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IN THE MATTER OF: COMPLIANCE AUDIT GROUP ("Respondent") TEMPORARY ORDER TO CEASE AND DESIST ORDER TO MAKE RESTITUTION NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING

I. LEGAL AUTHORITY AND JURISDICTION

The Banking Commissioner ("Commissioner") is charged with the administration of Sections 36a-671 to 36a-671e, inclusive, of the Connecticut General Statutes contained in Part II of Chapter 669 of the Connecticut General Statutes, "Debt Adjusters and Debt Negotiation".

Pursuant to the authority granted by Section 36a-17 of the Connecticut General Statutes, the Commissioner, through the Consumer Credit Division of the Department of Banking, has investigated the activities of Respondent to determine if it has violated, is violating or is about to violate the provisions of the Connecticut General Statutes within the jurisdiction of the Commissioner.

Section 36a-17(a) of the Connecticut General Statutes provides, in pertinent part, that:

The commissioner, in the commissioner's discretion, may, subject to the provisions of section 36a-21 and the Freedom of Information Act, as defined in section 1-200, (1) make such public or private investigations . . . within or outside this state, concerning any person subject to the jurisdiction of the commissioner, as the commissioner deems necessary to carry out the duties of the commissioner, (2) require or permit any person to testify, produce a record or file a statement in writing, under oath, or otherwise as the commissioner determines, as to all the facts and circumstances concerning the matter to be investigated or about which an action or proceeding is pending . . . .

Section 36a-52 of the Connecticut General Statutes provides, in pertinent part, that:

(a) Whenever it appears to the commissioner that any person has violated, is violating or is about to violate any provision of the general statutes within the jurisdiction of the commissioner, . . . the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt. The notice shall be deemed received by the person on the earlier of the date of actual receipt, or seven days after mailing or sending. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes . . . alleged to have been violated; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that such person may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. . . .

(b) If the commissioner finds that the public welfare requires immediate action, the commissioner may incorporate a finding to that effect in the notice sent in accordance with subsection (a) of this section and issue a temporary order requiring the person to cease and desist from the activity which constitutes such alleged violation and to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section. Such temporary order shall become effective on receipt and, unless set aside or modified by a court, shall remain in effect until the effective date of a permanent order or dismissal of the matters asserted in the notice.

Section 36a-50 of the Connecticut General Statutes provides, in pertinent part, that:

(a)(1) Whenever the commissioner finds as the result of an investigation that any person has violated any provision of the general statutes within the jurisdiction of the commissioner, . . . the commissioner may send a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt. The notice shall be deemed received by the person on the earlier of the date of actual receipt or seven days after mailing or sending. Any such notice shall include: (A) A statement of the time, place, and nature of the hearing; (B) a statement of the legal authority and jurisdiction under which the hearing is to be held; (C) a reference to the particular sections of the general statutes . . . alleged to have been violated; (D) a short and plain statement of the matters asserted; (E) the maximum penalty that may be imposed for such violation; and (F) a statement indicating that such person may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice.

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such person fails to appear at the hearing. After the hearing, if the commissioner finds that the person has violated any such provision, . . . the commissioner may, in the commissioner's discretion and in addition to any other remedy authorized by law, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person. If such person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner may, as the facts require, order that a civil penalty not exceeding one hundred thousand dollars per violation be imposed upon such person.

(3) Each action undertaken by the commissioner under this subsection shall be in accordance with the provisions of chapter 54. . . .

(c) Whenever the commissioner finds as the result of an investigation that any person has violated any provision of the general statutes within the jurisdiction of the commissioner, . . . the commissioner may, in addition to any other remedy authorized by law, order such person to (1) make restitution of any sums shown to have been obtained in violation of any such provision . . . plus interest at the legal rate set forth in section 37-1 . . . . After the commissioner issues such an order, the person named in the order may, not later than fourteen days after the receipt of such order, file a written request for a hearing. The order shall be deemed received by the person on the earlier of the date of actual receipt or seven days after mailing or sending. Any such hearing shall be held in accordance with the provisions of chapter 54.

