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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
SANTA ANA

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

17 FEDERAL TRADE COMMISSION,

18 Plaintiff,

19 v.
20

21 AMERICAN FINANCIAL SUPPORT
22 SERVICES INC.,

23 ARETE FINANCIAL GROUP, a
24 corporation, also d/b/a Arete Financial
25 Freedom,

26 ARETE FINANCIAL GROUP LLC,
27

28 CBC CONGLOMERATE LLC, also

Civ. No. SACV 19 - 02109 JVS (ADSx)

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

FILED UNDER SEAL

1 d/b/a 1file.org,

2 DIAMOND CHOICE INC., also d/b/a
3 Interest Rate Solutions,

4 J&L ENTERPRISE LLC, also d/b/a
5 Premier Solutions Servicing,

6 LA CASA BONITA INVESTMENTS,
7 INC., f/k/a La Casa Bonita Investments
8 LLC, also d/b/a Education Loan
9 Network, also d/b/a Edunet,

10 US FINANCIAL FREEDOM CENTER,
11 INC., a corporation,

12 CAREY G. HOWE, individually and as
13 an officer or manager of Arete Financial
14 Group; Arete Financial Group LLC;
15 CBC Conglomerate LLC; and La Casa
Bonita Investments, Inc.,

16 ANNA C. HOWE, individually and as
17 an officer of CBC Conglomerate LLC,

18 SHUNMIN "MIKE" HSU, individually
19 and as an officer or manager of Arete
20 Financial Group; Arete Financial Group
21 LLC; CBC Conglomerate LLC; and La
Casa Bonita Investment, Inc.,

22 RUDDY PALACIOS a/k/a RUDDY
23 BARAHONA, individually and as an
24 officer of Arete Financial Group; Arete
25 Financial Group LLC; and Diamond
Choice Inc.,

26
27 OLIVER POMAZI, individually and as
28 an officer or director of Arete Financial
Group; Arete Financial Group LLC; and

1 J&L Enterprise LLC, and
2 JAY SINGH, individually and as an
3 officer of American Financial Support
4 Services Inc. and US Financial Freedom
5 Center Inc.,
6 Defendants,
7 MJ WEALTH SOLUTIONS, LLC,
8 Relief Defendant.
9

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

12 1. The FTC brings this action under Sections 13(b) and 19 of the Federal
13 Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the
14 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing
15 Act”), 15 U.S.C. §§ 6101–6108, to obtain temporary, preliminary, and permanent
16 injunctive relief, rescission or reformation of contracts, restitution, the refund of
17 monies paid, disgorgement of ill-gotten monies, and other equitable relief for
18 Defendants’ acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
19 § 45(a), and the FTC’s Telemarketing Sales Rule (“TSR”), 16 C.F.R. pt. 310, in
20 connection with Defendants’ ongoing deceptive marketing and sale of student loan
21 debt relief services.

22 2. Since at least April 2014, Defendants have operated an unlawful debt
23 relief scheme that preys on consumers with student loan debt. Defendants promise
24 consumers that, in exchange for the payment of an upfront fee and subsequent
25 monthly fees, Defendants will reduce consumers’ monthly student loan payments
26 or eliminate all, or a substantial portion of, their federal student loan debt by
27 enrolling consumers in student loan forgiveness, consolidation, or repayment
28 programs. In numerous instances, however, Defendants fail to reduce or eliminate

1 consumers' loan balances or monthly loan payments. Defendants also break their
2 promises that they will apply consumers' monthly fee payments to Defendants
3 toward the consumers' loans and assume responsibility for servicing those loans,
4 leaving consumers on the hook for adverse consequences like increased interest
5 and delinquency. As a result, consumers who already struggle to pay their student
6 loans lose even more money to Defendants. Since the beginning of their scheme,
7 Defendants have pocketed at least \$43 million in revenues from consumers.

8 **JURISDICTION AND VENUE**

9 3. This Court has subject matter jurisdiction pursuant to 28 U.S.C.
10 §§ 1331, 1337(a), and 1345.

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

13 **PLAINTIFF**

14 5. The FTC is an independent agency of the United States government
15 created by statute. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC
16 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
17 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§
18 6101–6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces
19 the TSR, 16 C.F.R. pt. 310, which prohibits deceptive or abusive telemarketing acts
20 or practices.

