

1 **BUREAU OF CONSUMER FINANCIAL PROTECTION**

SARAH PREIS (D.C. Bar No. 997387)

2 (admitted *Pro Hac Vice*)

Tel.: (202)-435-9318 / Email: sarah.preis@cfpb.gov

3 JESSE STEWART (N.Y. Bar No. 5145495)

(admitted *Pro Hac Vice*)

4 Tel: (202)-435-9641 / Email: jesse.stewart@cfpb.gov

1700 G Street, NW

5 Washington, DC 20552

Fax: (202) 435-5471

6 LEANNE E. HARTMANN (CA Bar No. 264787)

7 (Local Counsel for the Bureau of Consumer Financial Protection)

301 Howard Street, Suite 1200

8 San Francisco, CA 94105

Email: leanne.hartmann@cfpb.gov/Fax: (415) 844-9788

9 *Attorneys for Plaintiff the Bureau of Consumer Financial Protection*

10 **THE STATE OF MINNESOTA**

11 EVAN ROMANOFF (Attorney Reg. No. 0398223)

(admitted *Pro Hac Vice*)

12 Assistant Attorney General

445 Minnesota Street, Suite 1200

13 St. Paul, MN 55101-2130

Tel.: (651) 757-1454/Email: evan.romanoff@ag.state.mn.us

14 *Attorneys for Plaintiff the State of Minnesota*

15 **THE STATE OF NORTH CAROLINA**

16 M. LYNNE WEAVER (N.C. Bar No. 19397)

(admitted *Pro Hac Vice*)

17 MICHAEL T. HENRY (N.C. Bar No. 35338)

(admitted *Pro Hac Vice*)

18 North Carolina Department of Justice

114 W. Edenton Street

19 Raleigh, NC 27602

Tel.: (919) 716-6000 / Fax: (919) 716-6050

20 Emails: lweaver@ncdoj.gov/mhenry@ncdoj.gov

21 *Attorneys for Plaintiff the State of North Carolina*

22 **THE PEOPLE OF THE STATE OF CALIFORNIA**

23 MICHAEL N. FEUER, City Attorney (CA Bar No. 111529)

MARY CLARE MOLITOR, Chief Assistant City Attorney, (CA Bar No. 82404)

24 CHRISTINA V. TUSAN, Supervising Deputy City Attorney (CA Bar No. 192203)

WILLIAM PLETCHER, Deputy City Attorney (CA Bar No. 212664)

25 REBECCA MORSE, Deputy City Attorney (CA Bar No. 314853)

OFFICE OF THE CITY ATTORNEY

200 N. Main Street, 500 City Hall East

26 Los Angeles, California 90012-4131

Tel: (213) 978-8707/Fax: (213) 978-8112

27 Emails: christina.tusan@lacity.org / william.pletcher@lacity.org

28 *Attorneys for Plaintiff the People of the State of California*

1
2 **UNITED STATES DISTRICT COURT**
3 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

4 Bureau of Consumer Financial
5 Protection; State of Minnesota, by its
6 Attorney General, Keith Ellison;
7 State of North Carolina, *ex rel.*
8 Joshua H. Stein, Attorney General;
9 and The People of The State of
10 California, Michael N. Feuer, Los
11 Angeles City Attorney,

12 Plaintiffs,

13 v.

14 Consumer Advocacy Center Inc., d/b/a
15 Premier Student Loan Center; True
16 Count Staffing Inc., d/b/a SL Account
17 Management; Prime Consulting LLC,
18 d/b/a Financial Preparation Services;
19 TAS 2019 LLC d/b/a Trusted Account
20 Services; Horizon Consultants LLC;
21 First Priority LLC d/b/a Priority
22 Account Management; Albert Kim,
23 a/k/a Albert King; Kaine Wen, a/k/a
24 Wenting Kaine Dai, Wen Ting Dai, and
25 Kaine Wen Dai; and Tuong Nguyen,
26 a/k/a Tom Nelson,

27 Defendants, and

28 Infinite Management Corp., f/k/a
Infinite Management Solutions Inc.;
Hold The Door, Corp.; TN
Accounting Inc.; Mice and Men
LLC; 1st Generation Holdings, LLC;
Sarah Kim, and Anan Enterprise,
Inc.,

Relief Defendants.

Case No: SACV 19-1998-MWF(KSx)

FIRST AMENDED COMPLAINT

24
25 **INTRODUCTION**

26 1. The Bureau of Consumer Financial Protection (Bureau) brings this action
27 under §§ 1031, 1036(a), 1054, and 1055 of the Consumer Financial Protection Act of
28 2010 (CFPA), 12 U.S.C. §§ 5531, 5536(a), 5564 & 5565; and under and the

1 Telemarketing and Consumer Fraud and Abuse Prevention Act (Telemarketing Act), 15
2 U.S.C. §§ 6101-6108, and its implementing regulation, the Telemarketing Sales Rule
3 (TSR), 16 C.F.R. Part 310. The Bureau brings this action against the student-loan debt-
4 relief operation involving Defendants Consumer Advocacy Center Inc., d/b/a Premier
5 Student Loan Center; True Count Staffing Inc., d/b/a SL Account Management; Prime
6 Consulting LLC, d/b/a Financial Preparation Services (collectively, Student Loan Debt
7 Relief Companies); Defendants TAS 2019 LLC, d/b/a Trusted Account Services, Horizon
8 Consultants LLC, and First Priority LLC (collectively, Payment Companies); and
9 Defendants Albert Kim, Kaine Wen, and Tuong Nguyen (collectively, Individual
10 Defendants) (Student Loan Debt Relief Companies, Payment Companies, and Individual
11 Defendants are referred to, collectively, as Defendants).

12 2. The State of Minnesota, by its Attorney General, brings this enforcement
13 action to, among other things, obtain temporary, preliminary, and permanent injunctive
14 relief, restitution, and civil penalties for Defendants' acts or practices in violation of the
15 Minnesota Prevention of Consumer Fraud Act (MNCFA), Minn. Stat. §§ 325F.68-.694;
16 the Minnesota Uniform Deceptive Trade Practices Act (MNDTPA), Minn. Stat.
17 §§ 325D.43-.48; and the Telemarketing Act, 15 U.S.C. §§ 6101-6108, and its
18 implementing regulation, the TSR, 16 C.F.R. Part 310, in connection with Defendants'
19 student-loan debt-relief operation.

20 3. The State of North Carolina, by its Attorney General, brings this
21 enforcement action to, among other things, obtain temporary, preliminary, and permanent
22 injunctive relief, restitution, and civil penalties for Defendants' acts or practices in
23 violation of North Carolina's Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*,
24 (NCDA); North Carolina's Unfair and Deceptive Practices Act, N.C. Gen. Stat. § 75-
25 1.1 (NCUDPA); North Carolina's Telephonic Seller Registration Act, N.C. Gen. Stat. §
26 66-260, *et seq.* (NCTSRA); and the Telemarketing Act, 15 U.S.C. §§ 6101-6108, and its
27 implementing regulation, the TSR, 16 C.F.R. Part 310, in connection with Defendants'
28 student-loan debt-relief operation.

1 4. The People of the State of California (collectively with the States of
2 Minnesota and North Carolina, “the States”), by and through Michael N. Feuer, Los
3 Angeles City Attorney, bring this enforcement action to, among other things, obtain
4 temporary, preliminary, and permanent injunctive relief, restitution, and civil penalties
5 for Defendants’ acts or practices in violation of California’s Business and Professions
6 Code section 17200 et seq. (the “Unfair Competition Law,” or “UCL”) and the
7 Telemarketing Act, 15 U.S.C. §§ 6101-6108, and its implementing regulation, the TSR,
8 16 C.F.R. Part 310, in connection with student-loan debt-relief operation.

9 5. Defendants engaged in an unlawful student-loan debt-relief business that
10 harmed consumers nationwide by charging consumers unlawful advance fees and
11 misrepresenting the terms and conditions of their services.

12 6. The Bureau and the States bring this action to stop Defendants’ unlawful
13 conduct, obtain relief for harmed consumers, and impose civil money penalties on
14 Defendants for their unlawful actions.

15 7. The Bureau and the States also bring this action against Infinite Management
16 Corporation, Hold the Door, Corp., TN Accounting Inc., Mice and Men LLC, 1st
17 Generation Holdings, LLC, Sarah Kim, and Anan Enterprise, Inc., as Relief Defendants.

18 **OVERVIEW**

19 8. From at least 2015 until the filing of this action, Defendants operated a debt-relief
20 enterprise that deceived thousands of federal-student-loan borrowers and collected over
21 \$83 million in illegal advance fees, in violation of the TSR, the CFPA, the MNCFA, the
22 MNDTPA, the NCDAA, the NCUDPA, the NCTSRA, and the UCL. Unless otherwise
23 noted, all references to “borrowers” and “consumers” in this Complaint include
24 California, Minnesota, and North Carolina borrowers and consumers.

25 9. The Student Loan Debt Relief Companies, controlled by the Individual
26 Defendants, purported to help federal-student-loan borrowers obtain loan forgiveness or
27 lower monthly payments through programs administered by the U.S. Department of

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1 Education (DOE).

2 10. In fact, the Student Loan Debt Relief Companies deceived consumers,
3 including by misrepresenting that consumers would qualify for loan forgiveness in a
4 matter of months, when forgiveness takes at least 10 years of on-time payments and is
5 determined by DOE; that consumers were approved for lower monthly payments on their
6 student loans, when consumers had not yet been approved or when the new payment
7 amount was approved based on false information; and that consumers' lower payments
8 would be permanent when in fact they are subject to change based on changes in the
9 consumers' family size, income, and marital status.

10 11. The Student Loan Debt Relief Companies also falsely told consumers, or led
11 consumers to believe, that the consumers' payments to the companies would go toward
12 paying consumers' student loan balances.

13 12. When describing the services offered to consumers, the Student Loan Debt
14 Relief Companies failed to inform consumers that it was their practice to request that
15 consumers' loans be placed into forbearance or that interest would continue to accrue
16 during the forbearance period, thereby increasing consumers' overall loan balances.

17 13. When describing the services offered to consumers, the Student Loan Debt
18 Relief Companies failed to inform consumers that it was their practice to submit false
19 information about consumers' income, family size, and marital status on loan adjustment
20 applications in order to try to qualify consumers for lower monthly payments.

21 14. The Student Loan Debt Relief Companies charged consumers an initial fee
22 of \$900-\$1,750 for their services. This initial fee was typically levied well before
23 consumers had been accepted to and made a payment under their new loan agreement, in
24 violation of the TSR.

