

FILED
CLERK, U.S. DISTRICT COURT

9/27/2017

CENTRAL DISTRICT OF CALIFORNIA
BY: LH DEPUTY

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

14 FEDERAL TRADE COMMISSION,

15
16 Plaintiff,

17 vs.

18 ALLIANCE DOCUMENT
19 PREPARATION, LLC, also dba EZ
20 Doc Preps, Grads Aid, and First
21 Document Aid; SBS CAPITAL
22 GROUP, INC., also dba Grads United
23 Discharge; SBB HOLDINGS, LLC, also
24 dba EZ Doc Preps, Allied Doc Prep, and
25 Post Grad Services; FIRST STUDENT
26 AID, LLC; UNITED LEGAL CENTER,
27 LLC, also dba Post Grad Aid, Alumni
28 Aid Assistance, and United Legal
Discharge; UNITED LEGAL CENTER,
INC., also dba United Legal Discharge;
ELITE CONSULTING SERVICE,

Civ. No. LA17CV07048-SJO(KSx)

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

FILED UNDER SEAL

LODGED
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9/25/17

CENTRAL DISTRICT OF CALIFORNIA
BY: LH DEPUTY

1 LLC, fka FIRST GRAD AID, LLC, also
2 dba First Grad Aid and; GRADS DOC
3 PREP, LLC, also dba Academic Aid
4 Center, Academic Protection, Academy
5 Doc Prep, and Academic Discharge;
6 ELITE DOC PREP, LLC, also dba
7 Premier Student Aid; BENJAMIN
8 NADERI aka Benjamin Pournaderi and
9 Benjamin Brooks; SHAWN GABBAIE
10 aka Shawn Goodman; AVINADAV
11 RUBENI aka Avi Rubeni; MICHAEL
12 RATLIFF; RAMIAR REUVENI aka
13 Rami Reuveni; and FARZAN
14 AZINKHAN,

11 Defendants, and

13 DIRECT CONSULTING SERVICE,
14 LLC; and CAPITAL DOC PREP, INC.,

15 Relief Defendants.

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

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

1 **JURISDICTION AND VENUE**

2 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331,
3 1337(a), and 1345; 15 U.S.C. §§ 45(a), 53(b), and 6102(c).

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

6 **PLAINTIFF**

7 4. The FTC is an independent agency of the United States Government created
8 by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15
9 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting
10 commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§ 6101-
11 6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the
12 TSR, 16 C.F.R. Part 310, which prohibits deceptive or abusive telemarketing acts
13 or practices.

14 5. The FTC is authorized to initiate federal district court proceedings, by its
15 own attorneys to enjoin violations of the FTC Act, and the TSR to secure such
16 equitable relief as may be appropriate in each case, including rescission or
17 reformation of contracts, restitution, the refund of monies paid, and the
18 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2), and 6102(c).

19 **DEFENDANTS**

20 6. Alliance Document Preparation, LLC (“Alliance”), is a California limited
21 liability corporation created April 13, 2015. Alliance has done business as EZ Doc
22 Preps, Grads Aid, and First Document Aid. Alliance has held itself out as doing
23 business at 9060 Santa Monica Blvd., #105, Los Angeles, CA 90069; 9056 Santa
24 Monica Blvd., #208, Los Angeles, CA 90069; and 1435 S. La Cienega Blvd., 2B,
25 Los Angeles, CA 90035. At all times material to this Complaint, acting alone or in
26 concert with others, Alliance has engaged in the acts and practices set forth in this
27 Complaint, in this district and throughout the United States.

1 7. SBS Capital Group, LLC (“SBS”), is a California corporation created March
2 20, 2017. SBS has held itself out as doing business at 1575 Westwood Blvd, Ste.
3 303, Los Angeles, CA 90024, an address affiliated with Grads United Discharge.
4 At all times material to this Complaint, acting alone or in concert with others, SBS
5 has engaged in the acts and practices set forth in this Complaint, in this district and
6 throughout the United States.

7 8. SBB Holdings, LLC (“SBB”), is a California limited liability corporation
8 created November 23, 2015. SBB has done business as EZ Doc Preps, Post Grad
9 Aid, and Allied Doc Prep. SBB has held itself out as doing business at 9056 Santa
10 Monica Blvd., #303, Los Angeles, CA 90069; PO Box 691004, Los Angeles, CA
11 90069; and 1435 S. La Cienega Blvd., 2B, Los Angeles, CA 90035. At all times
12 material to this Complaint, acting alone or in concert with others, SBB has engaged
13 in the acts and practices set forth in this Complaint, in this district and throughout
14 the United States.

