

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

*Federal Trade Commission v.*  
*SL Finance LLC, et. al..*  
U.S. District Court (C.D. Cal.) Case No. 8:23-cv-00698-JWH (ADSx)

**PRELIMINARY REPORT OF TEMPORARY RECEIVER**

Thomas W. McNamara  
Regulatory Resolutions  
655 West Broadway, Suite 900  
San Diego, California 92101  
Telephone: 619-269-0400  
Facsimile: 619-269-0401  
*Temporary Receiver*

**TABLE OF CONTENTS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

I. INTRODUCTION..... 1

II. STEPS TAKEN TO IMPLEMENT TRO..... 2

    A. Additional Receivership Entity..... 2

    B. Immediate Access ..... 3

        1. 12900B Garden Grove Blvd., Suite 170, Garden Grove, California ..... 3

        2. 9480 S. Eastern Avenue, Suite 269, Las Vegas, Nevada ..... 4

    C. Documents/Information/Electronic Data ..... 4

    D. Asset Freeze ..... 5

    E. Notice to Consumers ..... 5

    F. Bond ..... 6

III. ASSETS AND LIABILITIES OF RECEIVERSHIP ENTITIES ..... 6

    A. Bank Accounts ..... 6

    B. Other Assets ..... 6

    C. Liabilities..... 7

    D. Accounting ..... 7

IV. FUTURE STEPS TO PRESERVE AND PURSUE ASSETS..... 7

V. DEFENDANTS’ STUDENT LOAN DEBT RELIEF BUSINESS ..... 8

    A. Common Enterprise ..... 8

    B. Student Loan Debt Relief Operations ..... 8

        1. Leads ..... 10

        2. Initial Sales Call and Pitch to Consumer ..... 10

        3. Processing ..... 12

        4. Refunds and Cancellations ..... 14

VI. CAN THE BUSINESSES BE OPERATED LAWFULLY AND PROFITABLY?..... 15

    A. Defendants Took Unlawful Advance Fees ..... 15

    B. Defendants’ Sales Pitch Incorporated Prohibited Misrepresentations ..... 17

        1. Misrepresentations Related to Loan Forgiveness..... 17

        2. Affiliation with the Department of Education..... 20

    C. Complaints ..... 22

    D. The Businesses Cannot be Operated Lawfully and Profitably ..... 23

        1. Student Loan Debt Relief Business ..... 23

        2. Debt Validation Business ..... 23

I.

**INTRODUCTION**

1  
2  
3 I was appointed temporary receiver (“Receiver”) of the Receivership Entities  
4 by the Temporary Restraining Order entered May 2, 2023 (“TRO”). I submit this  
5 Preliminary Report pursuant to Paragraph 22 of the TRO to report the steps taken  
6 to implement the TRO and the current status of the receivership estate.<sup>1</sup>

7 My preliminary observation is that SL Finance’s operations are largely or  
8 completely limited to servicing existing student loan client accounts and collecting  
9 residuals from the annual “recertification” fees charged. Operations appear to have  
10 shifted largely to the Castillos’ new business, Debt Consulting Services Inc.  
11 (“DCS”), which operates as an affiliate partner for a separate debt validation  
12 business.<sup>2</sup>

13 My review of Defendant’s historical and ongoing student loan operations  
14 confirms that Defendants were taking unlawful advance fees from their customers,  
15 and that misrepresentations were embedded in and essential to Defendants’ sales  
16 pitch. As such, I have determined that the SL Finance business cannot be operated  
17 lawfully and profitably and have suspended ongoing operations.

18 While the legality of DCS’s operations is suspect, I did not need to  
19 determine whether or not it was compliant to conclude that operations should be  
20 suspended under the TRO. DCS was a fledgling business that was heavily  
21 subsidized by money from the student loan operations. Because I have determined  
22 that the business cannot be operated profitably, I have likewise suspended its  
23 ongoing operations.

24  
25 \_\_\_\_\_  
26 <sup>1</sup> I have also been appointed temporary receiver in a companion case also before  
27 this Court. *Federal Trade Commission vs. BCO Consulting, et. al.*, Case No. 8:23-  
28 cv-00699-JWH (ADSx) (C.D. Cal.).

<sup>2</sup> For the reasons discussed immediately below in Part II.A, I have designated DCS  
as a Receivership Entity under the terms of the TRO.

1 While SL Finance appears to have generated revenues of close to \$6 million  
2 over the course of more than three years, our preliminary analysis indicates that  
3 current assets are not significant. The cost of running the business was high, and  
4 the Castillos appear to have withdrawn profits with relative frequency. Our  
5 investigation into potential assets is ongoing.

6 **II.**

7 **STEPS TAKEN TO IMPLEMENT TRO**

8 **A. Additional Receivership Entity**

9 The TRO defines Receivership Entities as the Corporate Defendant<sup>3</sup> and  
10 “any other entity that has conducted any business related to Defendants’ marketing  
11 of Debt Relief Services, including receipt of Assets derived from any activity that  
12 is the subject of the Complaint in this matter, and that the Receiver determines is  
13 controlled or owned by any Defendant.” TRO, Section II.M. TRO Section  
14 III.14(u) also provides a procedure for the Receiver to notify a nonparty entity of  
15 this determination.

16 Consistent with this definition and procedure, I have designated one  
17 additional Receivership Entity: Debt Consulting Services Inc. DCS, a Nevada  
18 corporation formed in December 2021 and located at 9480 S. Eastern Avenue,  
19 Suite 269, Las Vegas, Nevada, is a Receivership Entity because (1) it conducts a

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26 ///

27 \_\_\_\_\_  
28 <sup>3</sup> TRO Section II.C defines Corporate Defendant as “SL Finance LLC and its subsidiaries, affiliates, successors, and assigns.”

1 business related to Defendants’ Debt Relief Services,<sup>4</sup> and (2) is owned and  
2 controlled by Individual Defendants Michael Castillo and Christian Castillo.<sup>5</sup>

3 By letter dated May 4, 2023, I provided notice to DCS and the Castillos via  
4 their counsel of my determination that DCS is a Receivership Entity and the  
5 grounds therefor. *See* Ex. 1.

