, EAC entered into a substantially similar 6 7 agreement with each of the other Corporate Debt Relief Defendants. The system 8 worked this way: if, during a Corporate Debt Relief Defendant's sales call, a consumer met EAC's prequalification criteria for creditworthiness, the Corporate 9 10 Debt Relief Defendant would alert EAC, through an electronic system that the parties put in place, that the Corporate Debt Relief Defendant had a prospective credit 11 customer for EAC. EAC, by way of its electronic document signing vendor, would 12 13 then send an email to the consumer with a link to the Credit Plan documents. After EAC received the electronically signed Credit Plan documents back from a customer, 14 it then made an assessment as to whether to extend credit to the Corporate Debt 15 Relief Defendant's customer. If EAC issued credit to the consumer, EAC would then 16 17 pay the Corporate Debt Relief Defendant the amount of that customer's fee (minus a 18 discount reflecting the risk of default by the customer) to satisfy the customer's 19 obligation to the Corporate Debt Relief Defendant. Pursuant to the customer's contract with EAC, the customer would owe the amount of the Corporate Debt Relief 20 21 Defendant's fee, plus interest, to EAC.

59. Sometime in 2015, EAC hired Defendant Brad Hunt to locate and
investigate other student debt relief companies with which EAC could do business.
Hunt provided training and business materials to these companies regarding sales
processes and proper disclosures and received a commission for each consumer that
entered into an EAC Credit Plan.

27 60. In late 2015, EAC started entering into relationships with other student
28 loan relief dealers, offering the EAC Credit Plan to their customers in the same

- 19 -COMPLAINT

fashion as it had been doing business with the Corporate Debt Relief Defendants 1 throughout 2015.1 Hunt introduced several dealers to EAC. By this time, EAC knew 2 or should have known that the sales model that each of the dealers would follow was 3 deceptive. EAC had already received consumer complaints regarding deceptive sales 4 5 practices on the part of one or more of the Corporate Debt Relief Defendants. Despite these complaints, EAC relied on Hunt as the "industry expert" to vet and to 6 train new dealers. Moreover, EAC failed to conduct an independent review of Hunt's 7 8 training or the new dealers' sales practices.

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# EAC Assistance to the Corporate Debt Relief Defendants' Deceptive Scheme Was Substantial

The assistance that EAC provided to the Corporate Debt Relief 11 61. Defendants' deceptive telemarketing operations was substantial and allowed the 12 13 Corporate Debt Relief Defendants to grow over the relevant time period. The Corporate Debt Relief Defendants viewed the EAC partnership as critical to their 14 business because the EAC-loan model essentially provided them with immediate cash 15 to support operations, without requiring the Corporate Debt Relief Defendants to 16 directly collect fees from their customers. As an additional benefit to the Corporate 17 18 Debt Relief Defendants, EAC handled all collections and related issues for payments 19 from consumers who obtained financing from EAC. In addition, shifting consumers' payment obligations to EAC allowed the Corporate Debt Relief Defendants to deflect 20 consumer complaints and cancellation requests by pointing consumers to EAC to 21 22 seek resolution.

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# ₄ ∥

# **EAC Ignored Red Flags**

24 62. After the start of its business relationship with the Corporate Debt Relief
25 Defendants, EAC received consumer complaints about one or more of these

<sup>&</sup>lt;sup>27</sup> <sup>1</sup> One of these companies was Manhattan Beach Venture, LLC ("MBV"). Plaintiff recently filed a lawsuit in this District against MBV and EAC in which Plaintiff makes allegations that are substantially similar to the allegations in the instant Complaint. *See FTC v. Manhattan Beach Venture, LLC*, Case No. \_\_\_\_\_.