15 9. First Student Aid, LLC (“FSA”), is a California limited liability corporation
16 created on August 14, 2015. FSA has held itself out as doing business at 9056
17 Santa Monica Blvd., #208, Los Angeles, CA 90069, and 1435 S. La Cienega Blvd.,
18 2B, Los Angeles CA, 90035. At all times material to this Complaint, acting alone
19 or in concert with others, FSA has engaged in the acts and practices set forth in this
20 Complaint, in this district and throughout the United States.

21 10. United Legal Center, LLC (“ULC”), is a Nevada limited liability corporation
22 created August 21, 2015. ULC has also done business as Post Grad Aid, Alumni
23 Aid Assistance, and United Legal Discharge. ULC has held itself out as doing
24 business at 1435 S. La Cienega Blvd., 2B, Los Angeles, CA 90035. At all times
25 material to this Complaint, acting alone or in concert with others, ULC has
26 engaged in the acts and practices set forth in this Complaint, in this district and
27 throughout the United States.

1 11. United Legal Center, Inc. (“ULC, Inc.”), is a California corporation created
2 on February 20, 2017. ULC, Inc., also has done business as United legal
3 Discharge. ULC, Inc., has held itself out as doing business at 1435 S. La Cienega
4 Blvd., 2A, Los Angeles, CA 90035. At all times material to this Complaint, acting
5 alone or in concert with others, ULC, Inc. has engaged in the acts and practices set
6 forth in this Complaint, in this district and throughout the United States.

7 12. Elite Consulting Service, LLC (“ECS”), is a California limited liability
8 corporation created November 17, 2015, as First Grad Aid, LLC. On January 17,
9 2017, First Grad Aid changed its name to ECS, which continues to do business
10 under the name First Grad Aid. ECS has held itself out as doing business at 9056
11 Santa Monica Blvd., #208, Los Angeles, CA 90035; 1875 Century Park East, Ste.
12 700, Century Park, CA 90067; and 1435 S La Cienega Blvd., 2B, Los Angeles, CA
13 90035. At all times material to this Complaint, acting alone or in concert with
14 others, ECS has engaged in the acts and practices set forth in this Complaint, in
15 this district and throughout the United States.

16 13. Elite Doc Prep, LLC (“Elite”), is a California limited liability corporation
17 created December 15, 2015. Elite has done business as Premier Student Aid. Elite
18 has held itself out as doing business at 9060 Santa Monica Blvd, Los Angeles, CA
19 90069. Elite uses the telephone account in the name of EZ Doc Preps and United
20 Legal Center at 1435 S La Cienega Blvd., 2B, Los Angeles, CA 90035, to make
21 sales to consumers. At all times material to this Complaint, acting alone or in
22 concert with others, Elite has engaged in the acts and practices set forth in this
23 Complaint, in this district and throughout the United States.

24 14. Grads Doc Prep, LLC (“GDP”), is a California limited liability corporation
25 created August 31, 2016. GDP has done business as Academic Aid Center,
26 Academic Protection, Academic Discharge, and Academy Doc Prep. GDP has
27 held itself out as doing business at PO Box 691004, Los Angeles, CA 90069; and
28 1999 Ave. of the Stars, #1100, Century City, CA 90067. At all times material to

1 this Complaint, acting alone or in concert with others, GDP has engaged in the acts
2 and practices set forth in this Complaint, in this district and throughout the United
3 States.

4 15. Benjamin Naderi (“Naderi”), aka Benjamin Pournaderi and Benjamin
5 Brooks, is the sole owner of Defendants Alliance and SBS and co-owns defendant
6 SBB with defendant Shawn Gabbaie. Naderi is a member or a manager of
7 Defendant FSA. Naderi is responsible for multiple telephone lines used by
8 Defendants to market their services, he has registered multiple Internet domain
9 names on behalf of Defendants, and he is the signatory on merchant and bank
10 accounts used by the Defendants. At all times material to this Complaint, acting
11 alone or in concert with others, he has formulated, directed, controlled, had the
12 authority to control, or participated in the acts and practices set forth in this
13 Complaint. Defendant Naderi resides in this district and, in connection with the
14 matters alleged herein, transacts or has transacted business in this district and
15 throughout the United States.