25 15. At no time did the Student Loan Debt Relief Companies hold consumer
26 payments in independent third-party accounts.

27 16. At no time did the Student Loan Debt Relief Companies use payments from
28 consumers to make payments toward consumers' student loan debts.

1 17. The Individual Defendants conducted this operation using a network of
2 several interrelated companies and over a dozen unregistered and fictitious business
3 names. The Student Loan Debt Relief Companies operated as a common enterprise
4 controlled by the Individual Defendants, rendering each jointly and severally liable for
5 the illegal acts of the Student Loan Debt Relief Companies.

6 **JURISDICTION AND VENUE**

7 18. This Court has subject-matter jurisdiction over this action because it is
8 brought under federal consumer financial law, 12 U.S.C. § 5565(a)(1), presents a federal
9 question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C.
10 § 1345. This Court has supplemental jurisdiction over the States’ claims pursuant to 28
11 U.S.C. § 1367.

12 19. Venue is proper in this district pursuant to 12 U.S.C. § 5564(f) because
13 Defendants are located, reside, or do business in this district.

14 **PARTIES**

15 20. The Bureau is an independent agency charged with enforcing violations of
16 Federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau has independent
17 litigating authority, 12 U.S.C. § 5564(a)-(b), including the authority to enforce the
18 CFPA’s prohibitions on unfair, deceptive, and abusive acts or practices, 12 U.S.C.
19 §§ 1031, 1036, and the TSR as it applies to persons subject to the CFPA, 15
20 U.S.C. §§6102(c), 6105(d).

21 21. The Bureau has authority to bring civil actions against persons violating
22 federal consumer-financial laws and to “seek all appropriate legal and equitable relief
23 including a permanent or temporary injunction as permitted by law.” 12 U.S.C.
24 § 5564(a).

25 22. Keith Ellison, Attorney General of the State of Minnesota, is authorized
26 under Minnesota Statutes chapter 8; the MNCFA, Minn. Stat. § 325F.69, *et seq.*; the
27 MNDTPA, Minn. Stat. § 325D.44, *et seq.*; the Telemarketing Act, 15 U.S.C. § 6103(a);
28 and has common law authority, including *parens patriae* authority, to bring this action on

1 behalf of the State of Minnesota and its citizens to enforce Minnesota law.

2 23. The State of North Carolina is acting through its Attorney General Joshua H.
3 Stein, pursuant to authority granted by Chapters 14, 66, 75, and 114 of the North Carolina
4 General Statutes, and the Telemarketing Act, 15 U.S.C. § 6103(a).

5 24. Michael N. Feuer, City Attorney for the City of Los Angeles, is authorized
6 under California Business and Professions Code section 17200 et seq. (the “Unfair
7 Competition Law,” or “UCL”) and the Telemarketing Act, 15 U.S.C. § 6103(a) and
8 (f)(2), to bring this civil law enforcement action on behalf of the People of the State of
9 California.

10 25. Defendant Consumer Advocacy Center Inc. (CAC) is a California
11 corporation formed on August 6, 2014, and it has held itself out as doing business at the
12 following addresses: 173 Technology Drive, Suite 202, Irvine, CA 92618; 29901 Santa
13 Margarita Pkwy, Suite 200F, Rancho Santa Margarita, CA 92688; 8 Hughes Parkway,
14 Irvine, CA 92618; 5350 E Suncrest Rd., Anaheim, CA 92807; and 24852 Acropolis Dr.,
15 Mission Viejo, CA 92691.

16 26. CAC has held itself out as doing business as Premier Student Loan Center.

17 27. CAC transacted its student-loan debt-relief business in the Central District of
18 California since at least November 2015.

19 28. On January 16, 2019, CAC filed for protection under chapter 11 of the
20 Bankruptcy Code in the United States Bankruptcy Court for the Southern District of
21 Florida. *See In re Consumer Advocacy Center, Inc.*, No. 19-10655-BKC-JKO (Bankr.
22 S.D. Fla.).

23 29. Defendant True Count Staffing Inc. (True Count) registered as a California
24 corporation on February 13, 2017, and it has held itself out as doing business at the
25 following addresses: 173 Technology Dr., Ste 202, Irvine, CA 92618; 777 E. Sierra
26 Madre Ave, Azusa, CA 91702; 8 Hughes Parkway, Irvine, CA 92618; and 7545 Irvine
27 Center Drive, Suite 200, PMB #108, Irvine, CA, 92618.

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1 30. True Count has held itself out as doing business as SL Account
2 Management.

3 31. Defendant Prime Consulting LLC (Prime) is a Wyoming limited-liability
4 company that registered with the California Secretary of State on April 25, 2018, and it
5 has held itself out as doing business at 11932 Klingerman Street, Suite 3, El Monte, CA,
6 91732 and 7545 Irvine Center Drive, Suite 200, Room 108, Irvine, CA, 92618.

7 32. Prime has held itself out as doing business as Financial Preparation Services.

8 33. Defendant TAS 2019 LLC, d/b/a Trusted Account Services (TAS) is a
9 Wyoming limited liability corporation that has held itself out as doing business at two
10 locations affiliated with companies providing resident agent services in Wyoming, 109 E.
11 17th Street Suite 5656, Cheyenne, WY, 82001, and 30 N Gould Street, Suite R, Sheridan,
12 WY 82801; a rented virtual office address at 17011 Beach Blvd., Suite 900, Huntington
13 Beach, CA 92467; and a residential address affiliated with its purported owner, Kenny
14 Huang, in Arcadia, CA.

15 34. TAS 2019 LLC's operations and principal place of business were located in
16 the Central District of California.

17 35. Defendant Horizon Consultants LLC (Horizon) is a Wyoming limited
18 liability corporation that has been registered to operate in California since October 2018.
19 It has held itself out as doing business at 2522 Chambers Rd Suite 100 Rm 209, Tustin,
20 CA 92780.

21 36. Defendant First Priority LLC d/b/a Priority Account Management (First
22 Priority) is a Wyoming limited liability corporation that has been registered to operate in
23 California since May 2018. It has held itself out as doing business at 1704 South Granada
24 Ave, Alhambra, CA 91801.

25 37. Defendant Albert Kim (a/k/a Albert King) is CAC's primary owner and
26 founder.

27 38. Kim is a resident of the State of California and performed work for CAC
28 while residing in this jurisdiction.

1 39. Kim exercised substantial control over CAC's business practices.

2 40. Kim exercised managerial responsibility for CAC and participated in the
3 conduct of its affairs.

4 41. Defendant Kaine Wen (a/k/a Wenting Kaine Dai, Wen Ting Dai) is True
5 Count's primary owner and founder and has also been an owner and manager of CAC.
6 Wen incorporated True Count and has served as its chief executive officer, director,
7 partner, and president.

8 42. Wen is a resident of the State of California and performed work for CAC
9 and True Count while residing in this jurisdiction.

10 43. Wen exercised substantial control over True Count's business practices.

11 44. Wen exercised managerial responsibility for True Count and participated in
12 the conduct of its affairs.

13 45. Wen exercised managerial responsibility for CAC and participated in the
14 conduct of its affairs.

15 46. Defendant Tuong Nguyen (a/k/a Tom Nelson) served as CAC's controller
16 and as True Count's secretary.

17 47. Nguyen is a resident of the State of California and performed work for CAC
18 and True Count while residing in this jurisdiction.

19 48. Nguyen exercised managerial responsibility for CAC and participated in the
20 conduct of its affairs.

21 49. Nguyen exercised managerial responsibility for True Count and participated
22 in the conduct of its affairs.

23 50. Relief Defendant Infinite Management Corp., f/k/a Infinite Management
24 Solutions Inc. (Infinite Management) registered as a California corporation on September
25 8, 2016, and it has held itself out as doing business at 9228 City Lights Drive, Aliso
26 Viejo, CA, 92656.

27 51. Kim served as Infinite Management's registered agent and president, and he
28 is the sole signatory on a bank account belonging to it.

1 52. Relief Defendant Hold the Door Corp. (Hold the Door) registered as a
2 California corporation on December 30, 2016, and it listed its address as 777 E. Sierra
3 Madre Ave, Azusa, CA 91702. It described its business type as “consulting services” in
4 corporate filings with the California Secretary of State.

5 53. Hold the Door was incorporated by Wen, and he has served as its sole
6 corporate officer.

7 54. Relief Defendant TN Accounting Inc. (TN Accounting) is a California
8 corporation that filed its Articles of Incorporation with the California Secretary of State
9 on February 8, 2017, and it has listed its principal place of business address of 1704 S.
10 Granada Ave, Alhambra, CA 91801 in corporate filings with the Secretary of State.

11 55. Nguyen has served as TN Accounting’s president and sole corporate officer.

12 56. Relief Defendant Mice and Men LLC (Mice and Men) is a Wyoming
13 corporation incorporated in December 2018 that has listed its principal place of business
14 as 30 N. Gould St, Ste R, Sheridan, WY 82801.

15 57. Registered Agents Inc., is Mice and Men’s registered agent in Wyoming,
16 and is the company that filed the Wyoming articles of organization for Mice and Men.
17 The address for Registered Agents, Inc., is 30 N. Gould St, Ste R, Sheridan, WY 82801.

18 58. Mice and Men is purportedly owned by Judy Dai, Defendant Wen’s mother,
19 who resides in Monterey Park, CA.

20 59. Judy Dai was listed with Registered Agents Inc. as the contact person for
21 Mice and Men, using her Monterey Park, CA residence as the mailing address.

22 60. Invoices from Registered Agents Inc. for services rendered for Mice and
23 Men were billed to Mice and Men, LLC, Judy Dai, at Judy Dai’s Monterey Park, CA
24 residence.

25 61. Relief Defendant 1st Generation Holdings, LLC (1st Generation) is a
26 Wyoming corporation with its principal place of business in Downey, California.

27 62. Relief Defendant Sarah Kim is Defendant Kim’s wife. She is a resident of
28 the State of California.

1 63. Relief Defendant Anan Enterprise, Inc. (Anan Enterprise), is a California
2 corporation that has listed its principal place of business as 2080 E. 25th Street, Vernon,
3 CA 90058. Anan Enterprise is owned by Defendant Albert Kim’s brother-in-law and
4 Relief Defendant Sarah Kim’s brother, Kyle Kim.

5 **FACTS**

6 **Student Loan Forgiveness and Repayment Programs**

7 64. DOE administers several federal student-loan repayment programs. Some
8 potentially offer lower monthly loan payments. Others allow consumers who make the
9 requisite qualifying payments over a period ranging from 10 to 25 years (and who meet
10 other eligibility criteria) to obtain loan forgiveness.