6 **B. Immediate Access**

7 1. 12900B Garden Grove Blvd., Suite 170, Garden Grove, California

8 As authorized by the TRO, Section III.14(h), we took control and exclusive  
9 custody of the site identified in the TRO—SL Finance at 12900B Garden Grove  
10 Blvd., Suite 170, Garden Grove, California (the “Garden Grove location”)—  
11 commencing at approximately 11:30 a.m. on May 4, 2023, supported by law  
12 enforcement officers. After securing the site, we retained locksmiths who changed  
13 all exterior locks. We also provided access to counsel and other representatives of  
14 Plaintiff Federal Trade Commission (“FTC”) as provided in the TRO.

15 The Garden Grove location is a roughly 2,000 square foot office suite in a  
16 Class C office building, with no identification on the door beyond a suite number  
17 (170). The office building is dated and showed signs of wear throughout. The  
18 suite, which is similarly dated and worn, was set up as a call room consisting of  
19 three offices, a kitchen/dining area, twelve cubicles in two rows of six, and one  
20 manager desk at the end of each cubicle row. One office, which was larger than  
21 the other two, was set up as a traditional office with a desk and computer and was

---

22 <sup>4</sup> Although DCS’s website presented the company as a student loan debt relief  
23 operation, the employees suggested that DCS was, at the time, focused on selling a  
24 “debt validation” product for a third-party partner. I believe this business still  
25 qualifies as one offering a “Debt Relief Service” under the TRO, which defines  
26 that term as “any program or service represented, directly or by implication, to  
renegotiate, settle, or in any way alter the terms of payment or other terms of the  
debt between a person and one or more unsecured creditors or debt collectors,  
including, but not limited to, a reduction in the balance, interest rate, or fees owed  
by a person to an unsecured creditor or debt collector.” TRO, Section II.E.

27 <sup>5</sup> Defendant Christian Castillo is listed as Secretary and Director in DCS’s  
28 incorporation documents, while Defendant Michael Castillo is listed as President  
and Treasurer.

1 purportedly used by Michael Castillo when he came into the office; the other two  
2 offices appear to have been used largely as storage. There were two big screen  
3 televisions on the sales floor and kitchen and a whiteboard set up like a sales  
4 leaderboard, but it was not filled-in at the time of immediate access.

5 When we arrived, there were three employees present: the *de facto*  
6 supervisor, Mark Manansala, Jun Chang (who was mentioned in the consumer  
7 declarations, *see* ECF No. 10, PX09 [Barrera Declaration], and the FTC’s  
8 memorandum in support of its TRO application, *see* ECF No. 6 at 7, 9-10), and a  
9 third call center employee. Neither of the Castillos was present. We interviewed  
10 the three employees who were present at length (as described below); all were  
11 cooperative and largely credible, though they all minimized their involvement and  
12 knowledge to varying degrees.

13 Exhibit 2 contains a schematic of the site and an inventory of property  
14 located at the Garden Grove location.

15 2. 9480 S. Eastern Avenue, Suite 269, Las Vegas, Nevada

16 As discussed above in Part II.A, during immediate access of the Garden  
17 Grove location we were able to confirm our preliminary suspicions that DCS  
18 qualified as a Receivership Entity. After providing notice of my determination to  
19 counsel representing Defendants on the afternoon of May 4, 2023, we traveled that  
20 evening to DCS’s office at 9480 S. Eastern Avenue, Suite 269, Las Vegas, Nevada.  
21 While I spoke with defense counsel and sought cooperation in accessing the office,  
22 counsel was unwilling to assist us. When we arrived, DCS was listed on the  
23 building directory, but the office appeared vacant and was listed online for lease.  
24 As such, we took no further action at that location.

25 **C. Documents/Information/Electronic Data**

26 At the Garden Grove location, we confirmed that the limited hard copy  
27 documents were secure. The FTC’s Digital Forensics Unit obtained, under our  
28 ///

1 supervision, forensic images of certain selected desktop computers and Mark  
2 Manansala's Macbook.

3 Both SL Finance and DCS utilized Google Suites for email, QuickBooks for  
4 accounting, and DebtPayPro as their customer relationship management ("CRM")  
5 platform. We ultimately secured the necessary administrative passwords to access  
6 all of these services and to remove all access by Defendants. This was not,  
7 however, a seamless process, as the Google Suites administrator account utilized  
8 two-factor authentication and the Individual Defendants refused to assist us in  
9 accessing the account for four days. We were only able to obtain access on the  
10 afternoon of Monday, May 8, 2023, and then only after essentially finalizing an  
11 Affidavit of Non-Compliance and Order to Show Cause re Contempt.

12 After we provided notice of the TRO, DebtPayPro suspended Defendants'  
13 access to the CRM accounts and provided us with read-only access to both the SL  
14 Finance and DCS databases upon our request.

15 **D. Asset Freeze**

16 At the time we accessed the Garden Grove location, my office served notice  
17 of the asset freeze on banks and other financial institutions where Defendants were  
18 known to maintain accounts.

19 **E. Notice to Consumers**

20 We are in the process of updating the incoming telephone message on all  
21 active Receivership Entity telephone numbers to note the suspension of operations  
22 and to strongly encourage all callers (existing customers and any potential new  
23 customers) to contact their student loan servicers directly.

24 We are likewise in the process of configuring the SL Finance and DCS  
25 websites to reroute visitors to the Receiver's website, which contains a notice  
26 regarding the FTC's action and the suspension of operations and encourages direct  
27 contact with loan servicers.

28 ///

**F. Bond**

As required by TRO Section III.21, on May 11, 2023, I obtained and filed with the Court a bond in the sum of \$15,000.

**III.**

**ASSETS AND LIABILITIES OF RECEIVERSHIP ENTITIES**

Defendants were obligated to provide financial disclosures on Tuesday, May 9, 2023. While counsel has indicated that they are working hard to provide the disclosure documents, at present they have not been provided.