16 16. Shawn Gabbaie (“Gabbaie”), aka Shawn Goodman, is a member or manager
17 of defendant FSA, and co-owner with defendant Naderi of SBB. Gabbaie is
18 responsible for multiple telephone lines used by Defendants to market their
19 services, he has registered multiple Internet domain names on behalf of
20 Defendants, and he is the signatory on merchant and bank accounts used by the
21 Defendants. At all times material to this Complaint, acting alone or in concert with
22 others, he has formulated, directed, controlled, had the authority to control, or
23 participated in the practices of the acts and practices set forth in this Complaint.
24 Defendant Gabbaie resides in this district and, in connection with the matters
25 alleged herein, transacts or has transacted business in this district and throughout
26 the United States.

27 17. Ramiar Reuveni (“Reuveni”), aka Rami Reuveni, is the sole owner of GDP.
28 He pays for the domain registrations for the URLs academicaidcenter.com,

1 academicprotection.com, academic discharge, alumnaidassociation.org,
2 unitedlegalcenter.com, and gradsuniteddischarge.com. At all times material to this
3 Complaint, acting alone or in concert with others, he has formulated, directed,
4 controlled, had the authority to control, or participated in the acts and practices set
5 forth in this Complaint. Defendant Reuveni resides in this district and, in
6 connection with the matters alleged herein, transacts or has transacted business in
7 this district and throughout the United States.

8 18. Avinadav Rubeni (“Rubeni”), aka Avi Rubeni, is an owner and manager of
9 ULC and owner and CEO of ULC, Inc. Rubeni is responsible for multiple
10 telephone lines used by Defendants to market their services, he has registered
11 multiple Internet domain names on behalf of Defendants, and he is the signatory on
12 merchant and bank accounts used by the Defendants. At all times material to this
13 Complaint, acting alone or in concert with others, he has formulated, directed,
14 controlled, had the authority to control, or participated in the acts and practices set
15 forth in this Complaint. Defendant Rubeni resides in this district and, in
16 connection with the matters alleged herein, transacts or has transacted business in
17 this district and throughout the United States.

18 19. Farzan Azinkhan (“Azinkhan”) is the sole owner of Elite. He is signatory to
19 the bank account for Elite and is the domain registrant for the URLs
20 elitedocprep.com, gradcounselor.com, and premierstudentaid.com. At all times
21 material to this Complaint, acting alone or in concert with others, he has
22 formulated, directed, controlled, had the authority to control, or participated in the
23 acts and practices set forth in this Complaint. At all times material to this
24 Complaint, acting alone or in concert with others, he has formulated, directed,
25 controlled, had the authority to control, or participated in the practices of the
26 corporate defendants, including the acts and practices set forth in this Complaint.
27 Defendant Azinkhani resides in this district and, in connection with the matters
28

1 alleged herein, transacts or has transacted business in this district and throughout
2 the United States.

3 20. Michael Ratliff (“Ratliff”) is the sole owner of defendant ECS. He is
4 signatory to the bank account for ECS and is the domain registrant for the URLs
5 eliteconsultingservice.com and firstgradaid.com. At all times material to this
6 Complaint, acting alone or in concert with others, he has formulated, directed,
7 controlled, had the authority to control, or participated in the acts and practices set
8 forth in this Complaint, in this district and throughout the United States.

9 Defendant Ratliff resides in this district and, in connection with the matters alleged
10 herein, transacts or has transacted business in this district and throughout the
11 United States.

12 **RELIEF DEFENDANTS**

13 21. Direct Consulting Service, LLC (“Direct”), is a California limited liability
14 corporation created September 29, 2015, and fully owned by Defendant Naderi.
15 Direct has held itself as doing business at 9056 Santa Monica Blvd., #208, Los
16 Angeles, CA 90069. Direct has received assets that can be traced directly to
17 Defendants’ deceptive acts or practices alleged below, and it has no legitimate
18 claim to those assets. Direct transacts or has transacted business in this District.