11 65. One such program is the income-driven repayment (IDR) program. IDR
12 plans may lower consumers’ monthly payments to more affordable amounts based on the
13 consumers’ income and family size. Consumers enrolled in IDR plans who make
14 qualifying payments may also have their outstanding student-loan balances forgiven after
15 20-25 years.

16 66. Under another program, the Public Service Loan Forgiveness program,
17 consumers who work full-time for a qualifying public-service employer, make 120
18 qualifying payments, and meet other eligibility criteria, can apply to have their
19 outstanding student-loan balances forgiven after 10 years.

20 67. Because a borrower’s income and family size can fluctuate over the life of
21 the loan, consumers are required to recertify their eligibility for IDR programs on an
22 annual basis. Variables such as marital status and tax-filing status (single, married filing
23 separately, married filing jointly) may affect how DOE calculates monthly payment
24 amounts. As a result, monthly payments under the IDR programs can vary from year to
25 year.

26 **The Student Loan Debt Relief Companies**

27 68. CAC began offering student-loan debt-relief services purporting to lower
28 consumers’ monthly loan payments and obtain loan forgiveness through enrollment in

1 loan forgiveness or IDR plans as early as November 2015.

2 69. Initially, CAC's internal structure included sales, processing, and customer-
3 service departments.

4 70. The sales department fielded incoming consumer calls, made outbound
5 marketing calls, and enrolled consumers in the Student Loan Debt Relief Companies'
6 services by providing consumers with contracts for electronic signature during sales calls.

7 71. The processing department charged consumers the initial advance fees, and
8 prepared and submitted forbearance, loan-consolidation, and IDR requests to consumers'
9 student-loan servicers. The consumer's student-loan servicer then evaluated the requests.

10 72. In March 2018, Kim and Wen moved CAC's processing and customer-
11 service operations into a new entity, True Count.

12 73. As part of this shift, CAC's processing and customer-service departments
13 physically moved to a new office location.

14 74. CAC continued to handle sales, while True Count took over preparing and
15 submitting loan-consolidation and IDR-plan applications and collecting payments from
16 consumers (including from consumers who had enrolled for services with CAC).

17 75. As early as April 2018, CAC transferred its sales functions to a new entity,
18 Prime, which ultimately assumed CAC's role as the main sales company enrolling
19 consumers for True Count's services.

20 76. The Individual Defendants, through True Count and Prime, set up First
21 Priority, Horizon, and TAS to collect payments from consumers.

22 **Debt Relief Sales and Business Practices**

23 77. The Student Loan Debt Relief Companies marketed their debt-relief services
24 through inbound and outbound calls, websites, social media, and direct mail.

25 78. When consumers called the front-end sales company (CAC or Prime), the
26 consumer first spoke with a sales representative.

27 79. Sales representatives instructed consumers on how to create an ID and
28 password for consumers' online accounts with Federal Student Aid (FSA), an office of

1 DOE, if the consumer had not previously done so. The sales representatives then
2 instructed the consumer to provide the sales representative with the consumer's FSA ID
3 and password.

4 80. Sales representatives downloaded student-loan data from the consumer's
5 online FSA account into the company's customer-relationship-management system.

6 81. Sales representatives often stated that there was an urgent need to sign up for
7 the respective Student Loan Debt Relief Company's services.

8 82. For example, some sales representatives told consumers that they had a
9 limited time in which they could apply for an IDR program.

10 83. At times, sales representatives represented that the respective Student Loan
11 Debt Relief Company was affiliated with DOE.

12 **Representations about Fees**

13 84. During sales calls, sales representatives made affirmative representations or
14 material omissions about the purpose of the fees paid by consumers to the Student Loan
15 Debt Relief Companies.

16 85. Sales representatives frequently represented that the fees would be applied to
17 the balance of consumers' student loans.

18 86. In fact, all monies paid by the consumers to the Student Loan Debt Relief
19 Companies were fees retained by the companies and were not remitted to student-loan
20 servicers to be applied toward consumers' loan balances.

21 87. Sales representatives frequently represented that fees paid to the Student
22 Loan Debt Relief Companies would be the only payments consumers would owe on their
23 student loans after being accepted into a DOE repayment program.

24 88. In fact, the fees paid to the Student Loan Debt Relief Companies were in
25 addition to, and did not relieve consumers of, their obligation to pay their student loans.

26 89. Sales representatives frequently represented to consumers that the fees
27 charged by the Student Loan Debt Relief Companies were necessary to participate and
28 remain enrolled in a loan-forgiveness or IDR program.

1 90. In fact, consumers can apply free of charge for loan forgiveness or IDR
2 programs, either through their student-loan servicer or directly to the DOE.

3 91. Moreover, consumers can recertify annually their eligibility to remain
4 enrolled in their IDR plans through their student-loan servicer for free.

5 **Representations about Loan Forgiveness**

6 92. The Student Loan Debt Relief Companies' sales representatives often told
7 consumers that they were qualified or approved for loan forgiveness.

8 93. Sales representatives frequently represented to consumers that they could get
9 consumers' student loans forgiven in whole or in part shortly after enrolling in the
10 respective Student Loan Debt Relief Company's services.

11 94. The DOE's loan forgiveness programs require anywhere from 10-25 years
12 of qualifying payments, as well as satisfaction of other eligibility criteria, to qualify for
13 loan forgiveness.

14 95. Only the DOE can approve consumers for loan forgiveness.

15 96. Because only the DOE can approve consumers for loan forgiveness, and
16 only after a consumer makes qualifying monthly payments over a period ranging from 10
17 to 25 years, the Student Loan Debt Relief Companies' representations to consumers that
18 all or part of their loans would be forgiven upon payment of enrollment fees were false.

19 **Representations about Lower Monthly Payments**

20 97. The Student Loan Debt Relief Companies' sales representatives often told
21 consumers that they qualified or were approved for a specific lower monthly payment.

22 98. In fact, the new, lower monthly payment amount identified by sales
23 representatives was often calculated based on an incorrect family size, income, or marital
24 status.

25 99. Sales representatives often represented that consumers' lower monthly
26 payment would be in place over the life of the loan.

27 100. In fact, monthly payment amounts are determined by student loan servicers
28 and can fluctuate year to year depending on changes in consumers' income, family size,

1 or marital status, and it is therefore not possible to determine a set monthly payment for
2 an IDR plan for the life of the loan.

3 **Preparing and Submitting Forbearance Requests and IDR Plan Applications**

4 101. Following an initial sales call, consumers who purchased the Student Loan
5 Debt Relief Companies' services were assigned to a company representative called a
6 "processor."

7 102. Processors conducted a "welcome call" during which they typically asked
8 consumers for proof of income and, at times, verified certain information.

9 103. Following the welcome call, processors submitted forbearance requests to
10 student-loan servicers on behalf of consumers.

11 104. Processors typically asked for a forbearance period of three months in the
12 forbearance requests they submitted.

13 105. If a servicer approves a forbearance request, the consumer is excused from
14 making his or her monthly student loan payments during the period of forbearance. But
15 interest on the consumer's student loan accrues during the period of forbearance and may
16 be added to the principal balance.

17 106. Typically, consumers were not informed during sales calls or the welcome
18 call that processors would submit forbearance requests on their behalf.

19 107. Typically, consumers were not informed during sales calls or the welcome
20 call that interest on the consumer's student loan accrues during the period of forbearance
21 and may be added to the principal balance.

22 108. In fact, most consumers did not ask the Student Loan Debt Relief
23 Companies for forbearance requests, and many consumers were not aware that the
24 Student Loan Debt Relief Companies submitted forbearance requests to their student loan
25 servicers on their behalf.

26 109. Processors signed the forbearance requests in the consumer's name so that it
27 appeared the request was submitted by the consumer.

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1 110. Many consumers were unaware the fees they paid to the Student Loan Debt
2 Relief Companies were not paying down their student loans.

3 **Submitting Consolidation and IDR Requests with False Information**

4 111. Processors submitted IDR applications to servicers on behalf of consumers
5 with false information about consumers' income, family size, or marital status.

6 112. For consumers who did not provide proof of income to the Student Loan
7 Debt Relief Companies, processors frequently listed those consumers as unemployed on
8 their IDR applications, even when the consumers were employed at the time.

9 113. Processors frequently submitted IDR applications to consumers' student
10 loan servicers that listed consumers' family sizes greater than the consumers' actual
11 family size.

12 114. Processors frequently submitted IDR applications to consumers' student
13 loan servicers that listed consumers as single, even if the consumer had informed the
14 Student Loan Debt Relief Companies that he or she was married.

15 115. When submitting IDR applications to consumers' student loan servicers,
16 processors typically changed consumers' email address to an email address created by the
17 Student Loan Debt Relief Company in order to temporarily divert all email
18 correspondence from the consumer's student-loan servicer to the Student Loan Debt
19 Relief Company.

20 116. When submitting IDR applications to consumers' student-loan servicers,
21 processors typically changed consumers' mailing address to a mailing address used by
22 the Student Loan Debt Relief Company in order to temporarily divert all postal mail from
23 the consumer's student-loan servicer to the Student Loan Debt Relief Company.

24 117. After receiving confirmation from a consumer's student loan servicer that a
25 consumer's loan consolidation or IDR application had been approved, processors
26 typically logged back into the consumer's loan account and changed the consumers email
27 and mailing address back to the consumer's actual information.

28 //

1 118. The Student Loan Debt Relief Companies’ practice of diverting
2 correspondence to consumers from the consumers’ student-loan servicers helped conceal
3 the Student Loan Debt Relief Companies’ practice of submitting false information to
4 student loan servicers.

5 **Representations about and Collection of Fees from Consumers**

6 119. The Student Loan Debt Relief Companies typically collected enrollment fees
7 from consumers before consumers had been approved for a loan consolidation or an IDR
8 plan.

9 120. The Student Loan Debt Relief Companies collected monthly fees, typically
10 ranging from \$10-\$42, before submitting the consumer’s corresponding annual IDR plan
11 recertification.

12 121. At all times material to this Complaint, the Student Loan Debt Relief
13 Companies did not track whether consumers had made an initial payment on an adjusted
14 loan.

15 122. As early as April 2018, the Student Loan Debt Relief Companies’ contracts
16 began including a section entitled “No Advance Fees.”

17 123. The section of the Student Loan Debt Relief Companies’ contract entitled
18 “No Advance Fees” states that the company “does not take any advance fees from Client”
19 and further provides that consumer fees will be held in an independent third party “trust
20 account” and not paid to the company until the consumer “has received a consolidation,
21 adjustment, or otherwise satisfactory result” and makes one payment “towards such.”