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

1 **DEFENDANTS**

2 **Corporate Defendants**

3 7. Defendant **American Financial Support Services Inc.** (“AFSS”) is a
4 Delaware corporation with its current principal place of business at 500 Ygnacio
5 Valley Road, Suite 430, Walnut Creek, CA 94596. At all times material to this
6 Complaint, acting alone or in concert with others, or as part of the common
7 enterprise described in Paragraph 22, AFSS has advertised, marketed, offered to
8 provide, sold, or provided student loan debt relief services to consumers in this
9 District and throughout the United States.

10 8. Defendant **Arete Financial Group, also doing business as Arete**
11 **Financial Freedom** (“Arete Financial Freedom”), is a California corporation with
12 its current principal place of business at 1261 East Dyer Road, Suite 100, Santa
13 Ana, CA 92705. From approximately June to August 2017, Arete Financial
14 Freedom also listed its principal place of business in California Secretary of State
15 filings as 5772 Bolsa Avenue, Suite 220, Huntington Beach, CA 92649. At all
16 times material to this Complaint, acting alone or in concert with others, or as part
17 of the common enterprise described in Paragraph 22, Arete Financial Freedom has
18 advertised, marketed, offered to provide, sold, or provided student loan debt relief
19 services to consumers in this District and throughout the United States.

20 9. Defendant **Arete Financial Group LLC** is a California limited
21 liability company with its principal place of business listed in California Secretary
22 of State filings as 1261 East Dyer Road, Suite 100, Santa Ana, CA 92705. Arete
23 Financial Group LLC sometimes also does business as Arete Financial Freedom.
24 Arete Financial Group LLC has also operated under the name Arete Finacial [sic]
25 Group LLC, a California limited liability company that was registered with the
26 California Secretary of State on or about February 15, 2017, and dissolved on or
27 about March 26, 2018. At all times material to this Complaint, acting alone or in
28 concert with others, or as part of the common enterprise described in Paragraph 22,

1 Arete Financial Group LLC has advertised, marketed, offered to provide, sold, or
2 provided student loan debt relief services to consumers in this District and
3 throughout the United States.

4 10. Defendant **CBC Conglomerate LLC, also doing business as**
5 **1file.org** (“1file.org”), is or was a California limited liability company with its
6 principal place of business at 1261 East Dyer Road, Suite 100, Santa Ana, CA
7 92705. 1file.org has also represented, in documents filed with the California
8 Secretary of State, that its principal place of business is or was 5862 Bolsa Avenue,
9 Suite 102, Huntington Beach, CA 92649. 1file.org’s corporate status is currently
10 listed as “FTB [Franchise Tax Board] Suspended” on the California Secretary of
11 State’s website. At all times material to this Complaint, acting alone or in concert
12 with others, or as part of the common enterprise described in Paragraph 22,
13 1file.org has advertised, marketed, offered to provide, sold, or provided student
14 loan debt relief services to consumers in this District and throughout the United
15 States.

16 11. Defendant **Diamond Choice Inc., also doing business as Interest**
17 **Rate Solutions** (“Diamond Choice”), is a California corporation with its principal
18 place of business at 1261 East Dyer Road, Suite 250, Santa Ana, CA 92705.
19 Individual Defendant Palacios is the owner, and serves as chief executive officer,
20 chief financial officer, and director, of Diamond Choice. Diamond Choice has held
21 an ownership interest in Arete Finacial [sic] Group, LLC. At all times material to
22 this Complaint, acting alone or in concert with others, or as part of the common
23 enterprise described in Paragraph 22, Diamond Choice has advertised, marketed,
24 offered to provide, sold, or provided student loan debt relief services to consumers
25 in this District and throughout the United States.

26 12. Defendant **J&L Enterprise LLC, also doing business as Premier**
27 **Solutions Servicing** (“PSS”), is a Delaware limited liability company with its
28 registered address and principal place of business at 18001 Sky Park Circle, Suites

1 L–M, Irvine, CA 92614. At all times material to this Complaint, acting alone or in
2 concert with others, or as part of the common enterprise described in Paragraph 22,
3 PSS has advertised, marketed, offered to provide, sold, or provided student loan
4 debt relief services to consumers in this District and throughout the United States.