19 22. Capital Doc Prep, Inc. (“Capital”), is a California corporation created March
20 20, 2017, and fully owned by Defendant Naderi. Capital has held itself out as
21 doing business at 369 S. Doheny Dr., Ste. 1124, Beverly Hills, CA 90211 and 1435
22 S. La Cienega Blvd., 2B, Los Angeles, CA 90035. Capital has received assets that
23 can be traced directly to Defendants’ deceptive acts or practices alleged below, and
24 it has no legitimate claim to those assets. Capital transacts or has transacted
25 business in this District.

26 **COMMON ENTERPRISE**

27 23. Defendants have engaged in the business practices described below through
28 an interrelated network of companies that market, offer for sale, and sell the same

1 products or services, use identical contracts, provide access to online consumer
2 accounts using the same online portal; maintain a shared customer database; share
3 employees; use the same phone room and operate out of the same locations; and
4 commingle funds. As a result, Defendants Alliance, SBS, SBB, FSA, ULC, ULC,
5 Inc., ECS, Elite, and GDP (collectively, “Corporate Defendants”) have operated as
6 a common enterprise while engaging in the unlawful acts and practices described
7 below, and each of them is jointly and severally liable for the acts and practices
8 alleged herein. Defendants Naderi, Gabbaie, Reuveni, Rubeni, Azinkhan, and
9 Ratliff (collectively, “Individual Defendants”) have formulated, directed,
10 controlled, had the authority to control, or participated in the acts and practices of
11 Corporate Defendants that constitute the common enterprise.

12 **COMMERCE**

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

16 **DEFENDANTS’ DECEPTIVE STUDENT LOAN DEBT RELIEF** 17 **OPERATION**

18 25. Since at least April 2015, Defendants have targeted alumni of for-profit
19 colleges who are struggling to repay, or are unable to repay, their federal student
20 loans. They deceptively claim that they will qualify or approve consumers for, or
21 enroll consumers in, programs that provide loan forgiveness, permanently reduced
22 monthly payments, reduced or eliminated interest rates, or loan discharge.

23 Defendants often lead consumers to believe that they are affiliated with or work
24 directly with the U.S. Department of Education (“ED”), the government, or the
25 consumer’s loan servicer, or that they will assume the consumer’s student loans.

26 26. In exchange for the promised student loan debt relief, Defendants have
27 charged illegal upfront fees of as much as \$1000. Consumers who already cannot
28 afford their loan payments thereby lose substantial sums of money to Defendants,

1 who have generated at least \$20 million in revenues from their unlawful scheme.

2 **BACKGROUND ON STUDENT LOAN FORGIVENESS AND**
3 **REPAYMENT PROGRAMS**

4 27. Student loan debt is the second largest class of consumer debt; more than 42
5 million Americans collectively owe \$1.3 trillion. The student loan market shows
6 elevated levels of distress relative to other types of consumer debt.

7 28. To address this mounting level of distressed debt, the ED and state
8 government agencies administer a limited number of student loan forgiveness and
9 discharge programs. Most consumers, however, are not eligible for these programs
10 because of strict eligibility requirements. For example, one program requires the
11 consumer to demonstrate a total and permanent disability; another applies only to
12 consumers whose school closed while the consumer was still enrolled. A third
13 program, the Borrower Defense to Repayment (“BDR”), may provide a loan
14 discharge if the school, through an act or omission, violated state law directly
15 related to the borrower’s federal student loan or to the educational services for
16 which the loan was provided.

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

23 30. The federal government also offers loan forgiveness through income-driven
24 repayment (“IDR”) programs that enable borrowers to reduce their monthly
25 payments and have portions of their loans forgiven. No loans have been forgiven
26 yet under any of the IDR programs. IDR programs allow eligible borrowers to
27 limit their monthly payments based on a percentage of their discretionary monthly
28 income. To remain in an IDR program, borrowers must recertify their income and

1 family size annually. Obtaining forgiveness through IDR programs requires a
2 minimum of 20 or 25 years of qualifying payments.

3 31. Because a borrower's income is likely to fluctuate over the life of the loan,
4 monthly payments under the IDR programs can vary considerably from year to
5 year. If a borrower's income were to increase over the repayment period, for
6 example, the monthly payment amount could correspondingly increase to the point
7 where those payments would pay off the loan before any amount could be forgiven
8 at the end of the repayment term.