22 124. At all times material to this Complaint, the Student Loan Debt Relief
23 Companies did not use trust accounts to hold fees collected from consumers before
24 placing consumers into loan repayment plans – at no time did the Student Loan Debt
25 Relief Companies hold payments from consumers in accordance with Section
26 310.4(a)(5)(ii) of the TSR.

27 125. Rather, fees collected from consumers by the Student Loan Debt Relief
28 Companies were directly deposited into the companies’ bank accounts and commingled

1 with company assets.

2 126. The Defendants have collected over \$83 million in illegal advance fees from
3 thousands of consumers nationwide.

4 **Roles of the Individual Defendants**

5 127. Albert Kim (a/k/a Albert King) is CAC's primary owner and manager.

6 128. Kim was in the office frequently and helped manage CAC's and True
7 Count's day-to-day operations.

8 129. Kim oversaw CAC's marketing.

9 130. Kim signed CAC's merchant-account applications or agreements with at
10 least three different payment processors.

11 131. At times, Kim personally responded to consumers' complaints.

12 132. Kim controlled CAC's bank accounts, and was an authorized user on CAC's
13 and True Count's bank accounts.

14 133. When Kim applied for a merchant account on CAC's behalf in or about July
15 2017, he agreed to maintain fraud and chargebacks below certain levels.

16 134. Monthly account statements sent to CAC's corporate address for that
17 merchant account identify tens of thousands of dollars in chargebacks and hundreds of
18 thousands of dollars in consumer refunds between August 2017 and March 2019.

19 135. After CAC filed for bankruptcy, Kim personally generated marketing leads
20 for Prime.

21 136. Kaine Wen served as CAC's owner, managing partner, and general counsel.

22 137. CAC's 2016 tax returns and U.K. registration documents list Wen as CAC's
23 50% owner.

24 138. Wen made capital contributions to CAC in October 2015 that accounted for
25 75% of capital contributions by members at that time.

26 139. Wen participated in the decision to move CAC's processing functions to
27 True Count.

28 140. Wen personally guaranteed True Count's lease agreement.

1 141. Wen set up payment-processing agreements for True Count.

2 142. Wen corresponded with payment processors regarding True Count's
3 excessive chargeback rates.

4 143. Wen represented to a payment processor that True Count "understands,
5 currently fully complies with, and during the term of the Agreement will fully comply
6 with" the TSR, CFPA, and "all other applicable federal, state, and local laws, rules, and
7 regulations."

8 144. Wen has been an authorized user on CAC's, Premier Student Loan Center's,
9 True Count's, and Hold the Door's bank accounts.

10 145. Wen was also a point of contact or signed for at least three merchant
11 accounts for CAC and at least one merchant account for True Count.

12 146. Tuong Nguyen served as the controller and provided accounting services for
13 CAC.

14 147. Nguyen was responsible for paying CAC's bills, reviewed its bank
15 statements, and was a signatory on several of CAC's bank accounts.

16 148. At times, Nguyen also responded to consumer complaints, and was listed as
17 a point of contact for CAC's d/b/a, Premier Student Loan Center, in the Bureau's
18 consumer-complaint portal.

19 149. True Count identified Nguyen as its secretary in some communications with
20 banks.

21 150. Nguyen was a point of contact for at least two of CAC's merchant accounts
22 and one of True Count's merchant accounts.

23 151. In January 2018, Nguyen signed a letter to a payment processor
24 acknowledging CAC had incurred "excessive chargebacks" during "December/2017."

25 152. Nguyen also acknowledged that the top chargeback reasons included fraud.

26 153. Nguyen incorporated TN Accounting and served as its president and sole
27 corporate officer.

28 154. Nguyen has been a signatory on a bank account held by TN Accounting.

1 155. TN Accounting’s primary source of income is over \$225,000 from CAC and
2 True Count from March 2017 through December 2018.

3 156. Nguyen was also an authorized user on bank accounts held by CAC, Premier
4 Student Loan Center, and True Count.

5 **Roles of the Payment Companies**

6 157. The Individual Defendants, True Count, and Prime used TAS, Horizon, and
7 First Priority to obtain merchant accounts and to collect fees from consumers.

8 158. In September 2019, the Individual Defendants, True Count, and Prime
9 transferred customer payment processing to TAS.

10 159. TAS held itself out as an “independent third party” in its contracts with
11 consumers.

12 160. In fact, TAS was not independent of Defendants.

13 161. Rather, TAS was run from within True Count and Prime by the Individual
14 Defendants.

15 162. TAS’s domain credentials (username and password) were stored in an
16 account in Albert Kim’s name.

17 163. The Individual Defendants and the Student Loan Debt Relief Companies
18 controlled TAS’s email system, and the Student Loan Debt Relief Companies’ employees
19 reviewed and responded to consumers’ emails sent to TAS. Defendant Wen executed or
20 acted as TAS’s agent to handle the application necessary for TAS to open a merchant
21 account to process payments from the Student Loan Debt Relief Companies’ consumers.
22 Wen and True Count’s Operations Manager created a fictional employee to interact with
23 True Count’s and Prime’s software provider to promote the appearance of TAS as an
24 entity independent of Defendants.

25 164. Since September 12, 2019, until the date of the temporary restraining order
26 issued by this Court, TAS collected approximately \$3 million in payments from
27 consumers.

28 //

1 165. The Individual Defendants, True Count, and Prime used Horizon to process
2 consumers' payments to the student-loan debt-relief enterprise.

3 166. Horizon's incorporation documents list Keneth Hu, an IT professional
4 employed by the Student Loan Debt Relief Companies, as its Chief Executive Officer and
5 President.

6 167. Notwithstanding Mr. Hu's nominal ownership, Defendants Wen, Nguyen,
7 True Count, and Prime exercised substantial control over Horizon.

8 168. Defendant Nguyen was a signatory on a Horizon bank account.

9 169. Defendant Wen was Horizon's designated contact on a merchant account.

10 170. Defendant True Count asserts that Horizon holds over \$700,000 for its
11 benefit.

12 171. Horizon's stated business address was leased by Defendant Prime
13 Consulting.

14 172. Horizon applied for at least two merchant accounts to process consumer
15 payments (including any associated chargebacks or refunds) on behalf of the Student
16 Loan Debt Relief Companies.

17 173. Defendants Wen and Nguyen received a finalized payment processor
18 application for a merchant account with Quantum Electronic Payments on Horizon's
19 behalf.

20 174. Defendant Wen later instructed Hu to sign the application for a merchant
21 account with Quantum Electronic Payments.

22 175. Horizon processed about \$9 million in consumer payments through at least
23 one of its payment processor accounts on behalf of the Student Loan Debt Relief
24 Companies.

25 176. The Individual Defendants, True Count, and Prime used First Priority to
26 open merchant accounts to receive consumer payments to the student loan debt relief
27 enterprise.

28 //

1 177. The Individual Defendants, True Count, and Prime used First Priority to
2 obtain and then copy documents, such as agreements and contracts, for use by TAS in the
3 student-loan debt-relief operation.

4 178. First Priority's corporate registration identifies Defendant Nguyen as its
5 president and sole owner.

6 179. Defendants Kim and Wen served as contacts on behalf of First Priority for a
7 payment processor.

8 180. First Priority's income in 2018 and 2019 consisted of approximately
9 \$400,000 in transfers from True Count and \$150,000 in consumer fees collected through
10 two payment processor accounts on behalf of Prime and True Count.

11 **The Student Loan Debt Relief Companies Operated as a Common Enterprise**

12 181. CAC, True Count, and Prime shared employees, customers, scripts, and
13 training materials, and they used the same database to store consumers' information and
14 track aspects of their business activity.

15 182. CAC, True Count, and Prime shared the proceeds of the debt-relief
16 enterprise.

17 183. For example, since April 2018, True Count, acting as the purported "billing
18 department" for CAC and Prime, has transferred at least \$12 million to CAC and at least
19 \$25 million to Prime.

20 184. CAC lent hundreds of thousands of dollars to True Count without interest or
21 any written agreement.

22 185. CAC stated in a lease guarantee that it had a "financial interest" in True
23 Count.

24 186. CAC guaranteed at least one lease on behalf of Prime Consulting and two
25 leases on behalf of True Count.

26 187. CAC, True Count, and Prime have used overlapping addresses to carry out
27 the debt-relief operation.

28 //

1 188. For example, addresses True Count identifies as its business addresses are
2 also business addresses for CAC, Prime, and Hold the Door.

3 189. To market their debt-relief services to consumers, CAC, True Count, and
4 Prime shared over a dozen fictitious names, including but not limited to South Coast
5 Financial Center, Direct Account Services, Financial Loan Advisors, Account
6 Preparation Services, Administrative Financial, Tangible Savings Solutions, Coastal
7 Shores Financial Group, First Choice Financial Centre (a/k/a First Choice Financial
8 Center), Administrative Account Services, Primary Account Solutions, Prime Document
9 Services, Financial Accounting Center, Doc Management Solutions, First Priority LLC,
10 ALW Loans Administrative Accounting Center, Best Choice Financial Center, First
11 Document Services, Global Direct Accounting Solutions, Keystone Document Center,
12 Pacific Palm Financial Group, Pacific Shores Advisory, Sequoia Account Management,
13 Signature Loan Solutions, Yellowstone Account Services, ClearStudentLoanDebt, and
14 Clear Student Loan Debt.

15 190. The websites for Doc Management Solutions, Financial Accounting Center,
16 Prime Document Services, Primary Account Solutions, Administrative Account Services,
17 South Coast Financial Center, First Choice Financial Center, Coastal Shores Financial
18 Group, Tangible Savings Solutions, Administrative Financial, Account Preparation
19 Services, Financial Loan Advisors, and Direct Account Services are nearly identical.

20 **Transfer of Assets to Relief Defendants**

21 191. Defendants Wen, Kim, and Nguyen directed and controlled Relief
22 Defendants Hold the Door, Infinite Management, and TN Accounting, respectively.

23 192. Wen, Kim, and Nguyen are the signatories on bank accounts for the
24 respective companies and thus controlled the flow of money into and out of their
25 corporate accounts.

26 193. From 2017 to 2019, payments from CAC or True Count made up most or
27 almost all the income of Hold the Door, Infinite Management, and TN Accounting.

28 //

1 194. Monies were transferred from Hold the Door, Infinite Management, and TN
2 Accounting to the respective individuals' personal accounts or to pay their personal
3 expenses.

4 195. Hold the Door made over \$200,000 in direct transfers to Wen's personal
5 bank accounts, and it made payments for purchases of art and for Wen's Tesla and
6 Mercedes Benz automobiles.

