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UNITED STATES DISTRICT COURT  
DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION, Plaintiff,

v.

WASATCH CREDIT CORP., a Utah Corporation, WASATCH EQUITIES CORP., a Utah Corporation, WASATCH LOANS, INC., a Utah Corporation, WASATCH RECOVERY CORP., a Utah Corporation, RHK FAMILY TRUST, a Trust, and DAVID KNUDSON and HOLLY KNUDSON, as Individuals and as Trustees of the RHK FAMILY TRUST, Defendants.

Case No.

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

Plaintiff, Federal Trade Commission ("Commission"), by its undersigned attorneys, alleges as follows:

**Jurisdiction and Venue**

1. This is an action under Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), and Section 108(c) of the Truth in Lending Act ("TILA"), 15 U.S.C. § 1607(c), to obtain preliminary and permanent injunctive relief, rescission, restitution, reformation, disgorgement, and other equitable relief against defendants for engaging in acts or practices in violation of TILA, 15 U.S.C. §§ 1601-1666j, as amended, including, but not limited to, the Home Ownership and Equity Protection Act of 1994 ("HOEPA"), as amended, and TILA's implementing Regulation Z, 12 C.F.R. 226, as amended, and for unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), as amended.

2. This Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. §§ 45(a), 53(b), and 1607(c), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

3. Venue in the United States District Court for the District of Utah is proper under 28 U.S.C. § 1391(b) and (c) and 15 U.S.C. § 53(b).

## **Definitions**

As used in this Complaint:

4. The terms "amount financed," "annual percentage rate," "closed-end credit," "consumer," "consumer credit," "consummation," "credit," "creditor," "dwelling," "finance charge," "mortgage," "open-end credit," "payment schedule," "points and fees," "residential mortgage transaction," "reverse mortgage transaction," "security interest," and "total of payments" are defined as set forth in Sections 103 and 128 of TILA, 15 U.S.C. §§ 1602 and 1638, and Sections 226.2, 226.4, 226.18, 226.22, 226.32, and 226.33 of Regulation Z, 12 C.F.R. §§ 226.2, 226.4, 226.18, 226.22, 226.32, and 226.33.

5. The term "HOEPA" means the Home Ownership and Equity Protection Act of 1994 which, inter alia, amended TILA by adding Section 129 of TILA, 15 U.S.C. § 1639, and is implemented by, inter alia, Sections 226.31 and 226.32 of Regulation Z, 12 C.F.R. §§ 226.31 and 226.32. HOEPA, which took effect on October 1, 1995, provides special protections for consumers who obtain high-rate or high-fee loans secured by their principal dwellings by requiring creditors to provide certain material information at least three days before the loan is consummated, prohibiting the use of certain loan terms, and barring specified practices.

6. The term "HOEPA mortgage loan" means a consumer credit transaction consummated on or after October 1, 1995, that is secured by the consumer's principal dwelling, other than a residential mortgage transaction, a reverse mortgage transaction or an open-end credit plan, in which: (1) the annual percentage rate at consummation of the transaction will exceed by more than 10 percentage points the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the 15th day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor; or (2) the total points and fees payable by the consumer at or before loan closing will exceed the greater of 8% of the total loan amount or \$400 (adjusted annually by the Board of Governors of the Federal Reserve System ("FRB") on January 1 by the annual percentage change in the Consumer Price Index that was reported on June 1 of the preceding year), which is covered by HOEPA, pursuant to Section 129 of TILA, 15 U.S.C. § 1639, and Section 226.32 of Regulation Z, 12 C.F.R. § 226.32. As used herein, the "total loan amount" is calculated as described in Section 226.32(a)(1)(ii)-1 of the FRB Official Staff Commentary on Regulation Z, 12 C.F.R. § 226.32(a)(1)(ii)-1, Supp. 1.

7. The term "Regulation Z" means the regulation the FRB promulgated to implement TILA and HOEPA, 12 C.F.R. 226, as amended. The term also includes the FRB Official Staff Commentary on Regulation Z, 12 C.F.R. 226, Supp.1, as amended.