9 32. Consumers can apply for BDR, PSLF, IDR, and other loan repayment and
10 forgiveness or discharge programs through the ED or their student loan servicers at
11 no cost; these programs do not require the assistance of a third-party company or
12 payment of application fees.

13 33. The ED will grant forbearance while processing applications for an
14 alternative repayment plan, and in some cases of hardship. During forbearance,
15 unpaid interest is added to the principal and the loan balance increases.

16 **DEFENDANTS' DECEPTIVE MARKETING OF STUDENT LOAN DEBT**
17 **RELIEF SERVICES**

18 34. Defendants have marketed their student loan debt relief services primarily
19 via social media platforms, such as Facebook. The Facebook advertisements lure
20 alumni from for-profit colleges — in particular colleges that have been sued by
21 class action litigants or government agencies, such as University of Phoenix,
22 DeVry University, ITT Tech, and the Art Institutes — to call Defendants to obtain
23 loan forgiveness. A typical Facebook advertisement states:

24 Art Institutes Loan Forgiveness.
25 Call (844) 478-8487 to see if you qualify
26 for loan forgiveness due to the recent
27 litigation against The Art Institutes.
28

1 35. Defendants also cold call consumers sometimes using recorded voice
2 messages stating, for example:

3 Hello, this is Alex with the Student Aid Help Department.
4 Your application just came across my desk and
5 you may be eligible for the Obama Student Loan Forgiveness
6 Program. This program is here for a limited time only
7 and subject to approval. Call me at my direct line now
8 to get more information. 310-589-4450. Have a nice day.

9 36. In telephone calls with consumers, Defendants make multiple
10 misrepresentations regarding their services. For example, Defendants falsely tell
11 consumers they have been qualified for, or approved for reduced monthly
12 payments, often a zero or low monthly payment for the term of the loan, reduced or
13 eliminated interest, loan forgiveness, or discharge. Defendants also falsely tell
14 consumers that they must pay to receive reduced monthly payments, reduced or
15 eliminated interest, loan forgiveness, or discharge. To enhance their credibility
16 and persuade consumers that they are legitimate, Defendants often falsely state or
17 imply that they work with or are affiliated with the ED, the government, or the
18 consumer's loan servicer. In other instances, Defendants claim that they will
19 assume responsibility for consumers' student loans, a claim bolstered when they
20 provided consumers with access to a new online loan account maintained by
21 Defendants. Only the ED can establish qualification for ED programs and third
22 parties cannot take over an ED student loan.

23 37. Defendants promise to enroll consumers in these programs in exchange for
24 an up-front fee that ranges from \$400 to \$1000. Defendants often allow a
25 consumer to pay the fee in installments over a three-month period, but tell the
26 consumer that they will not secure the promised relief until after the consumer has
27 paid the full amount of the fee. Defendants often create a sense of urgency by
28

1 falsely claiming that the funding provided by the government or lawsuit settlement
2 may not be available if the consumer does not agree to sign up immediately.

3 38. While Defendants are still speaking with the consumer on the phone, they
4 email the consumer several pages of documents to sign, the last two pages of
5 which are the purported agreement for Defendants' services. Defendants demand
6 consumers sign the agreement quickly, in some instances, requiring consumers to
7 sign the documents from their phones. Defendants often mislead consumers
8 regarding the nature of the documents, telling them that the documents simply
9 provided authorization for payment of the fee, authorization to act on behalf of the
10 consumer with the lender, or that the documents simply reflect what was discussed
11 in the sales call.

12 39. The agreement signed by the consumer, however, does not reflect the
13 promises made during the sales call. Fine print at the top of the penultimate page
14 of the agreement purports to limit Defendants' obligation to "provid[ing]
15 preparation services to assist consumers who are applying for federal student loans
16 programs using Department of Education (DOE) forms." Defendants never state
17 or even imply during lengthy telephone sales pitches touting loan forgiveness and
18 permanently reduced monthly payments that Defendants do nothing but fill out
19 forms for ED programs. To the contrary, Defendants gear their entire sales pitch
20 toward convincing often reluctant and financially struggling consumers that if they
21 pay Defendants hundreds of dollars, they will obtain relief from unaffordable
22 monthly loan payments.