7 196. Infinite Management made more than \$300,000 in payments to pay Kim's
8 personal credit cards, wedding expenses, dental expenses, and to purchase luxury cars.

9 197. Infinite Management purchased approximately \$87,500 in jewelry, paid over
10 \$200,000 to purchase a luxury vehicle, and spent approximately \$60,000 as a down
11 payment for a second luxury vehicle for Relief Defendant Sarah Kim.

12 198. Sarah Kim is not employed by Infinite Management, nor has she ever done
13 business with Infinite Management.

14 199. TN Accounting transferred over \$100,000 to Nguyen's personal bank
15 accounts and made payments on Nguyen's personal credit cards and Tesla.

16 200. In December 2018, Mice and Men opened a banking account with Bank of
17 America, listing Judy L Dai as the signor, and a related debit card was issued to Mice and
18 Men LLC Judy L Dai.

19 201. In December 2018, a total of 14 deposits and credits were received in the
20 Mice and Men account at Bank of America from Prime Consulting, totaling \$5,041,039.
21 Thirteen of the deposits and credits were for purported marketing expenses, and one was
22 for purported residual expenses. During its existence, no other deposits were made into
23 this account.

24 202. In January 2019, a bank account in the name of Mice and Men was opened
25 with UBS, listing Judy L Dai as the signor.

26 203. In or around February 2019, Bank of America notified Mice and Men that
27 Bank of America was closing the Mice and Men account.

28 //

1 telemarketing transaction, provides, offers to provide, or arranges for others to provide
2 goods or services to the customer in exchange for consideration.” 16 C.F.R. § 310.2(dd).

3 213. The TSR defines “telemarketer” as “any person who, in connection with
4 telemarketing, initiates or receives telephone calls to or from a customer.” 16 C.F.R.
5 § 310.2(ff).

6 214. The TSR defines “telemarketing” in relevant part as “a plan, program, or
7 campaign which is conducted to induce the purchase of goods or services . . . by use of
8 one or more telephones and which involves more than one interstate telephone call.” 16
9 C.F.R. § 310.2(gg).

10 215. The Student Loan Debt Relief Companies offered services to renegotiate,
11 settle, or alter the terms of payments of consumers’ federal student loans by submitting
12 requests for loan forgiveness or IDR plans to consumers’ student-loan servicers.

13 216. The Student Loan Debt Relief Companies offered and provided these
14 services to consumers nationwide using the telephones and employed more than one
15 interstate telephone call.

16 217. The Student Loan Debt Relief Companies offered and provided these
17 services to consumers in exchange for payment of enrollment and monthly fees in
18 connection with a telemarketing transaction.

19 218. The Student Loan Debt Relief Companies are each a “telemarketer” or
20 “seller” offering a “debt relief service” under the TSR.

21 219. Kim arranged for CAC to provide debt-relief services to consumers in
22 exchange for consideration and personally generated marketing leads for Prime. Kim is a
23 “telemarketer” or “seller” offering a “debt relief service” under the TSR. 16 C.F.R.
24 § 310.2(dd), (ff), (o).

25 220. Wen arranged for CAC and True Count to provide debt-relief services to
26 consumers in exchange for consideration. Wen is a “seller” offering a “debt relief
27 service” under the TSR. 16 C.F.R. § 310.2(dd), (o).

28 //

1 the offering or provision by such covered person of a consumer financial product or
2 service, including a person that-- ... (ii) processes transactions relating to the consumer
3 financial product or service” 12 U.S.C. § 5481(26)(A)(ii).

4 229. TAS, Horizon and First Priority are affiliates of the Student Loan Debt
5 Relief Companies because they are controlled by the Student Loan Debt Relief
6 Companies. Further, by processing consumer payments made to the Student Loan Debt
7 Relief Companies, TAS, Horizon, and First Priority acted as service providers to the
8 Student Loan Debt Relief Companies. TAS, Horizon, and First Priority are each “covered
9 persons” under the CFPA.

10 230. Section 1002(25) of the CFPA defines the term “related person” to mean
11 “any director, officer, or employee charged with managerial responsibility for, or
12 controlling shareholder of,” or “any . . . other person . . . who materially participates in
13 the conduct of the affairs of” a non-bank provider of a consumer-financial product or
14 service. 12 U.S.C. § 5481(25)(C). Section 1002(25) further provides that a “related
15 person” shall be “deemed to mean a covered person for all purposes of any provision of
16 Federal consumer financial law.” 12 U.S.C. § 5481(25)(B).

17 231. Kim is a “related person” and “covered person” under the CFPA because he
18 is CAC’s owner and officer and had managerial responsibility for CAC. He controlled
19 CAC’s bank accounts, oversaw CAC’s sales and marketing, entered into contractual
20 relationships on CAC’s behalf with payment processors, and responded to certain
21 consumer complaints.

22 232. Wen is a “related person” and “covered person” under the CFPA because he
23 is True Count’s owner and officer, has been an owner and manager of CAC, and has had
24 managerial responsibility for both companies. He was involved in making decisions for
25 CAC, including the decision to shift CAC’s processing function to True Count, entered
26 into contractual relationships on behalf of True Count with payment processors, and was
27 a signatory on True Count’s bank accounts.

28 //

1 233. Nguyen is a “related person” and “covered person” under the CFPA because
2 he is an officer of CAC and True Count and has managerial responsibility for CAC, and
3 because he materially participated in the conduct of the Student Loan Debt Relief
4 Companies. He managed CAC’s finances and responded to consumers’ complaints on
5 CAC’s behalf. He also was the point of contact for several of CAC’s and True Count’s
6 merchant accounts.

7 **COUNT I**

8 **By the Bureau and the States**
9 **(Advance Fees in Violation of the TSR – Enrollment Fees)**
10 **(The Student Loan Debt Relief Companies and Individual Defendants)**

11 234. The allegations in paragraphs 1-222 are incorporated by reference.

12 235. Under the TSR, it is an abusive act or practice for a seller or telemarketer to
13 request or receive payment of any fee or consideration for any debt-relief services unless
14 and until (A) the seller or telemarketer has renegotiated, settled, reduced, or otherwise
15 altered the terms of at least one debt pursuant to a settlement agreement, debt-
16 management plan, or other such valid contractual agreement executed by the customer;
17 and (B) the customer has made at least one payment pursuant to that settlement
18 agreement, debt-management plan, or other valid contractual agreement between the
19 customer and the creditor or debt collector. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

20 236. In the course of providing, offering to provide, or arranging for others to
21 provide debt-relief services, the Student Loan Debt Relief Companies and Individual
22 Defendants charged and collected from consumers enrollment fees before consumers had
23 been approved for IDR plans and before consumers had made any payments toward such
24 IDR plans, in violation of the TSR. 16 C.F.R. § 310. 4(a)(5)(i)(A)-(B).

25 237. Moreover, because the IDR plans in which consumers were placed often
26 were based on false information about consumers’ family size, income, and marital status
27 that the Student Loan Debt Relief Companies submitted to consumers’ student-loan
28 servicers, none of the payments made by consumers in these plans were made pursuant to
a “valid contractual agreement” within the meaning of the TSR and thus were collected in

1 violation of the TSR. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

2 **COUNT II**

3 **By the Bureau and the States**
4 **(Advance Fees in Violation of the TSR – Monthly Fees)**
5 **(The Student Loan Debt Relief Companies and Individual Defendants)**

6 238. The allegations in paragraphs 1-222 are incorporated by reference.

7 239. In the course of providing, offering to provide, or arranging for others to
8 provide debt-relief services, the Student Loan Debt Relief Companies and Individual
9 Defendants charged and collected from consumers monthly fees before consumers had
10 completed their annual recertifications of eligibility for IDR plans and before consumers
11 had made any payments toward such recertified IDR plans, in violation of the TSR. 16
12 C.F.R. § 310. 4(a)(5)(i)(A)-(B).

13 240. Moreover, because the IDR plans in which consumers were placed often
14 were based on false information about consumers’ family size, income, and marital status
15 that the Student Loan Debt Relief Companies submitted to consumers’ student-loan
16 servicers, none of the payments made by consumers in these plans were made pursuant to
17 a “valid contractual agreement” within the meaning of the TSR and thus were collected in
18 violation of the TSR. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

19 **COUNT III**

20 **By the Bureau and the States**
21 **(Misrepresentations About Material**
22 **Aspects of Their Services in Violation of the TSR)**
23 **(The Student Loan Debt Relief Companies and Individual Defendants)**

24 241. The allegations in paragraphs 1-222 are incorporated by reference.

25 242. It is a deceptive practice under the TSR for a seller or telemarketer to
26 misrepresent any material aspect of the efficacy of their services and to misrepresent any
27 material aspect of a debt-relief service. 16 C.F.R. § 310.3(a)(2)(iii), (x).

28 243. Among other things, the Student Loan Debt Relief Companies and
Individual Defendants misrepresented, directly or indirectly, expressly or by implication
that:

- 1 a. fees paid by consumers were payments toward the consumer's
2 outstanding loan debt;
- 3 b. fees paid by consumers reflected the adjusted amount of the
4 consumers' periodic payments toward their outstanding loan balance;
- 5 c. consumers' loans would be forgiven in whole or in part shortly after
6 enrolling in the Student Loan Debt Relief Companies' services;
- 7 d. consumers were eligible or approved for lower monthly payments,
8 including where such payment amounts had been calculated based on an incorrect
9 family size, income, or marital status;
- 10 e. consumers' monthly payment amount had been lowered for the life of
11 the repayment plan; and
- 12 f. any fees collected would be held in trust accounts maintained by a
13 third-party account provider until the Student Loan Debt Relief Companies had
14 performed certain services.

15 244. The Student Loan Debt Relief Companies and Individual Defendants also
16 failed to inform consumers that:

- 17 a. it was their practice to submit forbearance requests on behalf of
18 consumers; and
- 19 b. it was their practice to falsify consumers' family size, marital status,
20 and income to consumers' student-loan servicers.

21 245. The acts or practices of the Individual Defendants and Student Loan Debt
22 Relief Companies, as set forth in this Count, are deceptive acts or practices that violate
23 the TSR, 16 C.F.R. 310.3(a)(2)(iii), (x).

24 **COUNT IV**

25 **By the Bureau and the States**
26 **(Misrepresentations About Material**
27 **Aspects of Their Services in Violation of the TSR)**
28 **(True Count, Prime, and TAS)**

246. The allegations in paragraphs 1-222 are incorporated by reference.

1 247. It is a deceptive practice under the TSR for a seller or telemarketer to
2 misrepresent any material aspect of the efficacy of their services and to misrepresent any
3 material aspect of a debt-relief service. 16 C.F.R. § 310.3(a)(2)(iii), (x).