8. The term "TILA" means the Truth in Lending Act, 15 U.S.C. §§ 1601-1666j, as amended. TILA, which took effect on July 1, 1969, is intended to promote the informed use of consumer credit by requiring creditors to disclose credit terms and costs, requiring additional disclosures

for loans secured by consumers' homes, and permitting consumers to rescind certain transactions that involve their principal dwellings.

## **Parties**

9. Plaintiff, the Commission, is an independent agency of the United States Government created and given statutory authority and responsibility by the FTC Act, as amended, 15 U.S.C. §§ 41-58. The Commission is charged, *inter alia*, with enforcing Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce, and TILA. The Commission is authorized by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and Section 108(c) of TILA, 15 U.S.C. § 1607(c), to initiate federal district court proceedings to enjoin violations of the FTC Act, TILA, HOEPA, and Regulation Z and to secure such equitable relief as may be appropriate in each case including, but not limited to, redress and disgorgement.

10. Defendant Wasatch Credit Corp. ("Wasatch Credit"), is a for-profit corporation organized, existing, and doing business under the laws of the State of Utah. Its principal place of business is at 220 South 200 East, Suite 110, Salt Lake City, UT 84111. Wasatch Credit transacts business in this district.

11. Defendant Wasatch Equities Corp. ("Wasatch Equities"), is a for-profit corporation organized, existing, and doing business under the laws of the State of Utah. Its principal place of business is at 220 South 200 East, Suite 110, Salt Lake City, UT 84111. Wasatch Equities transacts business in this district.

12. Defendant Wasatch Loans, Inc. ("Wasatch Loans"), is a for-profit corporation organized, existing, and doing business under the laws of the State of Utah. Its principal place of business is at 220 South 200 East, Suite 110, Salt Lake City, UT 84111. Wasatch Loans transacts business in this district.

13. Defendant Wasatch Recovery Corp. ("Wasatch Recovery") is a for-profit corporation organized, existing, and doing business under the laws of the State of Utah. Its principal place of business is at 220 South 200 East, Suite 110, Salt Lake City, UT 84111. Wasatch Recovery transacts business in this district.

14. Defendant RHK Family Trust ("RHK"), is a trust created and existing under the laws of the State of Utah. RHK transacts business in this district.

15. Defendant David Knudson has a 50% interest in Wasatch Credit, Wasatch Equities, Wasatch Loans, and Wasatch Recovery. He is a trustor and trustee for RHK. Individually or in concert with others, at certain times material to this action, he has formulated, directed, controlled, supervised, and/or participated in the acts and practices of defendants Wasatch Credit, Wasatch Equities, Wasatch Loans, Wasatch Recovery, and RHK, including the acts or practices set forth in this Complaint. He resides and transacts business in this district.

16. Defendant Holly Knudson is the President of Wasatch Credit and has a 50% interest in Wasatch Credit, Wasatch Equities, Wasatch Loans, and Wasatch Recovery. She is a trustor and

trustee for RHK. Individually or in concert with others, at certain times material to this action, she has formulated, directed, controlled, supervised, and/or participated in the acts and practices of defendants Wasatch Credit, Wasatch Equities, Wasatch Loans, Wasatch Recovery, and RHK, including the acts or practices set forth in this Complaint. She resides and transacts business in this district.

17. Defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson are "creditors," as that term is defined in Section 103(f) of TILA, 15 U.S.C. § 1602(f), and Section 226.2(a)(17) of Regulation Z, 12 C.F.R. § 226.2(a)(17), and therefore are required to comply with applicable provisions of TILA, HOEPA, and Regulation Z.

### **Defendants' Business**

18. Since at least October 1, 1995, defendants have maintained a substantial course of trade in offering and extending credit to consumers and others including, but not limited to, HOEPA mortgage loans.

19. Defendants are engaged in business as subprime lenders. Subprime lending refers to the extension of credit to higher risk borrowers. This practice is also commonly referred to as "B/C" or nonconforming credit.

20. Defendants' HOEPA mortgage loans typically include, inter alia, interest rates ranging from 12% to 48% and up-front fees that include loan origination fees ranging from 5% to 25% of the loan amount.