**A. Bank Accounts**

In the brief time since the TRO was entered, we have received the following information as to frozen accounts for SL Finance and DCS:

<b>Account Name</b>	<b>Fin'l Institution</b>	<b>Acct. No.</b>	<b>Balance Frozen</b>
Debt Consulting Services, Inc.	JPMC	0316	\$21,118.54
Debt Consulting Services, Inc.	Payment Automation Network	1609	\$1,272.60
SL Finance LLC	Electronic Merchant Systems	2419	\$50,699.00
SL Finance LLC	JPMC	5518	\$26,046.62
SL Finance LLC	PayArc	9033	\$15,000.00
SL Finance LLC	Payment Automation Network	1483	\$1,579.60
SL Finance LLC	Payment Automation Network	1525	\$795.00
<b>Total</b>			<b>\$116,511.36</b>

**B. Other Assets**

We are still in the process of identifying assets. At present, we have identified at least three vehicles which appear to have been purchased with receivership funds: a 2021 Mercedes GLE 63 S Coupe, a 2020 Audi Q7, and a 2017 Range Rover. The 2020 Audi Q7 appears to have been traded to a dealer in  
 ///



1 late 2022, with the trade-in used to partially fund the purchase of a 2023 Toyota  
2 Tundra in Christian Castillo's name.

3 **C. Liabilities**

4 The SL Finance balance sheet lists a note payable under long-term liabilities  
5 of \$73,089.19 referencing the 2021 Mercedes. *See* Ex. 3. As discussed below in  
6 Part VI.D.2, DCS owes \$142,250.00 to SL Finance. At present, we are unaware of  
7 any other liabilities.

8 **D. Accounting**

9 Our forensic accountant, Lisa Jones, is in the process of reviewing available  
10 financial records, which include QuickBooks records, bank statements, and  
11 merchant account statements. Based on the information available to date, she has  
12 prepared a Receivership Initial Account Records Review report attached as  
13 Exhibit 3. We have as a starting point the declaration of the FTC's forensic  
14 accountant (*see* ECF No. 11, PX15, Declaration of Rufus Jenkins) that consumers  
15 paid a total of nearly \$6 million to Defendants for student loan debt relief services  
16 during the period. We have also identified at least one accountant who has  
17 provided bookkeeping and tax preparation services for SL Finance and DCS in the  
18 past. We will follow up with them to secure relevant records and tax returns.

19 **IV.**

20 **FUTURE STEPS TO PRESERVE AND PURSUE ASSETS**

21 TRO Section III.22(d) instructs the Receiver to provide the Court with "the  
22 steps the Receiver intends to take in the future to: [i] prevent any diminution in the  
23 value of assets of the Receivership Entities; [ii] pursue receivership assets from  
24 third parties; and [iii] adjust the liabilities of the Receivership Entities, if  
25 appropriate."

26 On May 11, 2023, after we identified the three vehicles referenced above in  
27 Part III.B as potential assets, I reached out to defense counsel to request  
28 information about the vehicles. Counsel confirmed that Defendants were in the

1 process of compiling a list of company assets, including vehicles. We will apprise  
2 the Court of any assets identified by the Castillos and their counsel not already  
3 referenced in this Report.

4 Separately, our forensic accountant continues to review the Receivership  
5 Entities' documents to identify other potential Estate assets. We will update the  
6 Court if and when we identify assets other than those flagged by the Castillos or  
7 identified to date.

8 Finally, we are still in the early stages of reviewing documents, but we are  
9 reviewing with an eye to evaluating whether or not any viable claims against third  
10 parties exist.

11 **V.**

12 **DEFENDANTS' STUDENT LOAN DEBT RELIEF BUSINESS**

13 Through the immediate access process, our review of hard copy and  
14 electronic records, and conversations with Defendants' employees, we have been  
15 able to glean the metrics of these businesses and confirm that their student loan  
16 debt relief operations were ingrained with practices prohibited by the TRO  
17 (advance fees and deceptive representations). We were also able to confirm that  
18 SL Finance and DCS operated as a common enterprise.

19 **A. Common Enterprise**

20 Our review confirms that SL Finance, DCS, and the Individual Defendants  
21 operated their businesses as a common enterprise with overlapping ownership and  
22 employees. As discussed above in Part II.A and below in Part VI.D.2, SL Finance  
23 and DCS shared owners and employees; both offered Debt Relief Services as  
24 defined in the TRO; and DCS's operations were funded in substantial part by  
25 money that came from SL Finance.

26 **B. Student Loan Debt Relief Operations**

27 It took substantial effort to get the Defendants' assistance in obtaining  
28 administrative access to the companies' Google Suites, which house their email

1 and instant messaging.<sup>6</sup> Ultimately, after receiving the passwords on the afternoon  
2 of May 8, we obtained access to Defendants' email accounts mid-day on May 10,  
3 2023. As a result, most of the information we have obtained thus far regarding  
4 Defendants' business operations comes from interviews with SL Finance/DCS  
5 employees, records found on-site in hard copy format or stored on desktop  
6 computers, and our review of the DebtPayPro CRM databases. Most helpful was  
7 the on-site supervisor at Garden Grove, Mark Manansala. He was responsive to  
8 our questions and largely credible, though he clearly attempted to minimize his  
9 role and involvement in, and understanding of, the student loan debt relief scheme.

10 Manansala told us that he began working for SL Finance in late 2018 or  
11 early 2019, when the business was based out of a smaller suite in a different office  
12 building in the same office park (he said they moved to the current premises  
13 around June 2019). Per Manansala, he was hired by Individual Defendant  
14 Christian Castillo, and he was trained directly by both Castillos. Manansala  
15 described all the employees at this time as being in "sales." He recalled there  
16 being five employees (including himself but neither of the Castillos) at the time he  
17 joined; when they moved to the Suite 170 location, the number had grown to eight.  
18 He told us that at its peak there were ten to twelve employees, counting himself but  
19 neither Castillo, and that the number had tapered off over time until only himself  
20 and the two other employees in the office remained. He said that while the  
21 Castillos were coming in every day when he started, at present they were only  
22 visiting the office sporadically.