5 13. Defendant **La Casa Bonita Investments, Inc.**, formerly known as La
6 Casa Bonita Investments LLC, also doing business as Education Loan Network,
7 also doing business as Edunet (collectively, “La Casa Bonita”), is a California
8 corporation with its current principal place of business at 5772 Bolsa Avenue, Suite
9 220, Huntington Beach, CA 92649. La Casa Bonita Investments, Inc. is the
10 corporate successor to La Casa Bonita Investments LLC, which was a California
11 limited liability company that conducted business at 5862 Bolsa Avenue, Suite 102,
12 Huntington Beach, CA 92649. On or about August 1, 2016, La Casa Bonita
13 Investments LLC filed an Articles of Incorporation with Statement of Conversion
14 with the California Secretary of State and thereby converted into Defendant La
15 Casa Bonita Investments, Inc. At all times material to this Complaint, acting alone
16 or in concert with others, or as part of the common enterprise described in
17 Paragraph 22, La Casa Bonita has advertised, marketed, offered to provide, sold, or
18 provided student loan debt relief services to consumers in this District and
19 throughout the United States.

20 14. Defendant **US Financial Freedom Center, Inc.** (“USFFC”) is a
21 Delaware corporation with its current principal place of business at 500 Ygnacio
22 Valley Road, Suite 430, Walnut Creek, CA 94596. At all times material to this
23 Complaint, acting alone or in concert with others, or as part of the common
24 enterprise described in Paragraph 22, USFFC has advertised, marketed, offered to
25 provide, sold, or provided student loan debt relief services to consumers in this
26 District and throughout the United States.

Individual Defendants

1
2 15. Defendant **Carey G. Howe** (“Mr. Howe”) holds himself out as the
3 president and an owner of Arete Financial Freedom and Arete Financial Group
4 LLC, as a manager of 1file.org, and as the chief executive officer and sole director
5 of La Casa Bonita. At all times material to this Complaint, acting alone or in
6 concert with others, Mr. Howe has formulated, directed, controlled, had the
7 authority to control, or participated in the acts and practices of the Corporate
8 Defendants, including the acts and practices set forth in this Complaint. For
9 example, Mr. Howe has responded to consumer complaints about 1file.org lodged
10 with the Better Business Bureau (“BBB”), and has signatory authority on
11 Corporate Defendants’ bank accounts. Mr. Howe resides in this District and, in
12 connection with the matters alleged herein, transacts or has transacted business in
13 this District and throughout the United States.

14 16. Defendant **Anna C. Howe** (“Ms. Howe”) holds herself out as the
15 chief operating officer and a manager of 1file.org. At all times material to this
16 Complaint, acting alone or in concert with others, Ms. Howe has formulated,
17 directed, controlled, had the authority to control, or participated in the acts and
18 practices of the Corporate Defendants, including the acts and practices set forth in
19 this Complaint. For example, Ms. Howe has responded to consumer complaints
20 about 1file.org lodged with the BBB and has represented that she handles refunds,
21 chargebacks, and sales-related issues for Defendants. Ms. Howe resides in this
22 District and, in connection with the matters alleged herein, transacts or has
23 transacted business in this District and throughout the United States.

24 17. Defendant **Shunmin Hsu, also known as Mike Hsu**, holds himself
25 out as the secretary, chief financial officer, and a director of Arete Financial
26 Freedom, as a manager of Arete Financial Group LLC and 1file.org, and as the
27 chief financial officer of La Casa Bonita. At all times material to this Complaint,
28 acting alone or in concert with others, Mr. Hsu has formulated, directed,

1 controlled, had the authority to control, or participated in the acts and practices of
2 the Corporate Defendants, including the acts and practices set forth in this
3 Complaint. For example, Mr. Hsu has signatory authority on Corporate
4 Defendants' bank accounts, has opened a payment processing account using a
5 Corporate Defendant's email address, and has participated in marketing, sales, and
6 chargeback reduction strategies for Corporate Defendants. Mr. Hsu resides in this
7 District and, in connection with the matters alleged herein, transacts or has
8 transacted business in this District and throughout the United States.