23 40. In short, consumers pay Defendants for promised loan forgiveness or
24 permanently reduced monthly payments, but in most instances, receive neither the
25 promised loan forgiveness nor permanently reduced monthly payments. In many
26 instances, consumers are in a worse position after doing business with Defendants
27 than they were before. Consumers are generally unable to obtain a refund from
28

1 Defendants, who use the consumer's signed agreement as an excuse for denying a
2 refund request.

3 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

4 41. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
5 deceptive acts and practices in or affecting commerce."

6 42. Misrepresentations or deceptive omissions of material fact constitute
7 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

8 **COUNT I**

9 **(Deceptive Student Loan Debt Relief Representations)**

10 43. In numerous instances, in connection with the advertising, marketing,
11 promoting, offering for sale, or sale of student loan debt relief services, Defendants
12 have represented, directly or indirectly, expressly or by implication that:

13 a. Defendants are part of, affiliated with, or work directly with the
14 government, government loan programs, the Department of Education, or
15 consumers' loan servicers;

16 b. Consumers who purchase Defendants' debt relief services generally
17 will have their monthly payments reduced or their loan balances forgiven in
18 whole or in part; and

19 c. Consumers are qualified for, or are approved to receive loan
20 forgiveness or other programs that will permanently lower or eliminate their
21 loan payments or balances.

22 44. In truth and in fact, in numerous instances, in which Defendants have made
23 the representations set forth in Paragraph 43, such representations were false or
24 unsubstantiated at the time the representations were made.

25 45. Therefore, Defendants' representations as set forth in Paragraph 43
26 constitute deceptive acts or practice in violation of Section 5(a) of the FTC Act, 15
27 U.S.C. § 45(a).

THE TELEMARKETING SALES RULE

1
2 46. Congress directed the FTC to prescribe rules prohibiting abusive and
3 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
4 U.S.C. §§ 6101- 6108. The FTC adopted the original Telemarketing Sales Rule in
5 1995, extensively amended it in 2003, and amended certain provisions thereafter.

6 47. Defendants are “seller[s]” or “telemarketer[s]” engaged in “telemarketing”
7 as those terms are defined in the TSR, 16 C.F.R. § 310.2 (dd), (ff), and (gg). A
8 “seller” is any person who, in connection with a telemarketing transaction,
9 provides, offers to provide, or arranges for others to provide goods or services to a
10 customer in exchange for consideration. Id. 310.2(dd). A “telemarketer” is any
11 person who, in connection with telemarketing, initiates or receives telephone calls
12 to or from a customer or donor. 16 C.F.R. § 310.2(ff).

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

20 49. The TSR prohibits any seller or telemarketer from requesting or receiving
21 payment of any fees or consideration for any debt relief service until and unless:

- 22 a. The seller or telemarketer has renegotiated, settled, reduced, or
23 otherwise altered the terms of at least one debt pursuant to a settlement
24 agreement, debt management plan, or other such valid contractual agreement
25 executed by the customer; and
- 26 b. The customer has made at least one payment pursuant to that
27 settlement agreement, debt management plan, or other valid contractual
28 agreement between the customer and the creditor; and

1 c. To the extent that debts enrolled in a service are renegotiated, settled,
2 reduced, or otherwise altered individually, the fee or consideration either:

3 i. Bears the same proportional relationship to the total fee for
4 renegotiating, settling, reducing or altering the terms of the entire debt
5 balance as the individual debt amount bears to the entire debt amount.

6 The individual debt amount and the entire debt amount are those owed
7 at the time the debt was enrolled in the service; or

8 ii. Is a percentage of the amount saved as a result of the
9 renegotiation, settlement, reduction, or alteration. The percentage
10 charged cannot change from one individual debt to another. The
11 amount saved is the difference between the amount owed at the time
12 the debt was enrolled in the service and the amount actually paid to
13 satisfy the debt. 16 C.F.R. § 310.4(a)(5)(i).

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

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

21 52. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and
22 Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR
23 constitutes an unfair or deceptive practice in or affecting commerce, in violation of
24 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

1 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

2 **COUNT II**

3 **(Advance Fee for Debt Relief Services)**

4 53. In numerous instances in connection with the telemarketing of student loan
5 debt relief services, Defendants have requested or received payment of a fee or
6 consideration for debt relief services before:

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

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

14 54. Defendants' acts and practices, as described in Paragraph 53, are abusive
15 telemarketing acts or practices that violate Section 310.4(a)(5)(i) of the TSR, 16
16 C.F.R. § 310.4(a)(5)(i).