21. In the course of offering and extending credit to consumers, defendants have failed to provide material information required to be disclosed by HOEPA and TILA, included loan terms prohibited by HOEPA, and engaged in unfair or deceptive acts or practices.

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

### **Violations of HOEPA and FTC Act**

#### **COUNT ONE**

##### **(HOEPA Disclosure Violations)**

23. In the course and conduct of offering and making HOEPA mortgage loans, defendants Wasatch Equities, Wasatch Loans, RHK, and Holly Knudson in numerous instances have violated, and continue to violate, the requirements of HOEPA and Regulation Z in the following and other respects by:

(a) failing to disclose in writing the following notice:

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan, in violation of Section 129(a)(1) of TILA, 15 U.S.C. § 1639(a)(1), and Section 226.32(c)(1) of Regulation Z, 12 C.F.R. § 226.32(c)(1);

(b) failing to disclose, or accurately disclose:

(i) the annual percentage rate, in violation of Section 129(a)(2) of TILA, 15 U.S.C. § 1639(a)(2), and Section 226.32(c)(2) of Regulation Z, 12 C.F.R. § 226.32(c)(2); and

(ii) the regular payment amount, in violation of Section 129(a)(2) of TILA, 15 U.S.C. § 1639(a)(2), and Section 226.32(c)(3) of Regulation Z, 12 C.F.R. § 226.32(c)(3); and

(c) failing to make the disclosures described in Paragraph 23(a) and (b) above clearly and conspicuously in writing at least three business days prior to consummation of a HOEPA mortgage loan transaction, in violation of Section 129(b)(1) of TILA, 15 U.S.C. § 1639(b)(1), and Section 226.31(b) and (c)(1) of Regulation Z, 12 C.F.R. § 226.31(b) and (c)(1).

24. By failing to disclose, or accurately disclose, material credit information, as described in Paragraph 23 above, all defendants have engaged, and continue to engage, in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **COUNT TWO**

### **(Denial of HOEPA Waiting Period)**

25. In the course and conduct of offering and making HOEPA mortgage loans, defendants Wasatch Loans and Wasatch Recovery in numerous instances have violated, and continue to violate, the requirements of HOEPA and Regulation Z by modifying, waiving or depriving consumers of the three-day waiting period between delivery of disclosures required by HOEPA and consummation of the transaction without receiving a dated written statement that describes a bona fide personal financial emergency, specifically modifies or waives the waiting period, and bears the signatures of all of the consumers entitled to the waiting period, in violation of Section 129(b)(3) of TILA, 15 U.S.C. § 1639(b)(3), and Section 226.31(c)(1)(iii) of Regulation Z, 12 C.F.R. § 226.31(c)(1)(iii).

26. By improperly modifying, waiving or depriving consumers of the three-day HOEPA waiting period, as described in Paragraph 25 above, defendants Wasatch Loans and Wasatch Recovery have engaged, and continue to engage, in unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **COUNT THREE**

### **(Prohibited Loan Terms)**

27. In the course and conduct of offering and making HOEPA mortgage loans, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson in numerous instances have violated, and continue to violate, the requirements of HOEPA and Regulation Z in the following and other respects by:

(a) including a prohibited "balloon payment" provision, in violation of Section 129(e) of TILA, 15 U.S.C. § 1639(e), and Section 226.32(d)(1) of Regulation Z, 12 C.F.R. § 226.32(d)(1); and

(b) including a prohibited "increased interest rate" provision, in violation of Section 129(d) of TILA, 15 U.S.C. § 1639(d), and Section 226.32(d)(4) of Regulation Z, 12 C.F.R. § 226.32(d)(4).

28. By including prohibited loan terms in HOEPA mortgage loan transactions, as described in Paragraph 27 above, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson have engaged, and continue to engage, in unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Defendant David Knudson directed or controlled Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson, and, therefore, has engaged and continues to engage, in unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

#### **COUNT FOUR**

##### **(Asset-Based Lending)**

29. In the course and conduct of offering and making HOEPA mortgage loans, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson have violated, and continue to violate, the requirements of HOEPA and Regulation Z by engaging in a pattern or practice of extending such credit to a consumer based on the consumer's collateral rather than considering the consumer's current and expected income, current obligations, and employment status to determine whether the consumer is able to make the scheduled payments to repay the obligation, in violation of Section 129(h) of TILA, 15 U.S.C. § 1639(h), and Section 226.32(e)(1) of Regulation Z, 12 C.F.R. § 226.32(e)(1).