9 18. Defendant **Ruddy Palacios, also known as Ruddy Barahona**
10 ("Palacios"), holds himself out as the chief operating officer, an owner, and a
11 director of Arete Financial Freedom; as the chief executive officer of Arete
12 Financial Group LLC; and as chief executive officer, chief financial officer, and
13 director of Diamond Choice. At all times material to this Complaint, acting alone
14 or in concert with others, Mr. Palacios has formulated, directed, controlled, had the
15 authority to control, or participated in the acts and practices of the Corporate
16 Defendants, including the acts and practices set forth in this Complaint. For
17 example, Mr. Palacios has signatory authority on Corporate Defendants' bank
18 accounts, has opened a payment account using a Corporate Defendant's email
19 address, and has registered at least one web domain associated with Corporate
20 Defendants. Mr. Palacios resides within this District and, in connection with the
21 matters alleged herein, transacts or has transacted business in this District and
22 throughout the United States.

23 19. Defendant **Oliver Pomazi** holds himself out as the sole owner of PSS,
24 the chief executive officer of Arete Financial Freedom, and has held himself out as
25 a director of Arete Finacial [sic] Group, LLC. At all times material to this
26 Complaint, acting alone or in concert with others, Mr. Pomazi has formulated,
27 directed, controlled, had the authority to control, or participated in the acts and
28 practices of the Corporate Defendants, including the acts and practices set forth in

1 **COMMON ENTERPRISE**

2 22. Defendants AFSS, Arete Financial Freedom, Arete Financial Group
3 LLC, 1file.org, Diamond Choice, PSS, La Casa Bonita, and USFFC (collectively,
4 “Corporate Defendants”) operate as a common enterprise while engaging in the
5 deceptive acts and practices alleged below. Corporate Defendants conduct the
6 business practices described below through an interrelated network of companies
7 that have common ownership, identities, officers, managers, business functions,
8 employees, and office locations, that commingle funds, and that use common
9 contracts. Because these Corporate Defendants operate as a common enterprise,
10 each of them is jointly and severally liable for the acts and practices alleged below.
11 Furthermore, Defendants Carey G. Howe, Anna C. Howe, Shunmin Hsu, Ruddy
12 Palacios, Oliver Pomazi, and Jay Singh (collectively, “Individual Defendants”)
13 formulate, direct, control, have the authority to control, or participate in the acts
14 and practices of the Corporate Defendants that constitute the common enterprise.

15 **COMMERCE**

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

19 **DEFENDANTS’ DECEPTIVE STUDENT LOAN DEBT RELIEF SCHEME**

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

21 24. Student loan debt is the second largest class of consumer debt in the
22 United States; more than 42 million Americans collectively owe nearly \$1.5 trillion
23 in student loan debt. The student loan market shows elevated levels of distress,
24 such as delinquency and default, relative to other types of consumer debt.

25 25. To address this mounting level of distressed debt, the Department of
26 Education (“ED”) and state government agencies administer a limited number of
27 student loan forgiveness and discharge programs. Most consumers, however, are
28 not eligible for these programs because of strict eligibility requirements. For

1 example, one program requires the consumer to demonstrate a total and permanent
2 disability; another applies only to consumers whose school closed while the
3 consumer was still enrolled. A third program, the Borrower Defense to Repayment
4 (“BDR”), may provide a loan discharge if the school, through an act or omission,
5 violated state law directly related to the borrower’s federal student loan or to the
6 educational services for which the loan was provided.

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

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

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

26 29. Consumers can apply for BDR, PSLF, IDR, and other loan repayment
27 and forgiveness or discharge programs through ED or their student loan servicers
28

1 at no cost; these programs do not require the assistance of a third-party company or
2 payment of application fees.

3 30. ED will grant forbearance or deferment while processing applications
4 for an alternative repayment plan, and in some cases of hardship. During
5 forbearance, and, under some circumstances, during deferment, unpaid interest is
6 added to the principal balance.

7 **Defendants' Deceptive Marketing of Student Loan Debt Relief Services**

8 31. Defendants promise to enroll consumers in student loan forgiveness,
9 consolidation, and repayment programs to reduce or eliminate their monthly
10 payments and principal balances. Defendants make these claims in radio and
11 television advertisements, on the Internet, and in telemarketing calls. In some
12 instances, in response to the Defendants' marketing materials, consumers call
13 Defendants for more information. In other instances, Defendants' telemarketers, or
14 third-party telemarketers working on Defendants' behalf, make unsolicited
15 outbound calls to consumers to offer Defendants' services and convince consumers
16 to sign up with Defendants.