1 commonly owned Corporate Debt Relief Defendants and about other student loan 2 relief dealers with which EAC did business. EAC received complaints directly from 3 consumers, as well as complaints that were forwarded from the Better Business Bureau (BBB) and the Bureau of Consumer Financial Protection. The complaints 4 5 claimed, among other things, that one or more of the Corporate Debt Relief Defendants or other dealers engaged in misleading sales tactics and that the consumer 6 7 had not authorized the EAC loan. The BBB had also received numerous complaints 8 about EAC from customers of one or more of the Corporate Debt Relief Defendants. 9 The content and volume of complaints that the BBB received against student loan 10 debt relief companies with which EAC did business became such an issue that, in August 2016, the Minnesota BBB contacted EAC and alerted EAC to the high 11 volume of consumer complaints it had received and the apparently deceptive nature 12 13 of their sales tactics. Despite these consumer complaints and the BBB's warning, EAC continued to assist the Corporate Debt Relief Defendants by extending 14 15 financing to new customers of the Corporate Debt Relief Defendants. EAC continued to finance these sales up until the time Hunt and Lucero's company, SAT, 16 stopped making direct sales to consumers in 2017. EAC has continued to collect 17 monthly payments from Corporate Debt Relief Defendants' customers who have 18 19 many months left on their 36- to 48-month loan terms.

EAC never reviewed or asked to see the sales scripts that any of the
 Corporate Debt Relief Defendants used. Nor did EAC ever listen to or even ask any
 of the Corporate Debt Relief Defendants for recordings of their sales calls. Instead,
 EAC continued to work with the Debt Relief Defendants to expand their businesses.

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### Failure of EAC's Credit Contract to Make Essential Disclosures

64. EAC's Credit Plan documents typically included pages entitled: "Credit
Request Authorization"; "Equitable Acceptance Revolving Credit Plan"; "Revolving
Credit Plan"; "Purchase Agreement"; "Equitable Acceptance Corporation Privacy
Policy"; and "Notice of Cancellation." Over 31,000 customers of the Corporate Debt

1 Relief Defendants signed EACs Credit Plan documents. These signed agreements 2 created a credit obligation between the customers and EAC.

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65. TILA requires that creditors clearly and conspicuously disclose a number of significant terms in closed-end credit transactions, such as the amount 4 5 being financed; the finance charge (the dollar amount that the credit was going to cost the consumer); the number, amounts and timing of payments scheduled to repay the 6 7 obligation; and the total of payments (the amount that consumers would have to pay 8 for the Corporate Debt Relief Defendants' services combined with the price of the 9 credit). EAC failed to include these terms in its Credit Plan documents.

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#### EAC Was the Original Creditor under the Credit Plan Documents

11 66. The EAC Credit Plan documents were designed to create the appearance that EAC was an assignee, and that the Corporate Debt Relief Defendant that had 12 13 made the sale to the consumer was the assignor, of the consumer's credit contract. Under TILA, assignees of credit contracts are generally subject to less liability than 14 15 original creditors, limited to only those violations apparent on the face of the disclosure statement. However, EAC was not in fact an assignee of any of the Credit 16 17 Plan documents. None of the Corporate Debt Relief Defendants signed or was a 18 party to any of the Credit Plan documents, and, therefore, none of them could assign, 19 and none of them ever did assign, any Credit Plan documents to EAC.

20 In truth, EAC was the original creditor under each Credit Plan because it 67. 21 regularly extends consumer credit that is subject to a finance charge and is the entity 22 to whom the obligation was initially payable. It was EAC, through its electronic 23 document signing vendor, that sent the EAC Credit Plan documents to consumers, not 24 the Corporate Debt Relief Defendants; the footer on each page of the Credit Plan 25 documents that consumers received made clear that "The original document is owned 26 by Equitable Acceptance"; and it was EAC, not the Corporate Debt Relief 27 Defendants, that received consumers' electronic signatures on the Credit Plan 28 documents. EAC admitted that it extended credit to the customers of the Corporate

- 22 -

Debt Relief Defendants, that EAC and these consumers had a direct relationship, and
 that EAC and these consumers had a separate credit agreement.

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# The Credit Plan Documents Created a Closed-End Extension of Credit

68. Through use of terms such as "Revolving Credit" and other provisions,
the Credit Plan documents were also designed to create the appearance of establishing
an open-end extension of credit as that term is defined under TILA. TILA requires
different and less numerically-specific disclosures for the extension of open-end
credit in comparison with the requirements for non-closed-end credit transactions,
such as loans.