4 248. True Count, Prime, and TAS misrepresented, directly or indirectly, expressly
5 or by implication, that TAS was an independent third-party provider of dedicated
6 customer escrow accounts.

7 249. The misrepresentations relate to a material aspect of a debt-relief service.

8 250. The acts or practices of the Individual Defendants, Student Loan Debt Relief
9 Companies, and TAS, as set forth in this paragraph, are deceptive acts or practices that
10 violate the TSR, 16 C.F.R. 310.3(a)(2)(iii), (x).

11 **COUNT V**

12 **By the Bureau and the States**
13 **(Substantial Assistance in Violation of the TSR)**
14 **(Individual Defendants)**

15 251. The allegations in paragraphs 1-222 are incorporated by reference.

16 252. The TSR prohibits any person from providing “substantial assistance or
17 support to any seller or telemarketer when that person knows or consciously avoids
18 knowing that the seller or telemarketer is engaged in any act or practice that [constitutes
19 deceptive or abusive conduct]” under the Rule. 16 C.F.R. § 310.3(b).

20 253. Kim managed both CAC’s and True Count’s day-to-day operations. As
21 CAC’s co-owner and president, Kim oversaw CAC’s marketing and approved its sales
22 scripts.

23 254. Kim knew, or recklessly avoided knowing, the material misrepresentations
24 and omissions that CAC’s and True Count’s sales representatives and processors made to
25 consumers.

26 255. Kim knew, or recklessly avoided knowing, that the Student Loan Debt
27 Relief Companies charged and collected enrollment and monthly fees from consumers
28 before the companies had obtained loan-repayment plans for consumers and before
consumers had made their first payments toward such repayment plans.

1 256. Kim represented CAC in contractual relationships with payment processors.

2 257. As CAC's point of contact on a merchant account where he agreed to keep
3 chargebacks and fraud below a certain level, Kim knew, or recklessly avoided knowing,
4 that the merchant's monthly statements identified tens of thousands of dollars in
5 chargebacks and hundreds of thousands of dollars in consumer refunds between August
6 2017 and March 2019.

7 258. As CAC's co-owner and officer and True Count's owner and officer, Wen
8 entered into payment-processing agreements on CAC's and True Count's behalf,
9 including at least one where he represented that True Count intended to fully comply with
10 the TSR.

11 259. As a principal representative for CAC's and True Count's merchant
12 accounts and a signatory on the bank accounts from which refunds and chargebacks to
13 consumers were paid, Wen knew, or recklessly avoided knowing, CAC's and True
14 Count's high chargeback and refund rates, including that during at least one period, the
15 top chargeback reasons included "fraud."

16 260. Wen knew, or recklessly avoided knowing, the material misrepresentations
17 and omissions that CAC's and True Count's sales representatives and processors made to
18 consumers.

19 261. Wen knew, or recklessly avoided knowing, that the Student Loan Debt
20 Relief Companies charged and collected enrollment and monthly fees from consumers
21 before the companies had obtained loan-repayment plans for consumers and before
22 consumers had made their first payments toward such repayment plans.

23 262. As an officer of CAC and True Count, Nguyen managed CAC's finances,
24 served as a point of contact for several of CAC's and True Count's merchant accounts,
25 and responded to consumer complaints on CAC's behalf.

26 263. Because he signed a January 2018 letter from CAC to a payment processor
27 in which he acknowledged that CAC had incurred excessive chargebacks and that fraud
28 was one of the top reasons for such chargebacks, Nguyen knew, or recklessly avoided

1 knowing, the material misrepresentations and omissions that CAC’s and True Count’s
2 sales representatives and processors made to consumers.

3 264. Nguyen knew, or recklessly avoided knowing, that the Student Loan Debt
4 Relief Companies charged and collected enrollment and monthly fees from consumers
5 before the companies had obtained loan-repayment plans for consumers and before
6 consumers had made their first payments toward such repayment plans.

7 265. Kim, Wen, and Nguyen provided substantial assistance to the Student Loan
8 Debt Relief Companies in their violations of the TSR.

9 **COUNT VI**

10 **By the Bureau and the States**
11 **(Substantial Assistance in Violation of the TSR)**
12 **(Payment Companies)**

13 266. The allegations in paragraphs 1-222 are incorporated by reference.

14 267. The TSR prohibits any person from providing “substantial assistance or
15 support to any seller or telemarketer when that person knows or consciously avoids
16 knowing that the seller or telemarketer is engaged in any act that [constitutes deceptive or
17 abusive conduct]” under the Rule. 16 C.F.R. § 310.3(b).

18 268. The Payment Companies knew, or consciously avoided knowing, the
19 material misrepresentations that the Student Loan Debt Relief Companies made to
20 consumers.

21 269. The Payment Companies knew, or consciously avoided knowing, that the
22 Student Loan Debt Relief Companies charged and received fees from consumers before
23 consumers’ applications for loan consolidations, loan-repayment plans, and loan-
24 forgiveness plans were approved, and before consumers had made the first payments
25 under the altered terms of their student loans.

26 270. The Payment Companies provided substantial assistance to the Student Loan
27 Debt Relief Companies in their violations of the TSR. 16 C.F.R. § 310.3(b)

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COUNT VII

**By the Bureau
(CFPA – Deception)
(The Student Loan Debt Relief Companies and Individual Defendants)**

271. The allegations in paragraphs 1-210 and 223-233 are incorporated by reference.

272. Among other things, the Student Loan Debt Relief Companies and Individual Defendants misrepresented, directly or indirectly, expressly or by implication that:

- a. fees paid by consumers were payments toward the consumer’s outstanding loan debt;
- b. fees paid by consumers reflected the adjusted amount of the consumers’ periodic payments toward their outstanding loan balance;
- c. consumers’ loans would be forgiven in whole or in part following payment of the initial enrollment fees;
- d. consumers were eligible or approved for lower monthly payments, including where such payment amounts have been calculated based on an incorrect family size, income, or marital status;
- e. consumers’ monthly payment amounts had been lowered for the life of the repayment plan; and
- f. any fees collected would be held in trust accounts maintained by a third-party account provider until the Student Loan Debt Relief Companies had performed certain services.

273. The Student Loan Debt Relief Companies also failed to inform consumers that:

- a. it was their practice to submit forbearance requests on behalf of consumers; and

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1 b. it was their practice to falsify consumers' family size, marital status,
2 and income to consumers' student-loan servicers and the consequences for
3 consumers of that practice.

4 274. The Student Loan Debt Relief Companies' representations were material and
5 likely to mislead consumers acting reasonably under the circumstances.

6 275. Among other things, Kim generated marketing leads for Prime, approved
7 sales scripts for CAC, and managed day-to-day operations for CAC and True Count. He
8 was also aware of CAC's and True Count's high chargeback and consumer-refund rates.
9 He participated directly in these representations or had the authority to control them as
10 CAC's co-owner and president and had knowledge of these representations, was
11 recklessly indifferent to the truth or falsity of the misrepresentations, or was aware of a
12 high probability of fraud along with an intentional avoidance of the truth.

13 276. Among other things, Wen managed payment-processor relationships on
14 behalf of True Count, was a signatory on True Count's bank accounts, and was aware of
15 CAC's and True Count's high chargeback and consumer-refund rates. He participated
16 directly in these representations or had the authority to control them as CAC's co-owner
17 and president and True Count's owner and president and had knowledge of these
18 representations, was recklessly indifferent to the truth or falsity of the misrepresentations,
19 or was aware of a high probability of fraud along with an intentional avoidance of the
20 truth.

21 277. Among other things, Nguyen managed CAC's finances, responded to
22 consumer complaints, and served as point of contact on several of CAC's and True
23 Count's merchant accounts. He was aware of CAC's and True Count's high chargeback
24 and consumer-refund rates. He participated directly in these representations or had the
25 authority to control them and had knowledge of these representations, was recklessly
26 indifferent to the truth or falsity of the misrepresentations, or was aware of a high
27 probability of fraud along with an intentional avoidance of the truth.

28 //

1 278. The Student Loan Debt Relief Companies and Individual Defendants have
2 therefore engaged in deceptive acts or practices in violation of §§ 1031 and 1036 of the
3 CFPA, 12 U.S.C. §§ 5531, 5536.

4 **COUNT VIII**

5 **By the Bureau**
6 **(CFPA – Deception)**
7 **(True Count, Prime, and TAS)**

8 279. The allegations in paragraphs 1-210 and 223-233 are incorporated by
9 reference.

10 280. True Count, Prime, and TAS misrepresented, directly or indirectly, expressly
11 or by implication, that TAS was an independent third-party provider of dedicated
12 customer accounts.

13 281. The representations were material and likely to mislead consumers acting
14 reasonably under the circumstances.

15 282. True Count, Prime, and TAS have therefore engaged in deceptive acts or
16 practices in violation of §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

17 **COUNT IX**

18 **By the Bureau**
19 **(Substantial Assistance in Violation of the CFPA)**
20 **(Individual Defendants)**

21 283. The allegations in paragraphs 1-210 and 223-233 are incorporated by
22 reference.

23 284. Section 1036(a)(3) of the CFPA prohibits any person from “knowingly or
24 recklessly provid[ing] substantial assistance to a covered person or service provider in
25 violation of the provisions of section 1031” and states that “the provider of such
26 substantial assistance shall be deemed to be in violation of that section to the same extent
27 as the person to whom such assistance is provided.” 12 U.S.C. § 5536(a)(3).

28 285. As CAC’s co-owner and president, and as someone who managed the day-
to-day operations of CAC and True Count and who generated marketing leads for Prime,
Kim knowingly or recklessly provided substantial assistance to the Student Loan Debt

1 Relief Companies in their deceptive acts or practices.

2 286. As CAC's co-owner and True Count's owner and president who was aware
3 that high chargeback and consumer refund rates were attributable at least in part to fraud,
4 Wen knowingly or recklessly provided substantial assistance to the Student Loan Debt
5 Relief Companies in their deceptive acts or practices.

6 287. As an individual responsible for managing CAC's finances and responding
7 to consumers' complaints on behalf of CAC and who was aware that the Student Loan
8 Debt Relief Companies' high chargeback and consumer-refund rates were attributable at
9 least in part to fraud, Nguyen knowingly or recklessly provided substantial assistance to
10 the Student Loan Debt Relief Companies in their deceptive acts or practices.

11 288. The Individual Defendants thus provided substantial assistance to the
12 Student Loan Debt Relief Companies in their deceptive acts or practices, in violation of
13 § 1036(a)(3) of the CFPA. 12 U.S.C. § 5563(a)(3).