17 **COUNT III**

18 **(Misrepresentation of Affiliation)**

19 55. In numerous instances, in connection with the telemarketing of student loan
20 debt relief services, Defendants have misrepresented, directly or indirectly,
21 expressly or by implication, that Defendants are affiliated with, or endorsed or
22 sponsored by, the government, government loan programs, the Department of
23 Education, or consumers' loan servicers.

24 56. Defendants' acts and practices, as described in Paragraph 55, are deceptive
25 telemarketing acts or practices that violate Section 310.3(a)(2)(vii) of the TSR, 16
26 C.F.R. § 310.3(a)(2)(vii).

1 **COUNT IV**

2 **(Material Debt Relief Misrepresentations)**

3 57. In numerous instances, in connection with the telemarketing of student loan
4 debt relief services, Defendants have misrepresented, directly or indirectly,
5 expressly or by implication, material aspects of their debt relief services, including,
6 but not limited to that:

7 a. Consumers who purchase Defendants' debt relief services generally
8 will have their monthly payments reduced or their loan balances forgiven in
9 whole or in part; and

10 b. Consumers are qualified for, or are approved to receive loan
11 forgiveness or other programs that will permanently lower or eliminate their
12 loan payments or balances.

13 58. Defendants' acts and practices, as described in Paragraph 57, are deceptive
14 telemarketing acts or practices that violate Section 310.3(a)(2)(x) of the TSR, 16
15 C.F.R. § 310.3(a)(2)(x).

16 **COUNT V**

17 **(Disgorgement of Ill-Gotten Gains of Relief Defendants)**

18 59. Relief Defendants Direct and Capital have received, directly or indirectly,
19 funds and other assets from Defendants that are traceable to funds obtained from
20 Defendants' customers through the unlawful acts or practices described herein.
21 Relief Defendants Direct and Capital have no legitimate claim to Defendants'
22 customers' funds or other assets and will be unjustly enriched if they are not
23 required to disgorge the assets or the value of benefits received as a result of
24 Defendants' unlawful acts or practices.

25 60. By reason of the foregoing, Relief Defendants Direct and Capital hold funds
26 and assets in constructive trust for the benefit of Defendants' consumers.

1 **CONSUMER INJURY**

2 61. Consumers have suffered and will continue to suffer substantial injury as a
3 result of Defendants’ violations of the FTC Act and the TSR. In addition,
4 Defendants have been unjustly enriched as a result of their unlawful acts or
5 practices. Absent injunctive relief by this Court, Defendants are likely to continue
6 to injure consumers, reap unjust enrichment, and harm the public interest.

7 **THE COURT’S POWER TO GRANT RELIEF**

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

15 63. Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), authorizes this
16 Court to grant such relief as the Court finds necessary to redress injury to
17 consumers resulting from Defendants’ violations of the TSR, including the
18 rescission or reformation of contracts, and the refund of money.

19 **PRAYER FOR RELIEF**

20 64. Wherefore, Plaintiff Federal Trade Commission, pursuant to Section 13(b)
21 of the FTC Act, 15 U.S.C. § 53(b), Section 6(b) of the Telemarketing Act, 15
22 U.S.C. § 6105(b), and the Court’s own equitable powers, requests that the Court:

23 A. Award Plaintiff such preliminary injunctive and ancillary relief as
24 may be necessary to avert the likelihood of consumer injury during the pendency
25 of this action, and to preserve the possibility of effective final relief, including, but
26 not limited to, preliminary injunction, an order freezing Defendants’ assets,
27 appointment of a temporary receiver, immediate access to business premises, and
28 expedited discovery;


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

3 C. Award such relief as the Court finds necessary to redress injury to
4 consumers resulting from Defendants' violations of the FTC Act and the TSR,
5 including, but not limited to, rescission or reformation of contracts, restitution, the
6 refund of monies paid, and the disgorgement of ill-gotten monies; and

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

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10 Dated: *Sept. 25*, 2017

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13 Respectfully submitted,
14 DAVID C. SHONKA
15 Acting General Counsel
16 CHARLES A. HARWOOD
17 Regional Director

18 
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22 FEDERAL TRADE COMMISSION
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