69. Despite EAC's efforts to create the appearance of an open-end credit
transaction in its Credit Plan documents, EAC's credit transactions with the
customers of the Corporate Debt Relief Defendants were in fact closed-end credit
transactions. Thus, EAC systematically engaged in "spurious open-end credit
transactions" because it facially characterized the credit as open-end, when in fact it
was closed-end.

70. Pursuant to the terms of the Credit Plan, the credit was extended for the
purchase of a single product, the Corporate Debt Relief Defendants' debt relief
service.

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71. The Credit Plan also required monthly payments of equal amounts.

20 72. EAC did not reasonably contemplate repeat transactions under the 21 purported "revolving" Credit Plan. No customers of any of the Corporate Debt Relief 22 Defendants have ever made any additional purchases using EAC's Credit Plan. And 23 none of the Corporate Debt Relief Defendants themselves-the only sellers from 24 which consumers were authorized to make purchases under the Credit Plan-25 contemplated that consumers would make future purchases from them under the Credit Plan. None of the Corporate Debt Relief Defendants or EAC advertised, 26 27 marketed, or sold any other goods or services that could be purchased under the 28 Credit Plan.

73. In its communications with customers, EAC referred to the credit
 provided under the Credit Plan as "loans."

<sup>3</sup> 74. Also, the amount of credit that was available to the consumers under the
<sup>4</sup> Credit Plan did not automatically and unequivocally replenish as consumers paid
<sup>5</sup> down their balances.

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### **Consumers' Efforts to Cancel or Obtain Refunds**

7 75. A number of customers of the Corporate Debt Relief Defendants have 8 stated that the specific Corporate Debt Relief Defendant from which they purchased the service and/or EAC have responded to their cancellation or refund requests with 9 10 threats to send their accounts to collections, or to report negative information to the credit bureaus. In numerous instances, the Corporate Debt Relief Defendants and 11 EAC canceled consumers' obligations only after those consumers filed a complaint 12 13 with law enforcement or consumer protection agencies. Other consumers have continued to pay EAC out of concern that negative information will be reported on 14 15 their accounts to the credit bureaus.

16 76. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws 17 enforced by the Commission because, among other things: Defendants have 18 19 knowingly engaged in their unlawful acts and practices repeatedly through numerous companies over a period of at least four years. To the extent any of the Corporate 20 21 Debt Relief Defendants discontinued their unlawful conduct, they stopped their 22 unlawful conduct only after the FTC and/or various state agencies contacted them and 23 informed them of their investigations. Defendant SAT remains in the student debt 24 relief business, and maintains the means, ability, and incentive to resume their 25 unlawful conduct.

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THE FTC ACT

27 77. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
28 deceptive acts or practices in or affecting commerce."

#### - 24 -COMPLAINT

Misrepresentations or deceptive omissions of material fact constitute 78. 1 2 deceptive acts or practices prohibited by Section 5(a) of the FTC Act. 3 **VIOLATIONS OF THE FTC ACT** 4 COUNT I 5 **Deceptive Student Loan Debt Relief Representation** (Against Debt Relief Defendants) 6 7 79. In numerous instances in connection with the advertising, marketing, 8 promotion, offering for sale, or sale of student loan debt relief services, Debt Relief 9 Defendants have represented, directly or indirectly, expressly or by implication, that: 10 a. consumers had qualified for, or were approved to receive, loan forgiveness or other programs that would permanently lower or 11 12 eliminate their loan payments or balances; and 13 b. consumers' monthly payments to Defendants would be applied 14 toward consumers' student loans. 15 80. In truth and in fact, in numerous instances in which Debt Relief Defendants have made the representations set forth in Paragraph 79 of this 16 Complaint, such representations were false or not substantiated at the time Debt 17 18 Relief Defendants made them. 19 81. Therefore, Debt Relief Defendants' representations set forth in Paragraph 79 of this Complaint are false or misleading and constitute deceptive acts 20 21 or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). 22 THE TELEMARKETING SALES RULE 23 82. In 1994, Congress directed the FTC to prescribe rules prohibiting 24 abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing 25 Act, 15 U.S.C. §§ 6101-6108. The FTC adopted the original TSR in 1995, extensively amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. 26 27 Part 310. 28