23 At the time of immediate access, Manansala stated that operations had  
24 shifted from the student loan debt relief business to the debt validation side of  
25 operations. This is consistent with what we saw in the DebtPayPro CRM, which

26 \_\_\_\_\_  
27 <sup>6</sup> The administrative passwords (which are essential to access and control the  
28 companies' emails) were only provided after numerous requests over a four-day  
period and ultimately only given after we prepared an Affidavit of Non-  
Compliance and Order to Show Cause re Contempt as noted above.

1 reflected a sharp drop-off in new student loan clients beginning around October  
2 2022, with only a handful of clients enrolled after January 2023, and which showed  
3 enrollment of debt validation clients beginning in September 2022.

4 1. Leads

5 We asked Manansala about the lead sources SL Finance had used when they  
6 were still accepting new student loan clients. Manansala claimed not to know what  
7 the source of their inbound student loan leads had been, though he said inbound  
8 callers would reference seeing ads (including on Facebook) or receiving a  
9 voicemail or email regarding “loan forgiveness.” We were not able to access  
10 emails for SL Finance until mid-day May 10, 2023 (see discussion above), but our  
11 preliminary review of the emails suggests lead lists were purchased from a variety  
12 of sources.

13 2. Initial Sales Call and Pitch to Consumer

14 Manansala told us that in his initial contact with a potential student loan  
15 consumer, he would ask a number of qualifying questions to determine if they  
16 qualified for the “program.” Qualifying questions were also included in call scripts  
17 found on-site which we reviewed, primarily related to loan amount. *See, e.g.,*  
18 Ex. 4 (stating amount owed in “Student Loan Debt . . . [m]ust be over 5K”).  
19 Assuming the consumer met SL Finance’s initial criteria, Manansala said he would  
20 proceed to log in to the caller’s Federal Student Aid account to verify the loan  
21 balances. This is consistent with the call scripts we reviewed, which instructed SL  
22 Finance employees to “[g]o to studentaid.gov” and “pull[] up the loan profile.”<sup>7</sup>  
23 *See id.*

24 Manansala stated that after reviewing the loan balances with the consumer,  
25 he would then ask for the consumer’s income, occupation, marital status, and  
26 family size, which was consistent with the call scripts we reviewed. *See id.*

27 \_\_\_\_\_  
28 <sup>7</sup> Manansala said that if the consumer was unable to access his or her FSA account,  
he would ask the consumer for an approximate debt balance.

1 Manansala would use this information to “quote” the consumer a new monthly  
2 payment.

3 The call scripts we reviewed instructed employees to inform consumers at  
4 this point that they would “run an electronic quote with the Department of  
5 Education just so we can determine exactly which programs you will qualify for.”  
6 *See id.*; *see also* Part VI.B.2, *infra*. Training videos we reviewed, however,  
7 confirmed that these “quotes” were actually generated by software within the  
8 DebtPayPro CRM. This is consistent with what Manansala and Chang told us,  
9 which is that they would use DebtPayPro to get the quote to pitch the consumer.

10 Manansala told us that regardless of the quote obtained, consumers would be  
11 charged the same amount for SL Finance’s services: \$999 payable in four or five  
12 monthly installments, which is consistent with the initial fees documented in recent  
13 client files we reviewed.<sup>8</sup> There was somewhat greater variability when it came to  
14 the ongoing monthly payments after the initial \$999 was paid, however. Chang  
15 said the employees had some discretion when picking the monthly fee amount,  
16 while Manansala said it was always \$39 *if* the fee was charged. Per Manansala, SL  
17 Finance would only charge the ongoing monthly fee if the consumer qualified for a  
18 “\$0” monthly payment to his or her servicer under the new plan proposed by SL  
19 Finance.

20 If the consumer agreed to the proposed payment terms, Manansala stated  
21 that he would collect the consumer’s payment details, which could be either bank  
22 account or credit/debit card information. Manansala stated that when a customer’s  
23 payment date came up, the fees would auto-deduct from the account or card  
24 provided by the consumer.

25 \_\_\_\_\_  
26 <sup>8</sup> In sampling consumer records from the DPP database, we saw fees as low as  
27 \$699 and as high as \$1,299, and comments from both Manansala and Chang, as  
28 well as scripts we reviewed, suggested that at some points employees had greater  
discretion to select a fee for SL Finance’s services when pitching to consumers.  
By the time of immediate access, however, it appeared to be a uniform \$999,  
payable over four to five monthly installments.

1 Both Manansala and Chang told us that they would walk the consumer  
2 through the client agreement at this point, after which they would ask a number of  
3 “compliance” questions.<sup>9</sup> See Ex. 5 (“Sales Compliance Questions” script found  
4 on-site and on Manansala’s computer). Once this process was complete, they  
5 would “submit” the application within the DebtPayPro platform, at which point  
6 they said the application would be handed off to SL Finance’s “Processing  
7 Department.”

8 3. Processing

9 Both Manansala and Chang told us they believed and understood that  
10 someone at SL Finance was, in fact, processing the consumers’ applications and  
11 submitting them to the servicers. Chang claimed to have virtually no information  
12 on who was doing the processing, while Manansala was more forthcoming.  
13 Manansala told us that SL Finance used to process on-site, and that processing was  
14 handled by an SL Finance employee named April Lopez. He recalled that she  
15 stopped working for SL Finance during 2021, at which point the Castillos took  
16 over processing. Per Manansala, by 2022, the Castillos had hired off-site  
17 processor(s) named “Eunelfa” and “Maria,” both of whom he believed were  
18 located in the Philippines, to take over processing.

19 It was unclear to us initially whether or not Defendants were actually  
20 attempting to process consumer applications beyond submitting forbearance and  
21 loan consolidation requests. For example, Manansala told us that both the  
22 Castillos and the outsourced processors were able to “process” a file in a single day

---

23 <sup>9</sup> Calls were either not always recorded or not consistently migrated into the  
24 DebtPayPro CRM database, and there was no way to easily search through the  
25 calls which were, making it difficult to identify customers for whom recordings of  
26 initial sales calls were both recorded and available. As a result, we could not  
27 determine whether or not Defendants consistently went through these compliance  
28 questions with consumers. Ultimately, however, we believe that whether or not  
they did is irrelevant, as a handful of “compliance” questions at the tail end of a  
thirty-minute call cannot counteract the substantial misrepresentations made  
throughout the rest of the call and afterwards (*see* Part VI.B, *infra*)—a belief amply  
supported by the wealth of consumer complaints we found in the emails (*see* Part  
VI.C, *infra*).