17 32. In both inbound and outbound telemarketing calls, and in public-
18 facing statements, Defendants make at least four types of deceptive claims: (1)
19 consumers who purchase Defendants' services will have their monthly student loan
20 payments reduced to a lower, specific amount or have their loan balances forgiven
21 in whole or in part; (2) most or all of consumers' monthly fee payments to
22 Defendants will be applied toward consumers' student loans; (3) Defendants will
23 assume responsibility for servicing consumers' student loans; and (4) Defendants
24 are affiliated or work directly with ED or one of ED's authorized loan servicers.

25 **Defendants' Deceptive Payment Reduction Representations**

26 33. Defendants' telemarketers inform consumers that Defendants can
27 enroll them in programs such as BDR, PSLF, or IDR to lower their monthly
28 payments or loan balances. Defendants' representatives further tell consumers that

1 Defendants will obtain a reduction in the consumer's monthly loan payment, or
2 save the consumer a specific amount of money, if the consumer purchases
3 Defendants' services. In some instances, Defendants promise consumers that their
4 entire loan balances will be forgiven after the consumer makes lower monthly
5 payments for a specified period of time, anywhere from three to ten years.

6 34. In fact, Defendants fail to deliver the benefits they promise.

7 Consumers consistently report that Defendants do not reduce consumers' monthly
8 loan payments or cause loan balances to be forgiven. Instead, Defendants often
9 merely contact a consumer's loan servicer to place the consumer's loans into
10 temporary forbearance or deferment status, without the consumer's authorization
11 or knowledge.

12 35. During forbearance, borrowers are temporarily relieved of the
13 obligation to make monthly payments, but interest continues to accrue on their
14 loans and is added to the principal balance. During deferment, borrowers are
15 relieved of making monthly payments and of paying interest on some federal loans,
16 but must pay interest on others. Thus, if a consumer's loan is placed into
17 forbearance or deferment status, the consumer's loan balance increases while
18 Defendants continue to collect the consumer's monthly fees. In numerous
19 instances, consumers end up owing substantially more on their student loans after
20 signing up and paying for Defendants' services.

21 36. Even when Defendants enroll consumers in programs such as BDR,
22 PSLF, or IDR, or consolidate consumers' loans, such consumers do not realize the
23 savings or reduction in payments that Defendants promise. Furthermore, on IDR
24 applications, Defendants frequently misstate borrowers' family sizes or indicate
25 that borrowers do not have access to their spouses' income, even though they share
26 bank accounts and file taxes jointly. Defendants do so in an effort to obtain for
27 borrowers a larger reduction in payments than the borrowers would otherwise
28 qualify for under ED regulations.

1 **Defendants' Payment and Servicing Misrepresentations**

2 37. Defendants frequently represent that they will apply the monthly fees
3 that consumers pay Defendants towards consumers' student loan debt. In numerous
4 instances, however, Defendants do not send such payments to consumers' student
5 loan servicers. Instead, Defendants collect and retain consumers' payments to
6 enrich themselves.

7 38. Furthermore, Defendants frequently represent that they will assume
8 responsibility for servicing consumers' student loans, and that consumers should
9 stop paying their loan servicers and instead make their loan payments to
10 Defendants. Defendants, however, are not federal loan servicers and, despite their
11 representations to consumers, have not taken over or purchased consumers' student
12 loans. Defendants do not, in fact, service consumers' student loans or make
13 payments on their behalves. As a result, consumers' loan balances increase with
14 accumulated interest. In addition, many consumers' loans become delinquent, and
15 some consumers have been placed in default status and their income tax refunds
16 have been garnished.

17 **Defendants' Government Affiliation Misrepresentations**

18 39. On their telemarketing calls with consumers, Defendants state or
19 imply that they are affiliated, or work directly, with ED or its authorized servicers.
20 For example, Defendants have stated that because they have a "better, more direct
21 relationship" with ED than do its servicers, they can secure better repayment terms
22 than consumers could obtain through their servicers. Defendants have also directly
23 confirmed, in response to consumers' questions, that they work directly with ED.