II. MATTERS ASSERTED

- 1. At all times relevant hereto, Respondent was a purported entity with offices located at 468 Camden Drive, Suite 280, Beverly Hills, California; 468 North Camden Drive, Suite 280, Beverly Hills, California; and 3325 Wilshire Boulevard, Suite 940, Los Angeles, California. 2. On or about January 4, 2012, two Connecticut debtors executed a "Compliance Audit Retainer Agreement" ("Agreement") authorizing Respondent to represent the Connecticut debtors in the modification of such debtors' mortgage loan. 3. In connection with the Agreement, the Connecticut debtors agreed to pay Respondent \$2,950. 4. The \$2,950 charged by Respondent and paid by the Connecticut debtors to Respondent in connection with the Agreement is in excess of amounts that debt negotiators may charge for services related to secured debt pursuant to the Schedule of Maximum Fees established by the Commissioner on or about October 1, 2009 ("Schedule of Maximum Fees"). 5. Specifically, the Schedule of Maximum Fees provides, in pertinent part, that "[a] debt negotiator of secured debt, including Short Sales and Foreclosure Rescue Services, may impose a fee upon the mortgagor or debtor for performing debt negotiation services not to exceed five hundred dollars (\$500). Such fee shall only be collectable upon the successful completion of all services stated in the debt negotiation service contract". 6. At no time relevant hereto has Respondent been licensed to engage or offer to engage in debt negotiation in this state, nor did Respondent qualify for an exemption from such licensure. 7. On or about August 28, 2014, the Commissioner received a complaint filed by one of the Connecticut debtors identified in paragraph 2 concerning Respondent's failure to perform or successfully complete the debt negotiation services specified in the Agreement.

III. STATUTORY BASIS FOR ORDER TO MAKE RESTITUTION, ORDER TO CEASE AND DESIST AND IMPOSITION OF CIVIL PENALTY

Section 36a-671 of the Connecticut General Statutes provides, in pertinent part, that:

(a) As used in this section and sections 36a-671a to 36a-671e, inclusive, (1) "debt negotiation" means, for or with the expectation of a fee, commission or other valuable consideration, assisting a debtor in negotiating or attempting to negotiate on behalf of a debtor the terms of a debtor's obligations with one or more mortgagees or creditors of the debtor . . . ; (2) "debtor" means any individual who has incurred indebtedness or owes a debt for personal, family or household purposes; . . . (4) "mortgagor" means a debtor who is an owner of residential property, including, but not limited to, a single-family unit in a common interest community, who is also the borrower under a mortgage encumbering such residential property; . . . and (7) "residential property" means one-to-four family owner-occupied real property.

(b) No person shall engage or offer to engage in debt negotiation in this state without a license issued under this section for each location where debt negotiation will be conducted. . . . A person is engaging in debt negotiation in this state if such person: . . . (2) has a place of business located outside of this state and the debtor is a resident of this state who negotiates or agrees to the terms of the services in person, by mail, by telephone or via the Internet; or (3) has its place of business located outside of this state and the services concern a debt that is secured by property located within this state.

Section 36a-671a(b) of the Connecticut General Statutes provides, in pertinent part, that:

Whenever it appears to the commissioner that any person has violated, is violating or is about to violate the provisions of sections 36a-671 to 36a-671e, inclusive, . . . the commissioner may take action against such person . . . in accordance with sections 36a-50 and 36a-52. For purposes of sections 36a-671 to 36a-671e, inclusive, each engagement and each offer to engage in debt negotiation shall constitute a separate violation.

Respondent's engaging in debt negotiation in this state without obtaining the required license, as more fully described in paragraphs 1 through 6, inclusive, of the Matters Asserted, constitutes a violation of Section 36a-671(b) of the Connecticut General Statutes. Such violation forms the basis to issue an order to cease and desist pursuant to Sections 36a-671a(b) and 36a-52(a) of the Connecticut General Statutes, issue an order to make restitution pursuant to Sections 36a-671a(b) and 36a-50(c) of the Connecticut General Statutes, and impose a civil penalty pursuant to Sections 36a-671a(b) and 36a-50(a) of the Connecticut General Statutes. Section 36a-50(a) of the Connecticut General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

IV. FINDING AND STATUTORY BASIS FOR TEMPORARY ORDER TO CEASE AND DESIST

The Commissioner finds that public welfare requires immediate action to issue a temporary order requiring Respondent to cease and desist from violating Section 36a-671(b) of the Connecticut General Statutes and to take such action as set forth herein to effectuate the purposes of Section 36a-52(b) of the Connecticut General Statutes in that the interests of Connecticut debtors are being materially prejudiced by Respondent's engaging in debt negotiation in Connecticut while not being duly licensed and receiving monies in excess of the Schedule of Maximum Fees from at least two (2) Connecticut debtors who are already struggling financially.

V. TEMPORARY ORDER TO CEASE AND DESIST, ORDER TO MAKE RESTITUTION, NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING

WHEREAS, the Commissioner has reason to believe that Respondent has engaged in acts or conduct which forms the basis to issue an order to cease and desist pursuant to Sections 36a-671a(b) and 36a-52(a) of the Connecticut General Statutes, issue an order to make restitution pursuant to Sections 36a-671a(b) and 36a-50(c) of the Connecticut General Statutes, and impose a civil penalty pursuant to Sections 36a-671a(b) and 36a-50(a) of the Connecticut General Statutes;

AND WHEREAS, the Commissioner has made the finding required under Section 36a-52(b) of the Connecticut General Statutes.