14 **COUNT X**

15 **By the Bureau**
16 **(Substantial Assistance in Violation of the CFPA)**
17 **(Payment Companies)**

18 289. The allegations in paragraphs 1-210 and 223-233 are incorporated by
19 reference.

20 290. Section 1036(a)(3) of the CFPA prohibits any person from "knowingly or
21 recklessly provid[ing] substantial assistance to a covered person or service provider in
22 violation of the provisions of section 1031" and states that "the provider of such
23 substantial assistance shall be deemed to be in violation of that section to the same extent
24 as the person to whom such assistance is provided." 12 U.S.C. § 5536(a)(3).

25 291. The Payment Companies knew, or recklessly avoided knowing, the material
26 misrepresentations that the Student Loan Debt Relief Companies made to consumers.

27 292. The Payment Companies provided substantial assistance to the Student Loan
28 Debt Relief Companies in their deceptive acts or practices, in violation of § 1036(a)(3) of
the CFPA. 12 U.S.C. § 5563(a)(3).

COUNT XI

**By the Bureau
CFPA Violation Based on Violation of TSR
(All Defendants)**

293. The allegations in paragraphs 1-233 are incorporated by reference.

294. The Bureau is authorized to enforce the Telemarketing Act with respect to the offering or provision of a consumer-financial product or service subject to the CFPA. 15 U.S.C. § 6105(d).

295. A violation of the TSR “committed by a person subject to the Consumer Financial Protection Act of 2010 shall be treated as a violation of a rule under Section 1031 of [the CFPA] regarding unfair, deceptive, or abusive acts or practices.” 15 U.S.C. § 6102.

296. Section 1031 of the CFPA provides that “[t]he Bureau may prescribe rules applicable to a covered person or service provider identifying as unlawful unfair, deceptive, or abusive acts or practices in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service.” 12 U.S.C. § 5531(b).

297. Defendants’ violations of the TSR are treated as violations of a rule under § 1031 of the CFPA. 15 U.S.C. § 6102(c).

298. Because Defendants are “covered persons” who violated the TSR by charging and collecting illegal advance fees from consumers and engaging in deceptive conduct, they violated § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

COUNT XII

**By the Bureau and the States
(Relief Defendants)**

299. The allegations in paragraphs 1-233 are incorporated by reference.

300. Relief Defendants Hold the Door, Infinite Management, TN Accounting, Mice and Men, 1st Generation Holdings, Sarah Kim, and Anan Enterprise have received, directly or indirectly, funds or other assets from Defendants that are traceable to funds

1 obtained from consumers through the deceptive and unlawful practices described herein.

2 301. The Relief Defendants are not bona fide purchasers with legal or equitable
3 title to the funds or other assets received from Defendants.

4 302. The Relief Defendants would be unjustly enriched if not required to disgorge
5 funds or the value of the benefits received as a result of Defendants' unlawful acts or
6 practices.

7 303. The Relief Defendants therefore hold funds and assets in constructive trust
8 for the benefit of the Student Loan Debt Relief Companies' customers.

9 **COUNT XIII**

10 **By the State of Minnesota**

11 **Prevention of Consumer Fraud Act**

12 **Minn. Stat. § 325F.69, et seq.**

13 **(The Student Loan Debt Relief Companies and Individual Defendants)**

14 304. The allegations in paragraphs 1-270 and 299-303 are incorporated by
15 reference.

16 305. Minnesota Statutes section 325F.69, subdivision 1 reads:

17 306. The act, use, or employment by any person of any fraud, false pretense, false
18 promise, misrepresentation, misleading statement or deceptive practice, with the intent
19 that others rely thereon in connection with the sale of any merchandise, whether or not
20 any person has in fact been misled, deceived, or damaged thereby, is enjoined as
21 provided in section 325F.70.

22 307. The term "merchandise" within the meaning of Minnesota Statutes section
23 325F.69 includes services. See Minn. Stat. § 325F.68, subd. 2.

24 308. The term "person" includes "any natural person or legal representative,
25 partnership, corporation (domestic and foreign), company, trust, business entity, or
26 association, and any agent, employee, salesperson, partner, officer, director, member,
27 stockholder, associate, trustee, or cestui que thereof." Minn. Stat. § 325F.68, subd. 3.

28 The Student Loan Debt Relief Companies and Individual Defendants are "persons"
within the meaning of the statute.

1 309. The Student Loan Debt Relief Companies and Individual Defendants
2 repeatedly violated Minnesota Statutes section 325F.69, subdivision 1, by engaging in the
3 deceptive and fraudulent practices described in this Complaint, with the intent that others
4 rely thereon in connection with the sale of their student loan debt relief services. This
5 conduct includes, but is not limited to:

6 a. Misrepresenting to consumers that the Student Loan Debt Relief
7 Companies could forgive consumers' loans and otherwise misrepresenting their
8 ability to reduce or eliminate student loan debt;

9 b. Misrepresenting to consumers that the consumers were "approved" for
10 student loan relief, and otherwise misrepresenting their ability to qualify borrowers
11 for government programs;

12 c. Misrepresenting and falsely leading consumers to believe that the
13 Student Loan Debt Relief Companies would apply payments made to it to
14 consumers' loans;

15 d. Misrepresenting and falsely leading consumers to believe that fees
16 paid by consumers reflected the adjusted amount of the consumers' periodic
17 payments toward their outstanding loan balance;

18 e. Misrepresenting to consumers that the amount owed on their student
19 loans would be reduced;

20 f. Misrepresenting to consumers that their loans would be forgiven in
21 whole or in part following payment of the enrollment fees;

22 g. Misrepresenting to consumers that their monthly student loan payment
23 amount had been lowered for the life of the repayment plan;

24 h. Misrepresenting to consumers that fees collected would be held in
25 trust accounts maintained by a third-party account provider until the Student Loan
26 Debt Relief Companies had performed certain services;

27 i. Misleading consumers to believe that the Student Loan Debt Relief
28 Companies were tied to or had a relationship with the federal government

1 or a particular federal debt relief plan;
2 Misrepresenting government programs and payment plan terms to
3 consumers; and

4 The other practices described in this Complaint.

5 310. Due to the deceptive and fraudulent conduct described in this Complaint,
6 Minnesota consumers made payments to Defendants for services that they otherwise
7 would not have purchased, thereby causing harm to those consumers.

8 311. Defendants’ conduct, practices, and actions described in this Complaint
9 constitute multiple, separate violations of Minnesota Statutes section 325F.69.

10 **COUNT XIV**

11 **By the State of Minnesota**
12 **Uniform Deceptive Trade Practices Act**
13 **Minn. Stat. § 325F.43, et seq.**
(The Student Loan Debt Relief Companies and Individual Defendants)

14 312. The allegations in paragraphs 1-270 and 299-311 are incorporated by
15 reference.

16 313. Minnesota Statutes section 325D.44, subdivision 1 provides, in part that:
17 A person engages in a deceptive trade practice when, in the course of business,
18 vocation, or occupation, the person:

19 (2) causes likelihood of confusion or of misunderstanding as to the source,
20 sponsorship, approval, or certification of goods or services;

21 (5) represents that goods or services have sponsorship, approval, characteristics,
22 ingredients, uses, benefits, or quantities that they do not have or that a person has a
23 sponsorship, approval, status, affiliation, or connection that the person does not
have;

24 (7) represents that goods or services are of a particular standard [or] quality . . . if
25 they are of another;

26 (9) advertises goods or services with intent not to sell them as advertised; [or]

27 (13) engages in any other conduct which similarly creates a likelihood of
28

1 confusion or of misunderstanding.

2 314. The Student Loan Debt Relief Companies and Individual Defendants are
3 “persons” within the meaning of the statute.

4 315. The Student Loan Debt Relief Companies and Individual Defendants
5 repeatedly violated Minnesota Statutes section 325D.44, subdivision 1, by, in the course
6 of business, engaging in the deceptive and fraudulent practices described in this
7 Complaint that caused a likelihood of confusion or of misunderstanding among
8 consumers in connection with the sale of Defendants’ student loan debt relief services,
9 including by making false, deceptive, fraudulent, and/or misleading representations to
10 consumers regarding its advertised services. These practices include but are not limited
11 to:

12 a. Misrepresenting to consumers that the Student Loan Debt Relief
13 Companies could forgive consumers’ loans and otherwise misrepresenting their
14 ability to reduce or eliminate student loan debt;

15 b. Misrepresenting to consumers that the consumers were “approved” for
16 student loan relief, and otherwise misrepresenting their ability to qualify borrowers
17 for government programs;

18 c. Misrepresenting and falsely leading consumers to believe that the
19 Student Loan Debt Relief Companies would apply payments made to it to
20 consumers’ loans;

21 d. Misrepresenting and falsely leading consumers to believe that fees
22 paid by consumers reflected the adjusted amount of the consumers’ periodic
23 payments toward their outstanding loan balance;

24 e. Misrepresenting to consumers that the amount owed on their student
25 loans would be reduced;

26 f. Misrepresenting to consumers that their loans would be forgiven in
27 whole or in part following payment of the enrollment fees;

28 //

1 g. Misrepresenting to consumers that their monthly student loan payment
2 amount had been lowered for the life of the repayment plan;

3 h. Misrepresenting to consumers that fees collected would be held in
4 trust accounts maintained by a third-party account provider until the Student Loan
5 Debt Relief Companies had performed certain services;

6 i. Misleading consumers to believe that the Student Loan Debt Relief
7 Companies were tied to or had a relationship with the federal government or a
8 particular federal debt relief plan;

9 j. Misrepresenting government programs and payment plan terms to
10 consumers; and

11 k. The other practices described in this Complaint.

12 316. Due to the deceptive and fraudulent conduct described in this Complaint,
13 Minnesota consumers made payments to Defendants for services that they otherwise
14 would not have purchased, thereby causing harm to those consumers.

15 317. Defendants' conduct, practices, and actions described in this Complaint
16 constitute multiple, separate violations of Minnesota Statutes section 325D.44.

17 **Count XV**

18 **By the State of North Carolina**
19 **North Carolina Debt Adjusting Act**
20 **N.C. Gen. Stat. § 14-423, et seq.**
21 **(The Student Loan Debt Relief Companies and Individual Defendants)**

22 318. The allegations in paragraphs 1-270 and 299-303 are incorporated by
23 reference.

24 319. The Student Loan Debt Relief Companies engaged in illegal "debt
25 adjusting" as that term is defined in Article 56 of Chapter 14 of the North Carolina
26 General Statutes. Specifically, N.C. Gen. Stat. § 14-423(2) defines "debt adjusting" as
27 any of the following:

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1 “Debt adjusting” means entering into or making a contract,
2 express or implied, with a particular debtor whereby the debtor
3 agrees to pay a certain amount of money periodically to the
4 person engaged in the debt adjusting business and that person,
for consideration, agrees to distribute, or distributes the same
among certain specified creditors in accordance with a plan
agreed upon.

