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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 2:19-cv-7849

FEDERAL TRADE COMMISSION,)

and)

STATE OF MINNESOTA, by its)
Attorney General, Keith Ellison,)

Plaintiffs,)

v.)

MANHATTAN BEACH)
VENTURE, LLC, a limited liability)
company, also d/b/a The Student)
Loan Relief Department;)

CHRISTOPHER E. LYELL, an)
individual;)

BRADLEY K. HANSEN, an)
individual; and)

EQUITABLE ACCEPTANCE)
CORPORATION, a corporation,)

Defendants.)

STIPULATED ORDER
FOR PERMANENT INJUNCTION,
MONETARY RELIEF
AND FINAL JUDGMENT AS TO
EQUITABLE ACCEPTANCE
CORPORATION

1 Plaintiff, the Federal Trade Commission (“Commission or “FTC”), and
2 Plaintiff, the Minnesota Attorney General (“MN AG”) (collectively, “Plaintiffs”),
3 filed their Complaint for Permanent Injunction and Other Equitable Relief
4 (“Complaint”), pursuant to Sections 13(b) and 19 of the Federal Trade
5 Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and
6 Consumer Fraud and Abuse Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108,
7 the Truth in Lending Act (“TILA”), 15 U.S.C. § 1601-1666j, the Minnesota
8 Uniform Deceptive Trade Practices Act (“MN DTPA”), Minn. Stat. §§ 325D.43–
9 .48, the Minnesota Prevention of Consumer Fraud Act (“MN CFA”), Minn. Stat.
10 §§ 325F.68–.694, the Debt Settlement Services Act (“MN DSSA”), Minn. Stat.
11 §§ 332B.02–.14, and the Minnesota Regulated Loan Act (“MN RLA”), Minn. Stat.
12 §§ 56.0001–.26 against Defendants Manhattan Beach Venture, LLC d/b/a the
13 Student Loan Relief Department, Christopher E. Lyell, Bradley K. Hansen
14 (collectively, “MBV Defendants”) and Equitable Acceptance Corporation
15 (“EAC”). Plaintiffs and Defendant EAC stipulate to the entry of this Stipulated
16 Order for Permanent Injunction and Monetary Relief (“Order”) to resolve all
17 matters in dispute in this action between them.

18 THEREFORE, IT IS ORDERED as follows:

19 **FINDINGS**

- 20 1. This Court has jurisdiction over this matter.
- 21 2. The Complaint charges that EAC participated in deceptive acts or
22 practices in violation of the FTC’s Trade Regulation Rule entitled the
23 Telemarketing Sales Rule (“TSR”), 16 C.F.R. § 310, by providing substantial
24 assistance or support to MBV Defendants, whom EAC allegedly knew, or
25 consciously avoided knowing, were engaged in violations of the TSR, and charges
26 that these acts or practices are deceptive telemarketing acts or practices that violate
27 the TSR, 16 C.F.R. § 310.3(b).
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1 4. providing names of, or assisting in the generation of, potential
2 customers;

3 5. performing marketing, billing, or payment services of any kind; or

4 6. acting or serving as an owner, officer, director, manager, or principal
5 of any entity.

6 B. **“Consumer Reporting Agency”** or **“CRA”** shall mean any Person
7 which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly
8 engages in whole or in part in the practice of assembling or evaluating consumer
9 credit information or other information on consumers for the purpose of furnishing
10 consumer reports to third parties, and which uses any means or facility of interstate
11 commerce for the purpose of preparing or furnishing consumer reports.

12 C. **“Dealer”** means any Person for whom EAC is providing credit
13 services to consumers for the purchase of that Person’s product or service.

14 D. **“Debt”** means any obligation or alleged obligation of a consumer to
15 pay money arising out of a transaction in which the money, property, or services
16 that are the subject of the transaction are primarily for personal, family, or
17 household purposes, whether or not such obligation has been reduced to judgment.

18 E. **“MBV”** means Defendant Manhattan Beach Venture, LLC d/b/a the
19 Student Loan Relief Department.

20 F. **“MBV Defendants”** means Defendants Manhattan Beach Venture,
21 LLC d/b/a the Student Loan Relief Department, Christopher E. Lyell, and Bradley
22 K. Hansen, individually, collectively, or in any combination.

23 G. **“Person”** means a natural person, organization, or other legal entity,
24 including a corporation, partnership, proprietorship, association, cooperative, or
25 any other group or combination acting as an entity.