30. By engaging in a pattern or practice of making HOEPA mortgage loans without regard to the payment ability of consumers, as described in Paragraph 29 above, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson have engaged, and continue to engage, in unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Defendant David Knudson directed or controlled Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson, and, therefore has engaged and continues to engage, in unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

#### **Violations of TILA and FTC Act**

#### **COUNT FIVE**

##### **(TILA Disclosure Violations)**

31. In the course and conduct of offering and making HOEPA mortgage loans and/or extending other consumer credit, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson in numerous instances have violated, and continue to violate, the requirements of TILA and Regulation Z in the following and other respects by:

(a) failing to make TILA disclosures in writing before consummation of a consumer credit transaction, in violation of Sections 121(a) and 128(b)(1) of TILA, 15 U.S.C. §§ 1631(a) and 1638(b)(1), and Sections 226.17(a) and (b) and 226.18 of Regulation Z, 12 C.F.R. §§ 226.17(a) and (b) and 226.18;

(b) failing to disclose, or accurately disclose, the following information:

(i) the identity of the creditor making the disclosures, in violation of Section 128(a)(1) of TILA, 15 U.S.C. § 1638(a)(1), and Section 226.18(a) of Regulation Z, 12 C.F.R. § 226.18(a);

(ii) the amount financed, in violation of Section 128(a)(2) of TILA, 15 U.S.C. § 1638(a)(2), and Section 226.18(b) of Regulation Z, 12 C.F.R. § 226.18(b);

(iii) the finance charge, in violation of Sections 106 and 128(a)(3) of TILA, 15 U.S.C. §§ 1605 and 1638(a)(3), and Sections 226.4 and 226.18(d) of Regulation Z, 12 C.F.R. §§ 226.4 and 226.18(d);

(iv) the annual percentage rate, in violation of Sections 107 and 128(a)(4) of TILA, 15 U.S.C. §§ 1606 and 1638(a)(4), and Sections 226.18(e) and 226.22 of Regulation Z, 12 C.F.R. §§ 226.18(e) and 226.22;

(v) the payment schedule, in violation of Section 128(a)(6) of TILA, 15 U.S.C. § 1638(a)(6), and Section 226.18(g) of Regulation Z, 12 C.F.R. § 226.18(g);

(vi) the total of payments, in violation of Section 128(a)(5) of TILA, 15 U.S.C. § 1638(a)(5), and Section 226.18(h) of Regulation Z, 12 C.F.R. § 226.18(h);

(vii) whether or not a penalty may be imposed if the obligation is prepaid in full, in violation of Section 128(a)(11) of TILA, 15 U.S.C. § 1638(a)(11), and Section 226.18(k)(1) of Regulation Z, 12 C.F.R. § 226.18(k)(1);

(viii) any dollar or percentage charge that may be imposed before maturity due to a late payment, other than a deferral or extension charge, in violation of Section 128(a)(10) of TILA, 15 U.S.C. § 1638(a)(10), and Section 226.18(l) of Regulation Z, 12 C.F.R. § 226.18(l); and

(ix) the fact that the creditor has or will acquire a security interest in the consumer's principal dwelling, in violation of Section 128(a)(9) of TILA, 15 U.S.C. § 1638(a)(9), and Section 226.18(m) of Regulation Z, 12 C.F.R. § 226.18(m);

(c) failing to provide a separate written itemization of the amount financed, in violation of Section 128(a)(2) of TILA, 15 U.S.C. § 1638(a)(2), and Sections 226.17(a)(1) and 226.18(c) of Regulation Z, 12 C.F.R. §§ 226.17(a)(1) and 226.18(c); and

(d) making consumer credit disclosures that do not reflect the terms of the legal obligation between the parties, in violation of Section 226.17(c)(1) of Regulation Z, 12 C.F.R. § 226.17(c)(1).