Debt Relief Defendants are "seller[s]" or "telemarketer[s]" engaged in 83. 1 2 "telemarketing" as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A 3 "seller" means any person who, in connection with a telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services to a 4 5 customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A "telemarketer" means any person who, in connection with telemarketing, initiates or receives 6 7 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff). "Telemarketing" means a plan, program, or campaign which is conducted to induce 8 the purchase of goods or services or a charitable contribution, by use of one or more 9 10 telephones and which involves more than one interstate telephone call. 16 C.F.R. § 310.2(gg). 11

84. Debt Relief Defendants are sellers or telemarketers of "debt relief
services" as defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a "debt relief
service" means any program or service represented, directly or by implication, to
renegotiate, settle, or in any way alter the terms of payment or other terms of the debt
between a person and one or more unsecured creditors, including, but not limited to, a
reduction in the balance, interest rate, or fees owed by a person to an unsecured
creditor or debt collector. 16 C.F.R. § 310.2(o).

19 85. The TSR prohibits sellers and telemarketers from requesting or receiving
20 payment of any fees or consideration for any debt relief service until and unless:

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- a. the seller or telemarketer has 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; and to
  the extent that debts enrolled in a service are renegotiated, settled,

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reduced, or otherwise altered individually, the fee or consideration either:

	ormor.			
3	i. bears the same proportional relationship to the total fee for			
4	renegotiating, settling, reducing, or altering the terms of the			
5	entire debt balance as the individual debt amount bears to the			
6	entire debt amount. The individual debt amount and the entire			
7	debt amount are those owed at the time the debt was enrolled in			
8	the service; or			
9	ii. is a percentage of the amount saved as a result of the			
10	renegotiation, settlement, reduction, or alteration. The			
11	percentage charged cannot change from one individual debt to			
12	another. The amount saved is the difference between the amount			
13	owed at the time the debt was enrolled in the service and the			
14	amount actually paid to satisfy the debt. 16 C.F.R.			
15	§ 310.4(a)(5)(i). 16 C.F.R. § 310.3(b).			
16	86. The TSR prohibits sellers and telemarketers from misrepresenting,			
17	directly or by implication, in the sale of goods or services any of the following			
18	material information:			
19	a. The total costs to purchase, receive or use, and the quantity of, any			
20	good or services that are the subject of a sales offer. 16 C.F.R.			
21	§ 310.3(a)(2)(i); and			
22	b. Any material aspect of any debt relief service, including, but not			
23	limited to, the amount of money or the percentage of the debt amount			
24	that a customer may save by using the service. 16 C.F.R.			
25	§ 310.3(a)(2)(x).			
26	87. The TSR also prohibits a person from providing substantial assistance or			
27	support to any seller or telemarketer when that person "knows or consciously avoids			
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	- 27 -			
	COMPLAINT			

knowing" that the seller or telemarketer is engaged in any act or practice that violates
 \$ 310.3(a) or \$ 310.4.

88. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c),
and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR
constitutes an unfair or deceptive act or practice in or affecting commerce, in
violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

7 89. Debt Relief Defendants have engaged in telemarketing by a plan,
8 program, or campaign conducted to induce the purchase of goods or services by use
9 of one or more telephones and which involves more than one interstate telephone call.

<u>VIOLATIONS OF THE TELEMARKETING SALES RULE</u> <u>COUNT II</u>

# Advance Fee for Debt Relief Services in Violation of the TSR (Against Debt Relief Defendants)

90. In numerous instances, in connection with the telemarketing of student
loan debt relief services, Debt Relief Defendants have requested or received payment
of a fee or other consideration for debt relief services before:

- a. the Defendant 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 had made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor.