THE COMMISSIONER THEREFORE ORDERS, pursuant to the authority granted in Section 36a-52(b) of the Connecticut General Statutes, that Compliance Audit Group immediately CEASE AND DESIST from violating Section 36a-671(b) of the Connecticut General Statutes. This Temporary Order to Cease and Desist shall become effective upon receipt by Compliance Audit Group, and, unless set aside or modified by a court, shall remain in effect until the effective date of a permanent order or dismissal of the Matters Asserted in this Temporary Order to Cease and Desist.

THE COMMISSIONER FURTHER ORDERS, pursuant to Sections 36a-17(a) and 36a-52(b) of the Connecticut General Statutes, that: Not later than fourteen (14) days from receipt of this Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing, Compliance Audit Group shall provide to Carmine Costa, Director, Consumer Credit Division, Department of Banking, 260 Constitution Plaza, Hartford, Connecticut 06103 1800, or carmine.costa@ct.gov, a list of all Connecticut debtors with whom Compliance Audit Group has entered into agreements for debt negotiation services on or after October 1, 2009. Such submission shall include: (a) a copy of each agreement, and (b) a list of each debtor's name and address and full itemization of each debtor's payments made pursuant to the agreement, specifying the dates, amounts and to whom such payments were made.

THE COMMISSIONER FURTHER ORDERS, pursuant to Section 36a-50(c) of the Connecticut General Statutes, that Compliance Audit Group MAKE RESTITUTION of any sums obtained as a result of Compliance Audit Group violating Section 36a-671(b) of the Connecticut General Statutes, plus interest at the legal rate set forth in Section 37-1 of the Connecticut General Statutes. Specifically, the Commissioner ORDERS that: Not later than thirty (30) days from the date this Order to Make Restitution becomes permanent, Compliance Audit Group shall:

- 1. Repay \$2,950 to the Connecticut debtors identified in Exhibit A attached hereto and repay to any other Connecticut debtors who entered into an agreement for debt negotiation services with Compliance Audit Group on or after October 1, 2009, any fees paid by such Connecticut debtors to Compliance Audit Group, plus interest. Payments shall be made by cashier's check, certified check or money order; and 2. Provide to Carmine Costa, Director, Consumer Credit Division, Department of Banking, 260 Constitution Plaza, Hartford, Connecticut 06103-1800, or carmine.costa@ct.gov, evidence of such repayments.

NOW THEREFORE, notice is hereby given to Respondent that the Commissioner intends to issue an order requiring Respondent to CEASE AND DESIST from violating Section 36a-671(b) of the Connecticut General Statutes, and impose a CIVIL PENALTY upon Respondent as set forth herein, subject to Respondent's right to a hearing on the allegation set forth above.

A hearing will be granted to Respondent if a written request for a hearing is received by the Department of Banking, Consumer Credit Division, 260 Constitution Plaza, Hartford, Connecticut 06103 1800 within fourteen (14) days following Respondent's receipt of this Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing as set forth in Section 36a-52(a) and subsections (a) and (c) of Section 36a-50 of the Connecticut General Statutes. This Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing shall be deemed received on the earlier of the date of actual receipt, or seven days after mailing or sending. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to the above address. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the Connecticut General Statutes and Section 36a-1-21 of the Regulations of Connecticut State Agencies. If a hearing is requested, the hearing will be held on January 5, 2016, at 10 a.m., at the Department of Banking, 260 Constitution Plaza, Hartford, Connecticut.

The hearing will be held in accordance with the provisions of Chapter 54 of the Connecticut General Statutes, unless Respondent fails to appear at the requested hearing. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner.

If Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegation herein will be deemed admitted. Accordingly, the Order to Make Restitution shall remain in effect and become permanent against Respondent, and the Commissioner will issue an order that Respondent cease and desist from violating Section 36a-671(b) of the Connecticut General Statutes, and may order a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation be imposed upon Respondent.

So ordered at Hartford, Connecticut this 16th day of November 2015.

Jorge L. Perez Banking Commissioner

CERTIFICATION

I hereby certify that on this 16th day of November 2015, I caused to be mailed the foregoing Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing by certified mail, return receipt requested, to Compliance Audit Group, 468 Camden Drive, Suite 280, Beverly Hills, California 90210, certified mail no. 7013302000042269418; 468 North Camden Drive, Suite 280, Beverly Hills, California 90210, certified mail no. 7013302000042269425; and 3325 Wilshire Boulevard, Unit 940, Los Angeles, California 90010, certified mail no. 7013302000042269432.

Amy Grillo Secretary

Administrative Orders and Settlements

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