32. By failing to disclose, or accurately disclose, material credit information, as described in Paragraph 31 above, all defendants have engaged, and continue to engage, in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **COUNT SIX**

### **(Rescission-Related Violations)**

33. In the course and conduct of offering and making HOEPA mortgage loans and/or extending other consumer credit, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, RHK, and Holly Knudson in numerous instances have violated, and continue to violate, the requirements of TILA and Regulation Z in the following and other respects by:

(a) failing to deliver the required notice of the right to rescind consumer credit transactions in which security interests are or will be retained or acquired in consumers' principal dwellings, in violation of Section 125(a) of TILA, 15 U.S.C. § 1635(a), and Section 226.23(b) of Regulation Z, 12 C.F.R. § 226.23(b);

(b) failing to deliver two copies of the required notice of the right to rescind to each consumer entitled to rescind, in violation of Section 125(a) of TILA, 15 U.S.C. § 1635(a), and Sections 226.17(d) and 226.23(b) of Regulation Z, 12 C.F.R. §§ 226.17(d) and 226.23(b);

(c) disbursing money before the TILA rescission period has expired, in violation of Section 125 of TILA, 15 U.S.C. § 1635, and Section 226.23(c) of Regulation Z, 12 C.F.R. § 226.23(c);

(d) modifying, waiving or depriving consumers of the right to rescind without receiving a dated written statement that describes a bona fide personal financial emergency, specifically modifies or waives the right to rescind, and bears the signatures of all of the consumers entitled to rescind, in violation of Section 125(d) of TILA, 15 U.S.C. § 1635(d), and Section 226.23(e) of Regulation Z, 12 C.F.R. § 226.23(e);

(e) engaging in any of the practices described in Paragraph 32(a) through 32(d) above, thereby depriving consumers of the right to rescind, in violation of Section 125(a) of TILA, 15 U.S.C. § 1635(a), and Section 226.23(a) of Regulation Z, 12 C.F.R. § 226.23(a); and

(f) representing that consumers will be liable for certain monies or property paid in connection with the transaction if they cancel for any reason, in violation of Section 125(b) of TILA, 15 U.S.C. § 1635(b), and Section 226.23(d)(1) of Regulation Z, 12 C.F.R. § 226.23(d)(1).

34. By failing to disclose, or accurately disclose, material information relating to, or making misrepresentations regarding, the TILA right of rescission, as described in Paragraph 33 above, all defendants have engaged, and continue to engage, in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **Violations of TILA**

#### **COUNT SEVEN**

##### **(Record-Keeping Violations)**

35. In the course and conduct of offering and making HOEPA mortgage loans and/or extending other consumer credit, defendants Wasatch Equities, Wasatch Loans, Wasatch Recovery, and Holly Knudson in numerous instances have violated, and continue to violate, the requirements of TILA and Regulation Z by failing to retain evidence of compliance with Regulation Z for two years after the date disclosures are required to be made or action is required to be taken, in violation of Section 226.25(a) of Regulation Z, 12 C.F.R. § 226.25(a).

### **Violations of FTC Act**

#### **COUNT EIGHT**

##### **(Sham Business Loans)**

36. Pursuant to Section 102(a) of TILA, 15 U.S.C. § 1601(a), and Section 226.1(c) of Regulation Z, 12 C.F.R. § 226.1(c), TILA and HOEPA apply to credit, *inter alia*, offered or extended to a consumer primarily for personal, family or household purposes. Pursuant to Section 104(1) of TILA, 15 U.S.C. § 1603(1), and Section 226.3(a)(1) of Regulation Z, 12 C.F.R. § 226.3(a)(1), TILA and HOEPA do not apply to credit transactions involving extensions of credit primarily for business, commercial or agricultural purposes.

37. In the course and conduct of offering and making HOEPA mortgage loans, defendants in numerous instances have directed, and continue to direct, consumers to falsely state in loan applications, as well as business purpose "affidavits," that loans are for business purposes. To induce consumers to make such false statements, defendants have represented, directly or implication, that doing so will expedite the processing of loans, that they are merely a formality, and/or that completing business purpose documents is required for loan approval.