24 40. In fact, Defendants' representations in Paragraph 39 are false.
25 Defendants are not affiliated with, and do not work directly with, ED or one of
26 ED's authorized loan servicers. Defendants themselves are not authorized loan
27 servicers or affiliated with or approved by ED in any manner.

28

Materiality

1
2 41. Based on Defendants' representations, consumers believe that
3 Defendants will enroll them in programs that will reduce their monthly loan
4 payments or loan balances; that Defendants will take responsibility for servicing
5 the consumers' student loans and obtain for the consumers reductions in loan
6 payments or balances; that Defendants will apply consumers' monthly fee
7 payments to Defendants toward the consumers' loan balances; and that Defendants
8 are affiliated, or work directly, with ED or its authorized loan servicers. Relying on
9 these representations, consumers purchase the services that Defendants offer.

Defendants' Upfront and Monthly Fees

10
11 42. Defendants charge an upfront fee when consumers agree to their
12 services. These upfront fees range from approximately \$500 to as high as \$1,800.

13 43. Defendants require that consumers pay at least part of the upfront fee
14 before they perform any work on consumers' behalf. As Ms. Howe admitted in
15 answering a complaint about 1 file.org submitted to the BBB, "We do NOT start
16 any work on a file until the first payment is made by the client." Similarly,
17 Defendants' standard-form contract states: "Following receipt of all necessary
18 information from Client and the first payment has been made, [Defendants']
19 Services will commence." Sometimes, when consumers are unable to pay the full
20 upfront fee, Defendants offer to break it into monthly installments or to allow a
21 postdated payment. In at least one instance, Defendants have also worked with a
22 third-party company to offer a separate loan to cover the upfront fee—thereby
23 piling another loan onto a consumer's existing student loans.

24 44. In addition to the upfront fee, Defendants charge a monthly fee for
25 their purported services, typically ranging from \$19 to \$49.

Defendants' Tactics to Perpetuate Their Unlawful Scheme

26
27 45. Defendants employ additional deceptive tactics to string consumers
28 along and prevent consumers from learning of Defendants' deception. For

1 example, Defendants induce consumers to sign a power of attorney form during the
2 signup process. Often relying on the power of attorney form, Defendants then
3 change consumers' login names and passwords on the federal student aid website,
4 and also change the email addresses consumers have registered with their loan
5 servicers to domains associated with Defendants. As a result, consumers stop
6 receiving correspondence from their loan servicers and ED and temporarily lose
7 access to their own loan information. Consumers often discover that they have
8 been scammed only after talking to their actual loan servicer and realizing that
9 Defendants have been making no payments to the servicer, while pocketing
10 consumers' payments for themselves. When consumers ask for their money back,
11 Defendants often refuse to issue full refunds, and will only issue a partial refund or
12 no refund at all.

13 46. Defendants also require consumers to sign "service agreements" that
14 are substantially identical in content and format. These standard-form contracts
15 contain terms that were not discussed with consumers during the Defendants' sales
16 pitches, or that directly contradict Defendants' marketing materials or statements
17 made to consumers during their calls with Defendants' representatives. For
18 example, although Defendants represent in telemarketing calls that they are
19 affiliated with ED, the form contract states, in the middle of dense text, that
20 Defendants are not affiliated with a government agency.

21 47. Consumers are often unable to spot these contradictions because
22 Defendants rush consumers through the process of signing up by creating a sense
23 of urgency. Defendants often require consumers to electronically sign forms during
24 their phone call with Defendants, without affording consumers adequate time to
25 consider the forms' language. In some cases, Defendants require consumers to
26 review and sign Defendants' multi-page service agreement on consumers' mobile
27 phones. The electronic forms use a hard-to-read font and jump from one signature
28 line to another without a meaningful opportunity for review.

1 **Ongoing Unlawful Conduct**

2 48. Based on the facts and violations of law alleged in this Complaint, the
3 FTC has reason to believe that Defendants are violating or are about to violate laws
4 enforced by the Commission.

5 **THE FTC ACT**

6 49. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
7 deceptive acts or practices in or affecting commerce.”