1 after a consumer made his or her first payment. This turnaround time is  
2 inconsistent with our experience of how applications for new repayment plans  
3 actually work their way through the system—even the fastest servicers typically  
4 take weeks to process an application—and this suggested to us initially that  
5 Defendants were not submitting applications for new repayment plans on  
6 consumers’ behalf. After reviewing a sampling of the emails, however, it does  
7 appear that Defendants were making an attempt to submit repayment plan  
8 applications on consumers’ behalf, at least in some instances.

9 We found numerous DebtPayPro entries made by a Eunelfa Calibara related  
10 to processing. Based on our limited review of email data to date, it appears that  
11 Calibara was hired by Christian Castillo in September 2021 as a data entry  
12 specialist. *See* Ex. 6. Christian Castillo sent her two training videos hosted on  
13 Google Drive around that time which we attempted to access, but which look to  
14 have since been deleted from the Google Drive (when or why is unclear). *See id.*  
15 Christian Castillo also sent Calibara a PDF outlining steps for “Direct  
16 Consolidation Applications” in September 2021 (*see* Ex. 7), which appears to  
17 confirm that Defendants were at least attempting to consolidate some of their  
18 student loan customers’ loans. While we were not able to find similar PDF  
19 instructions for submitting income-driven or income-based repayment plans (or  
20 similar reduced-payment plans offered by the Department of Education) on  
21 consumers’ behalf in Calibara’s emails, we found PDF instructions entitled “Apply  
22 for Income Driven Request (clients that have already been consolidated)” on  
23 Manansala’s computer. *See* Ex. 8.

24 In our review of Defendants’ email inboxes, we did see email traffic  
25 suggesting that at least some applications for new repayment plans were submitted  
26 on consumers’ behalf, though we largely lack visibility into whether or not these  
27 applications were ever approved. *See, e.g.,* Ex. 9 (consumer emails forwarded to  
28 Defendants reflecting repayment applications in process, approved, and denied).



1 We are unaware, however, of any substantial efforts by Defendants to track  
2 whether or not consumers were accepted into the new repayment plan for which  
3 SL Finance applied on their behalf (if, in fact, they did so). Ultimately, it appears  
4 that to the extent applications were “processed” and submitted, SL Finance at most  
5 viewed its obligations as complete once the submission occurred. As discussed  
6 below in Part VI.A, because Defendants took fees from consumers and paid  
7 themselves well before and after this point, regardless of whether or not a new  
8 payment plan was approved or payment made, they violated the TSR’s prohibition  
9 on unlawful advance fees either way.

10 4. Refunds and Cancellations

11 The lower-level employees on-site said consumers’ requests for refunds and  
12 cancellations would be passed off to Manansala. Manansala, for his part, told us  
13 that only the Castillos could authorize refunds, which is consistent with what we  
14 saw in emails. *See, e.g.*, Ex. 10. We saw evidence in our review of the emails that  
15 Defendants used refunds as a tool to avoid disgruntled customers reporting their  
16 business. For example, Michael Castillo authorized a partial refund of four  
17 payments to a consumer in April 2022 after [processing@slfinance.org](mailto:processing@slfinance.org) asked,  
18 “Should we refund this client? She said that if we refund her then she won’t report  
19 us to different complaint agencies.” *See id.*

20 Reports pulled from Defendants’ CRM suggest that cancellations were  
21 common, either following an affirmative request by the customer for cancellation  
22 or for another reason, such as a client’s disengagement with the “program” or  
23 refusal to make additional payments (*a de facto* cancellation). The statistics  
24 captured in the DebtPayPro CRM demonstrate as much:

25 ///

26 ///

27 ///

28 ///



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Category	Clients
Enrolled	12,571
Submitted	483
Returned	0
Paused	6,652
Canceled	2,516
Graduated	0

Per these internal statistics, 52.9% of SL Finance’s clients had a status of “paused,” and 20% of clients had affirmatively canceled their enrollment, meaning over 72% of SL Finance’s student loan customers had stopped engaging with the company for one reason or another at the time of immediate access.

**VI.**  
**CAN THE BUSINESSES BE OPERATED LAWFULLY AND PROFITABLY?**

Our review of Defendants’ student loan debt relief and debt validation operations, albeit limited at this point, has confirmed the collection of unlawful advance fees and deceptive sales representations prohibited by the TRO. As authorized by the TRO, Section III.14(t), I have suspended the operation of SL Finance and DCS based on my determination that such operations cannot be continued lawfully and profitably.

**A. Defendants Took Unlawful Advance Fees**

It became clear to us almost immediately that Defendants were accepting advance fees in violation of the Telemarketing Sales Rule (16 C.F.R. § 310, “TSR”). The rule prohibits requesting or receiving payment of any fee unless and until (A) the telemarketer has settled at least one debt pursuant to an agreement executed by the customer, and (B) the customer has made at least one payment pursuant to that agreement. There is an escrow exception, but we saw no evidence

1 that Defendants deployed any escrow or trust accounts for student loan debt relief  
2 customers, making that exception inapplicable here.

3 In the course of our review, we were unable to find any evidence that  
4 Defendants were successfully submitting reduced-payment plan applications  
5 (unrelated to forbearance or loan consolidation) with any regularity. Certainly, we  
6 saw no evidence that Defendants were monitoring whether or not submitted  
7 applications were being accepted. To the extent “processing” occurred, it was  
8 limited to the submission of applications, after which Defendants appear to have  
9 reviewed their responsibilities as discharged. Defendants were clearly not waiting  
10 for consumers to be enrolled into a new program and making at least one payment  
11 under it before charging them for their services, and in fact, we saw many  
12 instances where consumers were charged their first monthly payment as soon as  
13 they signed up with Defendants. Because it does not appear that Defendants made  
14 any effort to wait until debts were settled on the consumers’ behalf (let alone to  
15 wait until a first payment was made under the new plan) before deducting their  
16 fees, we are confident that the *vast* majority of the payments—and, in all  
17 likelihood, given the speed at which Defendants moved to deduct fees, and  
18 Manansala’s comment that they would wait for consumers to make their first  
19 payment to SL Finance before the “processing” began, *all* of the payments—  
20 received by Defendants qualified as unlawful advance fees.