24 91. Debt Relief Defendants' acts or practices, as described in Paragraph 90
25 of this Complaint, are abusive telemarketing acts or practices that violate Section
26 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

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1	<u>COUNT III</u>			
2	Material Debt Relief Misrepresentations in Violation of the TSR			
3	(Against Debt Relief Defendants)			
4	92. In numerous instances, in connection with the telemarketing of student			
5	loan debt relief services, the Debt Relief Defendants misrepresented, directly or			
6	indirectly, expressly or by implication, material aspects of their debt relief services,			
7	including, but not limited to that:			
8	a. consumers had qualified for, or were approved to receive, loan			
9	forgiveness or other programs that would permanently lower or			
10	eliminate their loan payments or balances; and			
11	b. consumers' monthly payments to Defendants would be applied			
12	toward consumers' student loans.			
13	93. The Debt Relief Defendants' acts and practices, as described in			
14	Paragraph 92 of this Complaint, are deceptive telemarketing acts or practices that			
15	violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).			
16	<u>COUNT IV</u>			
17	Assisting and Facilitating Deceptive and Abusive			
18	Telemarketing Acts in Violation of the TSR			
19	(Against EAC)			
20	94. In numerous instances, EAC provided substantial assistance or support			
21	to Debt Relief Defendants whom EAC knew, or consciously avoided knowing, were			
22	engaged in violations of the TSR set forth in Counts II-III of this Complaint.			
23	95. EAC's acts or practices, as described in Paragraph 94 of this Complaint,			
24	are deceptive telemarketing acts or practices that violate the TSR, 16 C.F.R.			
25	§ 310.3(b).			
26	TILA AND REGULATION Z			
27	96. The purpose of the Truth in Lending Act is to "assure a meaningful			
28	disclosure of credit terms so that the consumer will be able to compare more readily			
	- 29 - COMPLAINT			

the various credit terms available to him and avoid the uninformed use of credit, and
 to protect the consumer against inaccurate and unfair credit billing and credit card
 practices." 15 U.S.C. § 1601(a).

97. Under TILA, 15 U.S.C. §§ 1601-1666j, and its implementing Regulation
Z, 12 C.F.R. Part 1026, creditors who extend "closed-end credit," as defined in 12
C.F.R. § 1026.2(a)(10), must comply with the applicable disclosure provisions of
TILA and Regulation Z, including but not limited to, Sections 1026.17 and 1026.18
of Regulation Z, 12 C.F.R. §§ 1026.17 and 1026.18.

9 98. "Creditor" means a person who regularly extends consumer credit that is
subject to a finance charge or is payable by written agreement in more than four
installments (not including a down payment), and to whom the obligation is initially
payable, either on the face of the note or contract, or by agreement when there is no
contract. 12 C.F.R. § 1026.2(a)(17). EAC is a creditor under TILA and Regulation Z
because it extends consumer credit subject to a finance charge and the obligation is
initially payable to EAC.

16 99. "Closed-end credit" means consumer credit other than open-end credit, and "[o]pen-end credit" is defined as "consumer credit extended by a creditor under a 17 18 plan in which: (i) the creditor reasonably contemplates repeated transactions; (ii) the 19 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 20 21 the term of the plan (up to any limit set by the creditor) is generally made available to 22 the extent that any outstanding balance is repaid." 12 C.F.R. §§ 1026.2(a)(10) and 23 (a)(20). EAC extends closed-end credit (as opposed to open-end credit) to consumers 24 under TILA and Regulation Z because the loans do not meet the requirements for 25 open-end credit.

26 100. Sections 121(a) and (b) and 128 of TILA, 15 U.S.C. §§ 1631(a), (b) and
27 1638(a), and Sections 1026.17(a) and 1026.18 of Regulation Z, 12 C.F.R.
28 §§ 1026.17(a) and 1026.18, require creditors of closed-end consumer credit