8 50. Misrepresentations or deceptive omissions of material fact constitute
9 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

10 **VIOLATIONS OF THE FTC ACT**

11 **Count I**

12 **Deceptive Student Loan Debt Relief Representations**

13 51. In numerous instances in connection with the advertising, marketing,
14 promotion, offering for sale, or sale of student loan debt relief services, Defendants
15 represent, directly or indirectly, expressly or by implication, that:

16 a. consumers who purchase Defendants’ services generally will
17 have their monthly payments reduced or their loan balances forgiven in
18 whole or in part;

19 b. most or all of consumers’ monthly fee payments to Defendants
20 will be applied toward consumers’ student loans;

21 c. Defendants will assume responsibility for servicing consumers’
22 student loans; and

23 d. Defendants are affiliated or work directly with ED or one of
24 ED’s authorized loan servicers.

25 52. In truth and in fact, in numerous instances in which Defendants make
26 the representations set forth in paragraph 51 of this Complaint, such
27 representations are false or not substantiated at the time Defendants make them.

1 53. Therefore, Defendants’ representations as set forth in paragraph 51 of
2 this Complaint are false or misleading and constitute deceptive acts or practices in
3 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

4 **THE TELEMARKETING SALES RULE**

5 54. In 1994, Congress directed the FTC to prescribe rules prohibiting
6 abusive and deceptive telemarketing acts or practices pursuant to the
7 Telemarketing Act, 15 U.S.C. §§ 6101–6108. The FTC adopted the original TSR in
8 1995, extensively amended it in 2003, and amended certain provisions thereafter.
9 16 C.F.R. pt. 310.

10 55. Defendants are “seller[s]” or “telemarketer[s]” engaged in
11 “telemarketing” as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A
12 “seller” means any person who, in connection with a telemarketing transaction,
13 provides, offers to provide, or arranges for others to provide goods or services to
14 the customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A
15 “telemarketer” means any person who, in connection with telemarketing, initiates
16 or receives telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).
17 “Telemarketing” means a plan, program, or campaign which is conducted to induce
18 the purchase of goods or services or a charitable contribution, by use of one or
19 more telephones and which involves more than one interstate telephone call. 16
20 C.F.R. § 310.2(gg).

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

1 57. The TSR prohibits sellers and telemarketers from requesting or
2 receiving payment of any fees or consideration for any debt relief service until and
3 unless:

4 (A) The seller or telemarketer has renegotiated, settled, reduced, or
5 otherwise altered the terms of at least one debt pursuant to a settlement
6 agreement, debt management plan, or other such valid contractual agreement
7 executed by the customer;

8 (B) The customer has made at least one payment pursuant to that settlement
9 agreement, debt management plan, or other valid contractual agreement
10 between the customer and the creditor or debt collector; and

11 (C) To the extent that debts enrolled in a service are renegotiated, settled,
12 reduced, or otherwise altered individually, the fee or consideration either:

13 (1) Bears the same proportional relationship to the total fee for
14 renegotiating, settling, reducing, or altering the terms of the entire
15 debt balance as the individual debt amount bears to the entire debt
16 amount. The individual debt amount and the entire debt amount are
17 those owed at the time the debt was enrolled in the service; or

18 (2) Is a percentage of the amount saved as a result of the
19 renegotiation, settlement, reduction, or alteration. The percentage
20 charged cannot change from one individual debt to another. The
21 amount saved is the difference between the amount owed at the time
22 the debt was enrolled in the service and the amount actually paid to
23 satisfy the debt.

24 16 C.F.R. § 310.4(a)(5)(i).

25 58. The TSR prohibits sellers and telemarketers from misrepresenting,
26 directly or by implication, a seller's or telemarketer's affiliation with, or
27 endorsement or sponsorship by, any person or government entity. 16 C.F.R. §
28 310.3(a)(2)(vii).

1 59. The TSR prohibits sellers and telemarketers from misrepresenting,
2 directly or by implication, any material aspect of any debt relief service, including,
3 but not limited to, the amount of money or the percentage of the debt amount that a
4 customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).