26 H. **“Secured or Unsecured Debt Relief Product or Service”** means:
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1 1. With respect to any mortgage, loan, Debt, or obligation between a
2 person and one or more secured or unsecured creditors or debt collectors, any
3 product, service, plan, or program represented, expressly or by implication, to:

4 a. stop, prevent, or postpone any mortgage or deed of foreclosure
5 sale for a person's dwelling, any other sale of collateral, any repossession of a
6 person's dwelling or other collateral, or otherwise save a person's dwelling or
7 other collateral from foreclosure or repossession;

8 b. negotiate, obtain, or arrange a modification, or renegotiate,
9 settle, or in any way alter any terms of the mortgage, loan, Debt, or obligation,
10 including a reduction in the amount of interest, principal balance, monthly
11 payments, or fees owed by a person to a secured or unsecured creditor or debt
12 collector;

13 c. obtain any forbearance or modification in the timing of
14 payments from any secured or unsecured holder or servicer of any mortgage, loan,
15 Debt, or obligation;

16 d. negotiate, obtain, or arrange any extension of the period of time
17 within which a person may (i) cure his or her default on the mortgage, loan, Debt,
18 or obligation, (ii) reinstate his or her mortgage, loan, Debt, or obligation, (iii)
19 redeem a dwelling or other collateral, or (iv) exercise any right to reinstate the
20 mortgage, loan, Debt, or obligation or redeem a dwelling or other collateral;

21 e. obtain any waiver of an acceleration clause or balloon payment
22 contained in any promissory note or contract secured by any dwelling or other
23 collateral; or

24 f. negotiate, obtain, or arrange (i) a short sale of a dwelling or
25 other collateral, (ii) a deed-in-lieu of foreclosure, or (iii) any other disposition of a
26 mortgage, loan, Debt, or obligation other than a sale to a third party that is not the
27 secured or unsecured loan holder.

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1 The foregoing shall include any manner of claimed assistance, including auditing
2 or examining a person’s application for the mortgage, loan, Debt, or obligation.

3 2. With respect to any loan, Debt, or obligation between a person and
4 one or more unsecured creditors or debt collectors, any product, service, plan, or
5 program represented, expressly or by implication, to:

- 6 a. repay one or more unsecured loans, Debts, or obligations; or
- 7 b. combine unsecured loans, Debts, or obligations into one or
8 more new loans, Debts, or obligations.

9 **I.**

10 **BAN ON SECURED AND UNSECURED**
11 **DEBT RELIEF PRODUCTS AND SERVICES**

12 IT IS ORDERED that EAC is permanently restrained and enjoined from
13 financing the purchase of, or Assisting Others in the advertising, marketing,
14 promoting, offering for sale, selling, financing the purchase of, any Secured or
15 Unsecured Debt Relief Product or Service.

16 **II.**

17 **PROHIBITION AGAINST MISREPRESENTATIONS**
18 **RELATING TO FINANCIAL PRODUCTS AND SERVICES**

19 IT IS FURTHER ORDERED that EAC, EAC’s officers, agents, employees,
20 and attorneys, and all other Persons in active concert or participation with any of
21 them, who receive actual notice of this Order, whether acting directly or indirectly,
22 in connection with the advertising, marketing, promoting, offering for sale, or
23 selling of any financial product or service, are permanently restrained and enjoined
24 from misrepresenting, or Assisting Others in misrepresenting, expressly or by
25 implication:

26 A. the terms or rates that are available for any loan or other extension of
27 credit, including:

- 28 1. closing costs or other fees;

1 in connection with the advertising, marketing, promoting, offering for sale, or
2 selling of any product, service, plan, or program, are permanently restrained and
3 enjoined from misrepresenting, or Assisting Others in misrepresenting, expressly
4 or by implication:

5 A. any material aspect of the nature or terms of any refund, cancellation,
6 exchange, or repurchase policy, including the likelihood of a consumer obtaining a
7 full or partial refund, or the circumstances in which a full or partial refund will be
8 granted to the consumer;

9 B. that any Person is affiliated with, endorsed or approved by, or
10 otherwise connected to any other Person; government entity; public, non-profit, or
11 other noncommercial program; or any other program;

12 C. the nature, expertise, position, or job title of any Person who provides
13 any product, service, plan, or program; or

14 D. any other fact material to consumers concerning any good or service,
15 such as: the total costs; any material restrictions, limitations, or conditions; or any
16 material aspect of its performance, efficacy, nature, or central characteristics.