21 Even if Defendants had successfully submitted these initial applications,  
22 however, their business model would still violate the TSR in a substantial number  
23 (likely the majority, and perhaps the vast majority) of cases. Even after consumers  
24 made the initial \$999 payments, many were charged an ongoing monthly fee of  
25 \$39 per month. While none of the employees we spoke to described this to us as  
26 an annual recertification fee—a fee that would purportedly go to recertifying the  
27 information needed to keep them in their new reduced-payment plan—that appears  
28 to be what it was intended as. *See, e.g.,* Ex. 11. These fees created residual

1 monthly cash flow for Defendants with no immediate benefit to the customer and  
2 were paid out well before the annual recertification application was actually  
3 prepared (assuming it was prepared) or even due. Defendants’ business model thus  
4 violated the TSR’s prohibition on advance fees even if Defendants waited until  
5 their customers made a payment under their new plan before debiting their  
6 accounts, which we saw no evidence that they did.

7 **B. Defendants’ Sales Pitch Incorporated Prohibited Misrepresentations**

8 Given that the presence of advance fees strikes a fatal blow to the lawfulness  
9 of these businesses, protracted review of the underlying sales practices is not  
10 necessary to reach an overall conclusion as to lawfulness. But, our review of  
11 limited scripts, training materials, and sales directives provided confirmation that  
12 deceptive representations are ingrained in the business. Our review of complaints  
13 has also confirmed Defendants routinely deployed deceptive sales practices along  
14 the lines identified by the FTC in their Complaint. *See* ECF No. 1 ¶ 25.

15 Even after a preliminary review, we can confirm that Defendants were  
16 making substantial misrepresentations throughout the sales process—most notably  
17 misrepresentations related to the availability of loan forgiveness and Defendants’  
18 affiliation with the Department of Education.

19 1. Misrepresentations Related to Loan Forgiveness

20 Scripts found on-site and on Manansala’s computer confirmed that an  
21 essential component of Defendants’ sales system was making misrepresentations  
22 about loan forgiveness—specifically, that consumers’ loans would be forgiven in  
23 full if they qualified for the “program.” *See, e.g.*, Ex. 4 (“Now, the way the loan  
24 forgiveness program works is that, you’re only required to pay a small portion of  
25 your loans back & whatever you DONT repay back will be ***completely forgiven &***  
26 ***discharged by the Department of Education.***” (emphasis added)).

27 Defendants’ scripts reveal they told customers they were being confirmed  
28 for loan forgiveness in real time. In scripts we found on-site and on Manansala’s

1 computer, call room employees were directed to tell consumers they would put  
2 them on a “brief hold” so they could “run an electronic quote with the Department  
3 of Education . . . [to] determine exactly which programs you will qualify for,” after  
4 which they would “HOLD & MARINATE.” Ex. 4. This ruse conveyed to  
5 consumers that the Department of Education was calculating and approving their  
6 eligibility for the “forgiveness program” while the consumer was on the phone,  
7 which was a complete fabrication. In addition, the script instructed the call room  
8 employees to “make sure to send borrower eligibility during hold.” *See id.* This  
9 “borrower eligibility” is an official-looking template email entitled “Borrower  
10 Eligibility Confirmation,” which was auto-generated from the DebtPayPro CRM,  
11 included the consumer’s loan information in the body of the email, and stated that  
12 the consumer was “confirmed for the following government program, Income-  
13 Based Repayment (IBR)” or other repayment plan. *See* Ex. 12. Consumers were  
14 thus given the impression that all they needed to do was complete the process with  
15 Defendants, and they would be guaranteed placement.

16 This theme of a “guarantee” was echoed throughout Defendants’ pitch.  
17 When walking through the client agreement with consumers, Defendants  
18 “guaranteed” placement in a loan forgiveness program for every consumer to  
19 whom they spoke. Scripts found on-site and on Manansala’s computer which  
20 walked through SL Finance’s introduction and welcome letter instructed  
21 employees to promise placement:

22 Now, the second page will be our introduction and welcome letter,  
23 and what it states here is very simple. As long as you provided us  
24 today with truthful and honest information, than ***we will have no  
problem qualifying you for everything that we discussed here today.***

25 We do also have a couple guarantees for your peace of mind.

26 1) ***We guarantee program placement which means you will be  
placed into your loan forgiveness program . . . .***

27 *See* Ex. 13 (emphasis added). This guarantee was pivotal to Defendants’ pitch.  
28 For example, when asked about the purported benefits of SL Finance’s services,

1 Manansala told us that consumers could not be guaranteed placement if they filled  
2 out the forms themselves—but that they *would* be guaranteed placement if they  
3 went through Defendants.

4 It appears that Defendants’ employees were making even more egregious  
5 misrepresentations to consumers over the phones and by email. In addition to the  
6 misrepresentations we saw embedded in the call scripts, we saw Defendants’  
7 employees were making or made direct misrepresentations to consumers in the  
8 emails we were able to review. For example:

- 9 • In September 2022, after asking to reschedule her payment to SL  
10 Finance, one consumer asked, “This is for my student loans right?”  
11 The [processing@slfinance.org](mailto:processing@slfinance.org) email account responded, “Yes, that is  
12 correct.” Ex. 14.
- 13 • In August 2022, when a consumer who had already paid Defendants  
14 \$999 wanted to confirm that she would not “be penalized for not  
15 making a payment to [the loan company] because I obviously don’t  
16 need to make a payment to the loan company, right?” Defendants’  
17 employee responded that “you should be receiving a paid in full  
18 through consolidation summary in the mail where you’d be on a \$0  
19 monthly obligation over the course of 36 months before your loan is  
20 completely discharged and off your credit report.” Ex. 15.
- 21 • In June 2022, one consumer complained, “I have been enrolled for  
22 quite some time, and I have paid over 3000 dollars to your company.  
23 When will this ever be reflected loan or credit wise? . . . It has been  
24 almost a year with no reflection. How is this helping at all, and where  
25 is my money going? Thanks.” The [processing@slfinance.org](mailto:processing@slfinance.org) email  
26 account responded, “the installments you are making are going  
27 towards your total consecutive payments to complete your loan  
28 forgiveness program.” Ex. 16.
- In April 2022, one customer sent an email to Defendants after  
realizing that his loan servicer was not receiving payments he was  
making to SL Finance, in which he wrote, “I specifically asked you  
[on the phone] if I could stop the payments that were going directly to  
[my servicer] and you said yes that you would be submitting the  
payments on my behalf from the money I was providing to you.”  
Ex. 17.
- In February 2022, when one customer asked when her payments to SL  
Finance would “get reflected in [her] credit,”  
[processing@slfinance.org](mailto:processing@slfinance.org) responded, “Your loans have been  
successfully placed in the loan forgiveness program so your loans will  
be discharged after the 240 consecutive payments of \$39.” Ex. 18.
- In February 2021, one customer wrote to multiple SL Finance email  
addresses (including Christian Castillo’s), “I am writing to request  
REIMBURSEMENT of the \$799 that I paid to SL Finance on Jan 3,

1           2021 . . . I just received a letter, saying I was denied the student Loan  
2 forgiveness for teachers that SL Finance PROMISED ME. They told  
3 me that first, I had to pay \$799 to them, for them to process it but then  
4 I would be FORGIVEN for the remainder of my loans . . . I thought it  
5 was a good deal! They said I'd be getting up to \$17,500 student Loan  
6 forgiveness, since I am a teacher AND not only was I just informed  
7 that I've been denied for that, BUT NOW, my student loans have a  
8 HIGHER PERCENTAGE RATE!!! YES, A HIGHER INTEREST  
9 RATE!!!” Ex. 19.

6           While listening to recorded calls in any systematic fashion was beyond our  
7 ability given the time constraints, calls to which we were able to listen had even  
8 more egregious misrepresentations. In one call, for example, the sales  
9 representative told a consumer that she “qualified” for a “new monthly payment”  
10 of \$29/month for 10 years, after which her loan would be forgiven. DebtPayPro  
11 records for this consumer confirm that the \$29/month was the amount of the  
12 monthly fee she was paying SL Finance after paying the initial \$999.<sup>10</sup>

13           2.     Affiliation with the Department of Education

14           Defendants also repeatedly implied and claimed they were affiliated with the  
15 Department of Education. As discussed above in Part V.B.2, Defendants’  
16 employees would input consumer information into a DebtPayPro calculator to get a  
17 “quote” of a new monthly payment for consumers. Scripts found at the SL Finance  
18 offices instructed employees to falsely describe the “quote” as coming from the  
19 Department of Education:

20           So it looks like based upon your current financial situation you are  
21 going to be a perfect candidate for the program. So what I'm going to  
22 do for you now is put you on a brief hold and **run an electronic quote**  
23 **with the Department of Education** just so we can determine exactly  
24 which programs you will qualify for.

24 <sup>10</sup> We even saw instances where Defendants would try to dissuade consumers from  
25 speaking to their loan servicers. For example, in April 2021, one consumer  
26 emailed Christian Castillo, writing, “So I spoke to OSLA [a student loan servicer]  
27 they said u guys are scam and the law not pass for student loan forgiveness.”  
28 Ex. 20. Christian Castillo responded, “OSLA servicing is your current lender so  
they wouldn’t want you to get approve for loan forgiveness since they want you to  
pay the full amount of your student loans. Keep in mind, the program we got you  
approved for is directly through the Department of Education so you are  
guaranteed loan forgiveness.” *Id.*



1 See Ex. 4.

2 Similarly, in a script labeled “How to Handle Objections” found at SL  
3 Finance’s offices, SL Finance was repeatedly conflating its “program” with that of  
4 the Department of Education:

5 **Who are you guys? Do you work with the Department of**  
6 **Education?**

7 We are student advocates that work under the guidelines of the  
8 Department of Education to help people qualify for all the federal  
9 programs that they have to offer. That’s how we are able to work with  
10 your federal loans since these are all federal programs.

11 ...

12 **Why do you need my driver’s license number?**

13 The Department of Education does require a second form of  
14 identification which could either be a drivers license number or state  
15 ID. This is just to verify your identity because we wouldn’t want you  
16 having to pay on anybody elses loans, right?

17 See Ex. 21.

18 We saw evidence that SL Finance continued to make similar  
19 misrepresentations after customers signed up for its “service.” For example, as  
20 recently as March 15, 2023, when a customer missed a \$199 payment to SL  
21 Finance, they would be sent an email entitled “[NAME], URGENT STUDENT  
22 LOAN FORGIVENESS UPDATE!” which stated in the body, “It is imperative we  
23 speak with you as soon as possible in order to keep compliance with your approved  
24 program *directly with the Department of Education.*” See Ex. 22 (emphasis  
25 added).

26 We also located call scripts at the SL Finance office for “NSFs,” which we  
27 understand to be the nomenclature used for an attempt to debit a consumer which  
28 was unsuccessful due to there being insufficient funds in the consumer’s bank  
account or debit/credit card. These scripts conflated actual student loan debt  
forgiveness programs run by the Department of Education with the charges  
imposed by Defendants, e.g.:

1 “Hello \_\_\_\_\_ (client’s name)! This is \_\_\_\_\_ from Student Loan  
2 Finance, just giving you a phone call *in regards to the student loan*  
3 *forgiveness program*. It looks like your installment that was  
4 scheduled for \_\_\_\_\_ (returned date) was unable to go through due to  
\_\_\_\_\_ (ex: insufficient funds). All we need to do is reschedule your  
installment for a day that works best for you so would you like to  
reschedule your installment for next week, this week, or today?”