5 60. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §
6 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of
7 the TSR constitutes an unfair or deceptive act or practice in or affecting commerce,
8 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

9 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

10 **Count II**

11 **Advance Fee for Debt Relief Services**

12 61. In numerous instances, in connection with the telemarketing of
13 student loan debt relief services, Defendants request or receive payment of a fee or
14 consideration for debt relief services before:

15 a. Defendants have renegotiated, settled, reduced, or otherwise
16 altered the terms of at least one debt pursuant to a settlement agreement,
17 debt management plan, or other such valid contractual agreement executed
18 by the customer; and

19 b. The customer has made at least one payment pursuant to that
20 settlement agreement, debt management plan, or other valid contractual
21 agreement between the customer and the creditor.

22 62. Defendants' acts or practices, as described in paragraph 61 of this
23 Complaint, violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

24 **Count III**

25 **Misrepresentation of Affiliation**

26 63. In numerous instances, in connection with the telemarketing of
27 student loan debt relief services, Defendants misrepresent, directly or indirectly,
28

1 expressly or by implication, that Defendants are affiliated with, or endorsed or
2 sponsored by, the government or the U.S. Department of Education.

3 64. Defendants' acts and practices, as described in paragraph 63 of this
4 Complaint, violate Section 310.3(a)(2)(vii) of the TSR, 16 C.F.R.
5 § 310.3(a)(2)(vii).

6 **Count IV**

7 **Material Debt Relief Misrepresentations**

8 65. In numerous instances, in connection with the telemarketing of
9 student loan debt relief services, Defendants misrepresent, directly or indirectly,
10 expressly or by implication, material aspects of their debt relief services, including
11 that:

12 a. consumers who purchase Defendants' services generally will
13 have their monthly payments reduced or their loan balances forgiven in
14 whole or in part;

15 b. most or all of consumers' monthly fee payments to Defendants
16 will be applied toward consumers' student loans; and

17 c. Defendants will assume responsibility for servicing consumers'
18 student loans.

19 66. Defendants' acts and practices, as described in paragraph 65 of this
20 Complaint, violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).

21 **Count V**

22 **Relief Defendant**

23 67. Relief Defendant MJ Wealth Solutions has received, directly or
24 indirectly, funds and other assets from Defendants that are traceable to funds
25 obtained from Defendants' customers through the deceptive acts or practices
26 described herein.

27 68. Relief Defendant is not a bona fide purchaser with legal and equitable
28 title to Defendants' customers' funds and other assets, and Relief Defendant will be

1 unjustly enriched if it is not required to disgorge the funds or the value of the
2 benefit it received as a result of Defendants' deceptive acts or practices.

3 69. By reason of the foregoing, Relief Defendant holds funds and assets in
4 constructive trust for the benefit of Defendants' customers.

5 **CONSUMER INJURY**

6 70. Consumers are suffering, have suffered, and will continue to suffer
7 substantial injury as a result of Defendants' violations of the FTC Act and the TSR.
8 In addition, Defendants have been unjustly enriched as a result of their unlawful
9 acts or practices. Absent injunctive relief by this Court, Defendants are likely to
10 continue to injure consumers, reap unjust enrichment, and harm the public interest.

11 **THIS COURT'S POWER TO GRANT RELIEF**

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

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

24 **PRAYER FOR RELIEF**

25 Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act,
26 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C. §
27 6105(b), and the Court's own equitable powers, requests that the Court:
28

1 A. Award Plaintiff such preliminary injunctive and ancillary relief as
2 may be necessary to avert the likelihood of consumer injury during the pendency
3 of this action and to preserve the possibility of effective final relief, including a
4 temporary restraining order and preliminary injunction, an order freezing assets,
5 appointment of a receiver, immediate access to premises, an evidence preservation
6 order, and expedited discovery;

7 B. Enter a permanent injunction to prevent future violations of the FTC
8 Act and the TSR;

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

13 D. Enter an order requiring Relief Defendant to disgorge all funds and
14 assets, or the value of the benefit it received from the funds and assets, which are
15 traceable to Defendants' deceptive acts or practices; and

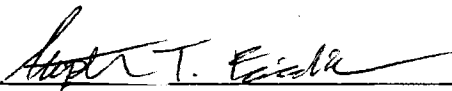
16 E. Award Plaintiff the costs of bringing this action, as well as such other
17 and additional relief as the Court may determine to be just and proper.

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Respectfully submitted,

Dated: November 4, 2019

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