17 IV.

18 REQUIRED DISCLOSURES

19 IT IS FURTHER ORDERED that EAC, EAC's officers, agents, employees,
20 and attorneys, and all other Persons in active concert or participation with any of
21 them, who receive actual notice of this Order, whether acting directly or indirectly,
22 in connection with the advertising, marketing, promoting, offering, or extension of
23 credit, are hereby permanently restrained and enjoined from:

24 A. When extending a fixed amount of credit that a consumer is to repay
25 in one or more installment(s), failing to disclose in writing (electronic or hard-
26 copy), clearly and conspicuously, and in a form that the consumer may keep,
27 before the consumer signs the credit agreement, the following information in a
28 manner reflecting the terms of the legal obligation between the parties:

- 1 1. The identity of the creditor;
- 2 2. The amount financed;
- 3 3. The finance charge;
- 4 4. The annual percentage rate;
- 5 5. The payment schedule;
- 6 6. The total of payments; or

7 B. Violating any provision of the Truth in Lending Act, 15 U.S.C. §§
8 1601-1666j, or Regulation Z, 12 C.F.R. Part 1026.

9 **V.**

10 **PROHIBITION AGAINST COLLECTING ON MBV ACCOUNTS**
11 **AND CONSUMER NOTIFICATION**

12 IT IS FURTHER ORDERED that EAC, EAC's officers, agents, employees,
13 and attorneys, and all other Persons in active concert or participation with any of
14 them, who receive actual notice of this Order, whether acting directly or indirectly,
15 are permanently enjoined from attempting to collect, collecting, or assigning any
16 right to collect payment from any consumer on any Debt or extension of credit
17 related to the consumer's purchase from MBV of any product or service (the
18 "MBV Debt"). EAC shall not sell, assign, or otherwise transfer any MBV Debt.
19 For each MBV Debt that EAC has reported to a Consumer Reporting Agency
20 (CRA), EAC shall, within ten (10) business days after entry of this Order, request
21 that each CRA to which the Debt has been reported delete the Debt from the
22 consumer's credit reporting file. Within ten (10) business days of such request,
23 EAC shall mail a notice to each affected consumer informing the consumer clearly
24 and unambiguously of the following:

- 25 (1) that EAC had extended credit to the consumer in connection with a
26 purchase of student-loan related services that the consumer had made
27 from Manhattan Beach Venture, LLC, also known as Student Loan
28 Relief Department;

- 1 (2) that, pursuant to an agreement with the Federal Trade Commission
2 and the State of Minnesota, EAC will not collect or attempt to collect
3 on any debt that the consumer had incurred as a result of EAC's
4 extension of credit to the consumer;
- 5 (3) that EAC will not sell, assign or otherwise transfer any outstanding
6 debt that the consumer owes to EAC;
- 7 (4) that, to remain in any federal student loan payment assistance program
8 offered by the U.S. Department of Education, and to avoid losing the
9 benefits of continuous enrollment in such a program, the consumer is
10 required each year to re-certify, and update certain information to the
11 Department of Education, and that the consumer should contact the
12 Department of Education or the consumer's student loan servicer, and
13 not EAC, for information as to how and when to submit the required
14 annual re-certification;
- 15 (5) that EAC will no longer report to any information about the
16 consumer's EAC account to any Consumer Reporting Agency, and
17 that for each Consumer Reporting Agency to which EAC has
18 previously reported information about the consumer's account with
19 EAC, EAC has requested that the CRA delete the account from the
20 consumer's credit report; and
- 21 (6) the name and contact information for each CRA to which EAC
22 submitted the request to delete the consumer's account from the
23 consumer's credit reporting file, and the date on which the request
24 was sent.

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26 EAC shall for one year from the date of this Order, keep (a) all contact information
27 for each consumer as to whom EAC is required to send the required notice and (b)
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1 the template for the notice that EAC sent to consumers. EAC shall provide the
2 contact information and template to Plaintiffs upon request.

3 **VI.**

4 **MONETARY JUDGMENT AND PARTIAL SUSPENSION**

5 A. IT IS FURTHER ORDERED that Judgment in the amount of Three
6 Million Eight Hundred One Thousand Two Hundred Forty-Four Dollars
7 (\$3,801,244) is entered in favor of Plaintiffs against Defendant Equitable
8 Acceptance Corporation as equitable monetary relief.

9 B. EAC is ordered to pay to Plaintiffs One Hundred Thirty-Six Thousand
10 Two Hundred Dollars (\$136,200), which, as EAC stipulates, its undersigned
11 counsel holds in escrow for no purpose other than payment to the Commission.
12 Such payment must be made within 7 days of entry of this Order by electronic fund
13 transfer in accordance with instructions previously provided by a representative of
14 the Commission. Upon such payment the remainder of the judgment is suspended,
15 subject to the Subsections below.