5 See Ex. 23 (emphasis added).

6 In short, we saw evidence that throughout the sales pitch and afterwards,  
7 Defendants routinely claimed an association with the Department of Education,  
8 either directly or by implication.

### 9 C. Complaints

10 One important gauge of whether consumers are confused or feel misled is to  
11 review the flow of complaints generated by those consumers. While we did not  
12 conduct a comprehensive review of Defendants’ emails given the late date at  
13 which we obtained access to them, a sampling of the emails quickly revealed a  
14 wealth of consumer complaints of one kind or another. Some examples of emails  
15 sent from consumers directly to the Castillos follow:

- 16 • “I am writing to find out why I see that the money I was paying for  
17 student loan with your company never went to my student loan  
18 account. I still see my loan was never payed off to the government. I  
19 was paying monthly and nothing happened. I need to know why and if  
20 this is a scam company I will sue to get all my money back that was  
21 paid out.” Ex. 24.
- 22 • “Is my loan up to date? I thought it wasn’t supposed to show up on  
23 my credit report. Also my loan servicing has been moved. It’s not at  
24 the US Department of Education anymore. Does this change  
25 anything? Also, I called for a letter stating what my payment is for a  
26 loan and never received it. It seems like a scam!” Ex. 25.
- 27 • “I received another bill from Nelnet, and they would like me to send  
28 them a payment at the beginning of March, I thought your company  
would handle this. I have made my first payment, but I’m really not  
feeling secure with the information that you gave me.” Ex. 26.
- “Please do not pull my payment for \$199 today. I called the us  
department of education and they told me the forgiveness loan doesn’t  
apply to me. I also read online that you guys are a scam from multiple  
different websites.” Ex. 27.
- “I am cancelling this change, this is a scam. You led me to believe I  
had to do this with this company and payments are what wad needed  
to have the forgiveness program applied to my loans.” Ex. 28.



- “I sent a message that said I declined the program and canceled my credit card! This was a scam and u know it! Navient my real student loan broker is working with me!” Ex. 29.

Consumers were clearly deeply confused about multiple aspects of Defendants’ “program,” in short, and Defendants were well aware that the confusion existed—they needed and capitalized on the confusion as a fundamental aspect of the sales scheme. As discussed above, Defendants relied on this confusion to pitch consumers on the program and to keep them in it.

**D. The Businesses Cannot be Operated Lawfully and Profitably**

In this case, we must resolve the question of whether or not lawful and profitable operation is possible as to two separate businesses: the student loan debt relief business and the more recently established debt validation business.

1. Student Loan Debt Relief Business

The student loan debt relief business run by Defendants is not a legitimate or lawful business. First, Defendants take an advance fee for their services which is unlawful and an insurmountable hurdle to operating the business. But beyond that, Defendants’ business plan calls for: deceit and confusion to get and maintain customers; exorbitant fees collected unlawfully in advance; beginning with the first annual recertification, fees on residual customers that became a virtual annuity; and a near-complete (if not complete) abdication of responsibility when it came to actually following up on and closing out applications for new repayment plans on consumers’ behalf. The scope of the deceit and fraud at the heart of the business is remarkable, leaving no feasible way to salvage any legitimate business. The student loan debt relief business cannot be operated lawfully under the auspices of the Receiver. I have, therefore, suspended the student loan operations as authorized by TRO Section III.14(t).

2. Debt Validation Business

Defendants’ fledgling debt validation business, DCS, was substantially smaller than their student loan debt relief business. Even assuming for present

1 purposes that this aspect of the business could be operated lawfully (and we have  
2 made no effort to undertake that analysis), the debt validation business is miniscule  
3 and unprofitable at this stage. For example, while the SL Finance DebtPayPro  
4 CRM listed 12,571 enrolled clients, the DCS DebtPayPro CRM listed only 675  
5 enrolled clients. The statistics captured in the DCS CRM suggest that DCS’s  
6 business was negligible at best:

Category	Clients
Enrolled	675
Submitted	58
Returned	0
Paused	333
Canceled	181
Graduated	0

7  
8  
9  
10  
11  
12  
13  
14  
15 Per these internal statistics, only 8.5% of DCS’s clients had submitted  
16 applications. 49.3% of clients had a status of “paused,” and 26.8% of clients had  
17 affirmatively canceled their enrollment, meaning over 76% of DCS’s debt  
18 validation customers were inactive. Only 103 files (15.3% of the 675 enrolled) fell  
19 into none of the above categories, suggesting that these files may have been in  
20 process (*i.e.*, neither inactive nor submitted) at the time of immediate access. This  
21 was not a thriving business.

22 Our forensic accountant’s preliminary analysis of DCS’s QuickBooks  
23 records confirms that DCS was not a profitable business. At the time of immediate  
24 access, DCS’s checking account had a balance of \$55,802.80. *See* Ex. 3. Income,  
25 expenses, net income, and revised net income (accounting for the seed money from  
26 SL Finance) for the years 2022 and 2023, the only years in which we understand  
27 DCS was operating, were as follows, based on the QuickBooks data:

28 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Year	Total Income	Total Expenses	Net Income	SLF Funding	Rev. Net Income
2022	\$309,939.74	\$301,696.73	\$8,243.01	\$112,250.00	-\$104,006.99
2023	\$114,634.58	\$87,349.64	\$27,284.94	\$30,000	-\$2,715.06
<b>Total</b>	<b>\$424,574.32</b>	<b>\$389,046.37</b>	<b>\$35,527.95</b>	<b>\$142,250.00</b>	<b>-\$106,722.05</b>

Based on the QuickBooks data and accounting for the funds provided by SL Finance, DCS was in the red over \$100,000 over the course of its operations—and regardless, its outstanding debts to SL Finance (\$142,250.00) are well in excess of any cash on hand (\$55,802.80).

In sum, the DCS business is essentially subsidized by loans and advances from the unlawful student loan business, and even with those subsidies it is not remotely profitable. Hence, I am also suspending its operations as authorized by TRO Section III.14(t).

Dated: May 12, 2023

By: /s/ Thomas W. McNamara  
Thomas W. McNamara  
*Temporary Receiver*