38. By making the representations set forth in Paragraph 37 above, defendants have failed, and continue to fail, to disclose to consumers that, by falsely stating that loans are for business purposes, consumers may lose important rights and protections to which they are entitled under federal and state consumer protection laws, including HOEPA and TILA. This information is material to consumers' decisions to obtain loans from defendants.

39. In the course and conduct of offering and making HOEPA mortgage loans, defendants in numerous instances have completed or altered, and continue to complete or alter, consumers'

loan applications to falsely indicate that loans are for business purposes when, in fact, they are primarily for personal, family or household purposes, thereby depriving consumers of important rights and protections to which they are entitled under federal and state consumer protection laws, including HOEPA and TILA.

40. By directing or requiring consumers to falsely state that loans are for business purposes, failing to disclose the effect of making such false statements, and/or completing or altering consumers' loan applications to falsely state loans are for business purposes, as set forth in Paragraphs 37 through 39 above, defendants have engaged, and continue to engage, in unfair and deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **COUNT NINE**

### **(Spurious Open-End Credit)**

41. Pursuant to Sections 103(aa)(1) and 129(a) of TILA, 15 U.S.C. §§ 1602(aa)(1) and 1639(a), and Section 226.32(a)(2)(iii) of Regulation Z, 12 C.F.R. § 226.32(a)(2)(iii), HOEPA does not apply to open-end credit plans.

42. In the course and conduct of offering and making HOEPA mortgage loans, defendant Wasatch Equities has represented, and continues to represent, to consumers that the credit offered and extended by defendant Wasatch Equities is open-end credit.

43. In truth and in fact, in numerous instances the credit extended by defendant Wasatch Equities is not open-end credit. On the contrary, the transactions involve extensions of closed-end credit subject to HOEPA.

44. By falsely representing to consumers that the credit offered and extended by defendant Wasatch Equities is open-end credit, as set forth in Paragraphs 42 and 43 above, defendant Wasatch Equities has engaged, and continues to engage, in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **Injury**

45. Consumers have suffered, and will continue to suffer, substantial injury as a result of defendants' violations of HOEPA, TILA, and Section 5(a) of the FTC Act, as set forth above.

### **This Court's Power to Grant Relief**

46. This Court has authority pursuant to Section 13(b) of the FTC Act, 15 U.S.C.

§ 53(b), Section 108(c) of TILA, 15 U.S.C. § 1607(c), and its own inherent equitable powers, to grant injunctive relief to prevent and remedy violations of any provision of law enforced by the Commission. Defendants' violations of HOEPA, TILA, and Section 5(a) of the FTC Act have injured consumers and, absent injunctive and other relief by this Court, are likely to continue to injure consumers and harm the public interest.

## **Request for Relief**

WHEREFORE, plaintiff respectfully requests that this Court, as authorized by Sections 5(a) and 13(b) of the FTC Act, 15 U.S.C. §§ 45(a) and 53(b), Section 108(c) of TILA, 15 U.S.C. § 1607(c), and pursuant to its own inherent equitable powers:

- (1) Enter judgment against defendants and in favor of plaintiff for each violation charged in the Complaint;
- (2) Permanently enjoin and restrain defendants from violating any provision of HOEPA, TILA, and Regulation Z, and, in connection with offering or extending credit, Section 5(a) of the FTC Act;
- (3) Find the defendants jointly and severally liable for redress to all consumers who were injured as a result of defendants' violations of HOEPA, TILA, Regulation Z, and/or Section 5(a) of the FTC Act;
- (4) Award such relief as the Court deems necessary to prevent unjust enrichment and to redress consumer injury resulting from defendants' violations of HOEPA, TILA, Regulation Z, and/or Section 5(a) of the FTC Act including, but not limited to, rescission or reformation of contracts, refund of monies paid, and/or disgorgement of ill-gotten gains; and
- (5) Award plaintiff its costs of bringing this action, as well as such other additional equitable relief as the Court may determine to be just and proper.

Respectfully submitted,

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Dated: \_\_\_\_\_, 1999