16 C. Plaintiffs' agreement to the suspension of the judgment is expressly
17 premised upon the truthfulness, accuracy and completeness of EAC's sworn
18 financial statements and related documents (collectively, "EAC Financial
19 Representations") submitted to the Commission and the MN AG. These
20 documents include:

- 21 1. the Financial Statement of Corporate Defendant Equitable Acceptance
22 Corporation, signed by Daryl Soeder, on February 18, 2019, including
23 the attachments; and
- 24 2. all documents that are listed in a letter dated May 2, 2019 sent by FTC
25 counsel John Jacobs to EAC counsel James Chareq with the subject
26 line "Equitable Acceptance Corp. / FTC Matter 1723041."

27 D. The suspension of the judgment will be lifted if, upon motion by
28 Plaintiffs, the Court finds that EAC failed to disclose any material asset, materially

1 misstated the value of any asset, or made any other material misstatement or
2 omission in the EAC Financial Representations identified above.

3 E. If the suspension of the judgment is lifted, the judgment becomes
4 immediately due in the amount specified in Subsection A. above (which the parties
5 stipulate only for purposes of this Section represents the consumer injury alleged in
6 the Complaint), less any payment previously made pursuant to this Section, plus
7 interest computed from the date of entry of this Order.

8 **VII.**

9 **ADDITIONAL MONETARY PROVISIONS**

10 IT IS FURTHER ORDERED that:

11 A. EAC relinquishes dominion and all legal and equitable right, title, and
12 interest in all assets transferred pursuant to this Order and may not seek the return
13 of any assets.

14 B. The facts alleged in the Complaint will be taken as true, without
15 further proof, in any subsequent civil litigation by or on behalf of Plaintiffs,
16 including in a proceeding to enforce its rights to any payment or monetary
17 judgment pursuant to this Order, such as a nondischargeability complaint in any
18 bankruptcy case.

19 C. The facts alleged in the Complaint establish all elements necessary to
20 sustain an action by Plaintiffs pursuant to Section 523(a)(2)(A) of the Bankruptcy
21 Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect
22 for such purposes.

23 D. EAC acknowledges that its Taxpayer Identification Number, which
24 EAC previously submitted to Plaintiffs, may be used for collecting and reporting
25 on any delinquent amount arising out of this Order, in accordance with 31 U.S.C.
26 §7701.

27 E. All money paid to Plaintiffs pursuant to this Order may be deposited
28 into a fund administered by the Plaintiff Federal Trade Commission, Plaintiff

1 Minnesota Attorney General’s Office, or either one’s designee to be used for
2 equitable relief, including consumer redress and any attendant expenses for the
3 administration of any redress fund. If Plaintiffs decide that direct redress to
4 consumers is wholly or partially impracticable or money remains after redress is
5 completed, all remaining funds are to be divided equally between the Commission
6 and MN AG, with half to be deposited to the U.S. Treasury as disgorgement and
7 half to be provided to the MN AG to be used in accordance with applicable
8 Minnesota law. EAC has no right to challenge any actions Plaintiffs or their
9 representatives may take pursuant to this Subsection.

10 **VIII.**

11 **CUSTOMER INFORMATION**

12 IT IS FURTHER ORDERED that EAC, EAC’s officers, agents, employees,
13 attorneys, and all other Persons or entities in active concert or participation with
14 any of them, who receive actual notice of this Order, are permanently restrained
15 and enjoined from directly or indirectly:

16 A. failing to provide sufficient customer information to enable Plaintiffs
17 to efficiently administer consumer redress. If a representative of either Plaintiff
18 requests in writing any information related to redress, EAC must provide it, in the
19 form prescribed by that Plaintiff, within 14 days;

20 B. disclosing, using, or benefitting from any information relating to any
21 MBV customer that EAC obtained prior to entry of this Order, including the name,
22 address, telephone number, email address, social security number, FSA ID, other
23 identifying information, or any data that enables access to a customer’s account
24 (including a student loan account, credit card, bank account, or other financial
25 account); and

26 C. failing to destroy MBV customer information in all forms in EAC’s
27 possession, custody, or control within 30 days after receipt of written direction to
28 do so from a representative of Plaintiffs.

1 1. EAC must: (a) identify the primary physical, postal, and email address
2 and telephone number, as designated points of contact, which representatives of
3 Plaintiffs may use to communicate with EAC; (b) identify all of EAC’s businesses
4 by all of their names, telephone numbers, and physical, postal, email, and Internet
5 addresses; (c) describe the activities of each business, including the goods and
6 services offered, the means of advertising, marketing, and sales, and the
7 involvement of any other defendant in this proceeding; (d) describe in detail
8 whether and how EAC is in compliance with each Section of this Order; and (e)
9 provide a copy of each Order Acknowledgment obtained pursuant to this Order,
10 unless previously submitted to Plaintiffs.