- 30 -COMPLAINT

1 transactions to clearly and conspicuously disclose in writing, among other things, the 2 following about the loan: the identity of the creditor making the disclosures; the 3 amount financed ("using that term and a brief description such as 'the amount of credit provided to you on your behalf"); the finance charge ("using that term, and a 4 5 brief description such as 'the dollar amount the credit will cost you'"); the annual percentage rate ("using that term, and a brief description such as 'the cost of your 6 credit as a yearly rate"); the payment schedule ("the number, amounts and timing of 7 8 payments scheduled to repay the obligation"); and the total of payments ("using that term, and a descriptive explanation . . . such as 'the total price of your purchase on 9 10 credit'"). These disclosures must reflect the terms of the legal obligations between the parties. 12 C.F.R. § 1026.17(c). 11 12 101. Pursuant to Section 108(c) of TILA, 15 U.S.C. § 1607(c), every 13 violation of TILA and Regulation Z constitutes a violation of the FTC Act. 14 COUNT V 15 Violations of TILA and Regulation Z 16 (Against EAC) 17 In the course of extending credit to consumers who purchased services 102. 18 from Debt Relief Defendants, EAC has violated the requirements of TILA and 19 Regulation Z by failing to clearly and conspicuously disclose in writing the following information so that the consumer can make an informed decision regarding the credit 20 21 being offered: 22 the identity of the creditor making the disclosures; a. 23 b. the amount financed ("using that term and a brief description such as 24 'the amount of credit provided to you on your behalf'"); 25 c. the finance charge ("using that term, and a brief description such as 'the dollar amount the credit will cost you'"); 26 27 d. the annual percentage rate ("using that term, and a brief description 28 such as 'the cost of your credit as a yearly rate'"); - 31 -COMPLAINT

e. the payment schedule ("the number, amounts and timing of payments scheduled to repay the obligation"); and

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f. the total of payments ("using that term, and a descriptive explanation... such as 'the total price of your purchase on credit"").

103. Therefore, EAC's practices set forth in Paragraph 102 of this Complaint
violate Sections 121 and 128 of TILA, 15 U.S.C. §§ 1631 and 1638, and Sections
1026.17 and 1026.18 of Regulation Z, 12 C.F.R. §§ 1026.17 and 1026.18.

### **CONSUMER INJURY**

9 104. Consumers throughout the United States have suffered and will continue
10 to suffer substantial injury as a result of Debt Relief Defendants' violations of the
11 FTC Act and the TSR, and EAC's violations of the TSR and TILA. In addition, Debt
12 Relief Defendants and EAC have been unjustly enriched as a result of their unlawful
13 acts or practices. Absent injunctive relief by this Court, Debt Relief Defendants and
14 EAC are likely to continue to injure consumers, reap unjust enrichment, and harm the
15 public interest.

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### THE COURT'S POWER TO GRANT RELIEF

17 105. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to
18 grant injunctive and such other relief as the Court may deem appropriate to halt and
19 redress violations of any provision of law enforced by the FTC. The Court, in the
20 exercise of its equitable jurisdiction, may award ancillary relief, including rescission
21 or reformation of contracts, restitution, the refund of monies paid, and the
22 disgorgement of ill-gotten monies, to prevent and remedy any violation of any
23 provision of law enforced by the FTC.

106. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief as
the Court finds necessary to redress injury to consumers resulting from Debt Relief
Defendants' and EAC's violations of the TSR, including the rescission or reformation
of contracts, and the refund of money.

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# **PRAYER FOR RELIEF**

Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act, 15
U.S.C. §§ 53(b) and 57b, and Section 6(b) of the Telemarketing Act, 15 U.S.C.
§ 6105(b), and the Court's own equitable powers, requests that the Court:
A. Award Plaintiff such preliminary injunctive and ancillary relief as may

A. Award Plaintiff such preliminary injunctive and anchary relief as may
 be necessary to avert the likelihood of consumer injury during the
 pendency of this action and to preserve the possibility of effective final
 relief, including a temporary and preliminary injunction, asset freeze,
 appointment of a receiver, an evidence preservation order, and expedited
 discovery;
 B. Enter a permanent injunction to prevent future violations of the FTC

Act, the TSR, TILA and its implementing Regulation Z by Defendants;

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

D. Award Plaintiff the cost of bringing this action; and

E. Award such other and additional relief as the Court may determine to be just and proper.

	Case 8:19-cv-01728 Document 1 Filed 09/11/19 Page 34 of 34 Page ID #:34
1	Respectfully submitted,
2	
3	DATED: September 10, 2019
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14 15	
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