11 B. For 20 years after entry of this Order, EAC must submit a compliance
12 notice, sworn under penalty of perjury, within 14 days of any change in the
13 following:

14 1. EAC must report any change in: (a) any designated point of contact;
15 or (b) the structure of EAC or any entity that EAC has any ownership interest in or
16 controls directly or indirectly that may affect compliance obligations arising under
17 this Order, including: creation, merger, sale, or dissolution of the entity or any
18 subsidiary, parent, or affiliate that engages in any acts or practices subject to this
19 Order.

20 C. EAC must submit to the Plaintiffs notice of the filing of any
21 bankruptcy petition, insolvency proceeding, or similar proceeding by or against
22 EAC within 14 days of its filing.

23 D. Any submission to Plaintiffs required by this Order to be sworn under
24 penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746,
25 such as by concluding: “I declare under penalty of perjury under the laws of the
26 United States of America that the foregoing is true and correct. Executed on:
27 _____” and supplying the date, signatory’s full name, title (if applicable), and
28 signature.

1 E. Unless otherwise directed by a Commission representative in writing,
2 all submissions to the Federal Trade Commission pursuant to this Order must be
3 emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal
4 Service) to: Associate Director for Enforcement, Bureau of Consumer Protection,
5 Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC
6 20580. The subject line must begin: FTC v. Manhattan Beach Venture, Inc.
7 Unless otherwise directed by a MN AG representative in writing, all submissions
8 to the MN AG pursuant to this Order must be emailed to
9 lindsey.lee@ag.state.mn.us and mailed to Lindsey Lee, Assistant Attorney
10 General, Office of the Minnesota Attorney General, 445 Minnesota Street, Suite
11 1200, St. Paul, Minnesota 55101.

12 **XI.**

13 **RECORDKEEPING**

14 IT IS FURTHER ORDERED that EAC must create certain records for 20
15 years after entry of the Order, and retain each such records for 5 years.
16 Specifically, for any business that EAC is a majority owner or controls directly or
17 indirectly, must create and retain the following records:

18 A. accounting records showing the revenues from all goods or services
19 sold;

20 B. personnel records showing, for each person providing services,
21 whether as an employee or otherwise, that person's: name; addresses; telephone
22 numbers; job title or position; dates of service; and (if applicable) the reason for
23 termination;

24 C. records of all consumer complaints and refund requests, whether
25 received directly or indirectly, such as through a third party, and any response;

26 D. all records necessary to demonstrate full compliance with each
27 provision of this Order, including all submissions to the Plaintiffs; and

28 E. a copy of each unique advertisement or other marketing material.

1 **XII.**

2 **COMPLIANCE MONITORING**

3 IT IS FURTHER ORDERED that, for the purpose of monitoring EAC's
4 compliance with this Order, including the financial representations upon which
5 part of the judgment was suspended and any failure to transfer any assets as
6 required by this Order:

7 A. Within 14 days of receipt of a written request from a representative of
8 either Plaintiff, EAC must: submit additional compliance reports or other requested
9 information, which must be sworn under penalty of perjury; appear for depositions;
10 and produce documents for inspection and copying. Plaintiffs are also authorized
11 to obtain discovery, without further leave of court, using any of the procedures
12 prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic
13 depositions), 31, 33, 34, 36, 45, and 69.

14 B. For matters concerning this Order, Plaintiffs are authorized to
15 communicate directly with EAC. EAC must permit representatives of Plaintiffs to
16 interview any employee or other person affiliated with EAC who has agreed to
17 such an interview. The person interviewed may have counsel present.

18 C. Plaintiffs may use all other lawful means, including posing, through
19 its representatives as consumers, suppliers, or other individuals or entities, to EAC
20 or any individual or entity affiliated with EAC, without the necessity of
21 identification or prior notice. Nothing in this Order limits the Commission's
22 lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act,
23 15 U.S.C. §§ 49, 57b-1, or the MN AG's lawful use of compulsory process
24 pursuant to Minnesota law.

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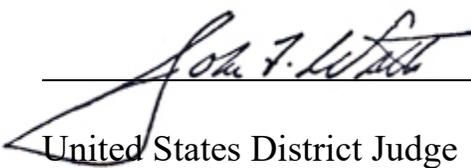
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XIII.

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 13th day of September, 2019.


United States District Judge