5 Debt adjusting includes the business or practice of any
6 person who holds himself out as acting or offering or attempting
7 to act for consideration as an intermediary between a debtor and
8 his creditors for the purpose of settling, compounding, or in any
9 way altering the terms of payment of any debt of a debtor, and to
that end receives money or other property from the debtor, or on
behalf of the debtor, for the payment to, or distribution among,
the creditors of the debtor.

10 Debt adjusting also includes the business or practice of
11 debt settlement . . . whereby any person holds himself or herself
12 out as acting for consideration as an intermediary between a
13 debtor and the debtor’s creditors for the purpose of reducing,
14 settling, or altering the terms of the payment of any debt of the
15 debtor, whether or not the person distributes the debtor’s funds
or property among the creditors, and receives a fee or other
consideration for reducing, settling, or altering the terms of the
payment of the debt in advance of the debt settlement having
been completed or in advance of all the services agreed to having
been rendered in full.

16 320. Debt adjusting is prohibited by N.C. Gen. Stat. § 14-424, which provides
17 that “[i]f any person shall engage in, or offer to or attempt to, engage in the business or
18 practice of debt adjusting, or if any person shall hereafter act, offer to act, or attempt to
19 act as a debt adjuster, he shall be guilty of a Class 2 misdemeanor.”

20 321. The Student Loan Debt Relief Companies and Individual Defendants’
21 offering and purported rendering of debt adjusting services was in violation of North
22 Carolina’s debt adjusting statute.

23 322. The Student Loan Debt Relief Companies have entered into contracts with
24 North Carolina student loan debtors whereby the debtors agreed to pay certain amounts
25 of money periodically to the Student Loan Debt Relief Companies, and the Student Loan
26 Debt Relief Companies, for consideration, represented or implied that they would
27 distribute debtors’ money among debtors’ student loan servicers or lenders and/or DOE
28 in accordance with a plan agreed upon.

1 327. In the course of soliciting and promoting their student loan debt relief
2 services to North Carolina consumers, in entering into agreements with North Carolina
3 consumers to provide such services, and in either performing or failing to meaningfully
4 perform those services, the Defendants have engaged in unfair and deceptive acts and
5 practices in trade or commerce in violation of N.C. Gen. Stat. § 75-1.1.

6 328. The Student Loan Debt Relief Companies were engaged in trade or
7 commerce in the State of North Carolina.

8 329. The Student Loan Debt Relief Companies' unfair or deceptive acts
9 and practices include, but are not limited to, the following:

10 330. Engaging in violations of the TSR, as set forth supra, which are specifically
11 prohibited by 16 C.F.R. Part 310;

12 331. Engaging in illegal debt adjusting activities, as set forth supra, which are
13 specifically prohibited by N.C. Gen. Stat. 14-423, et seq.;

14 332. Failing to register as a telephonic seller under North Carolina's Telephonic
15 Seller Registration Act, N.C. Gen. Stat §§ 66-260 and 66-261, as set forth infra; and

16 333. Making deceptive and misleading representations to consumers,
17 including but not limited to:

18 a. Misrepresenting to consumers that the Student Loan Debt Relief
19 Companies could forgive consumers' loans and otherwise misrepresenting the
20 Student Loan Debt Relief Companies' ability to reduce or eliminate student loan
21 debt;

22 b. Misrepresenting to consumers that the consumers were "approved" for
23 student loan relief, and otherwise misrepresenting their ability to qualify borrowers
24 for government programs;

25 c. Misrepresenting and falsely leading consumers to believe that the
26 Student Loan Debt Relief Companies would apply payments made to the Student
27 Loan Debt Relief Companies and Payment Companies to the consumers'
28 outstanding loans;

1 d. Misrepresenting and falsely leading consumers to believe that fees
2 paid by consumers reflected the adjusted amount of the consumers' periodic
3 payments toward their outstanding loan balance;

4 e. Misrepresenting to consumers that the amount owed on their student
5 loans would be reduced if students signed up for the Student Loan Debt Relief
6 Companies' services;

7 f. Misrepresenting to consumers that their loans would be forgiven in
8 whole or in part shortly after enrolling in the Student Loan Debt Relief Companies'
9 services;

10 g. Misrepresenting to consumers that their monthly student loan payment
11 amount had been lowered for the life of the repayment plan;

12 h. Misrepresenting that consumers were eligible or approved for lower
13 monthly payments, including where such payment amounts had been calculated
14 based on an incorrect family size, income, or marital status;

15 i. Misrepresenting to consumers that fees collected would be held in
16 trust accounts maintained by a third-party account provider until the Student Loan
17 Debt Relief Companies had performed certain services;

18 j. Misrepresenting to consumers that TAS was an independent third-
19 party provider of dedicated customer accounts;

20 k. Misleading consumers to believe that the Student Loan Debt Relief
21 Companies were tied to or had a relationship with the federal government or a
22 particular federal debt relief plan;

23 l. Failing to inform consumers that it was their practice to submit false
24 information about consumers' income, family size, and marital status on loan
25 adjustment applications in order to try to qualify consumers for lower monthly
26 payments;

27 m. Misrepresenting government programs and payment plan terms to
28 consumers; and

1 n. The other practices described in this Amended Complaint.

2 334. The Attorney General is authorized to seek an injunction against
3 Defendants' practices under N.C. Gen. Stat. § 75-14, the restoration of any moneys
4 obtained by Defendants from North Carolina consumers as well as the cancellation of
5 Defendants' contracts with North Carolina consumers under N.C. Gen. Stat. § 75-15.1,
6 civil penalties under N.C. Gen. Stat. § 75-15.2, and attorneys' fees under N.C. Gen. Stat.
7 § 75-16.1.

8 **Count XVII**

9 **By the State of North Carolina**
10 **North Carolina Telephonic Seller Registration Act**
11 **N.C. Gen. Stat. § 66-260**
12 **(The Student Loan Debt Relief Companies and Individual Defendants)**

13 335. The allegations in paragraphs 1-270, 299-303, and 318-334 are incorporated
14 by reference.

15 336. North Carolina's Telephonic Seller Registration Act, N.C. Gen. Stat §§ 66-
16 260 and 66-261, requires any non-exempt person engaged in telephonic solicitations
17 directed to North Carolina consumers to: (a) register with the North Carolina Secretary of
18 State not less than 10 days before commencing telephone solicitations; (b) provide
19 specified information on a form provided by the Secretary of State that contains the
20 notarized signature of each principal of the telephonic seller; and (c) pay a \$100.00 filing
21 fee.

22 337. Pursuant to N.C. Gen. Stat. § 66-261(c), a registration of a telephonic seller
23 is valid for one year from the effective date of the provision of all required information,
24 and may be renewed annually by making the filing required by N.C. Gen. Stat. § 66-262,
25 and paying the filing fee of \$100.00.

26 338. Each of the Student Loan Debt Relief Companies was a "telephonic seller"
27 as defined in N.C. Gen. Stat. § 66-260(11), as the Student Loan Debt Relief Companies
28 caused directly, or through employees or agents, telephone solicitations or attempted
telephone solicitations to occur, and the Student Loan Debt Relief Companies are not

1 exempt from the Act.

2 339. The Student Loan Debt Relief Companies engaged in violations of the
3 Telephonic Seller Registration Act, N.C. Gen. Stat. § 66-260, et seq., by failing to
4 register with the North Carolina Secretary of State as a telephonic seller; by failing to
5 provide the North Carolina Secretary of State with the information mandated by N.C.
6 Gen. Stat. § 66-262; by failing to pay the filing fee of \$100.00; and by failing to register
7 in each year the Student Loan Debt Relief Companies engaged in telephonic solicitations.

8 340. N.C. Gen. Stat. § 66-266(a) provides that any violation of the Telephonic
9 Seller Registration Act “shall constitute an unfair and deceptive trade practice in violation
10 of N.C. Gen. Stat. §75-1.1.”

11 341. N.C. Gen. Stat. § 66-266(c) further provides that the remedies and penalties
12 available under the section “shall be supplemental to others available under the law, both
13 civil and criminal.”

14 342. Pursuant to N.C. Gen. Stat. §§ 66-266(b), in an action by the Attorney
15 General against a telephonic seller for violation of the Telephonic Seller Registration Act,
16 or for any other act or practice by a telephonic seller constituting a violation of N.C. Gen.
17 Stat. § 75-1.1, the court may impose civil penalties of up to \$25,000 for each violation
18 involving North Carolina purchasers or prospective purchasers who are 65 years of age or
19 older.

20 **Count XVIII**

21 **By the People of the State of California**
22 **California Unfair Competition Law**
23 **Cal. Bus. & Prof. Code § 17200 et seq.**
(All Defendants and Relief Defendants)

24 343. The People of the State of California re-allege and incorporate herein
25 paragraphs 1 through 342 of this Complaint.

26 344. California’s UCL, Business and Professions Code section 17200, prohibits
27 any “unlawful, unfair or fraudulent business act[s] or practice[s].” Cal. Bus. & Prof. Code
28 § 17200.

1 345. Section 17203 of the UCL provides that “(a)ny person performing or
2 proposing to perform an act of unfair competition within this state may be enjoined in
3 any court of competent jurisdiction.” Section 17203 also permits recovery of any
4 “interest in money or property, real or personal” acquired by a violation of the UCL. Cal.
5 Bus. & Prof. Code § 17203.

6 346. Section 17206, subdivision (a), of the UCL provides that any person
7 violating Section 17200 “shall be liable for a civil penalty not to exceed two thousand
8 five hundred dollars (\$2,500) for each violation, which shall be assessed and recovered in
9 a civil action brought in the name of the [P]eople of the State of California . . . by any
10 city attorney of a city having a population in excess of 750,000,” thereby authorizing the
11 City Attorney of Los Angeles, which has a population in excess of 750,000, to bring such
12 an action. Cal. Bus. & Prof. Code § 17206.

13 347. Under the UCL’s Section 17205, these remedies and penalties are
14 “cumulative to each other and to the remedies or penalties available under all other laws
15 of this state.” Cal. Bus. & Prof. Code § 17205.

16 348. Defendants are all “persons” within the meaning of the UCL. Cal. Bus. &
17 Prof. Code § 17201.

18 349. “Unlawful” acts or practices, “unfair” acts or practices, and “fraudulent” acts
19 or practices each independently violate Section 17200. Beginning no later than 2015, and
20 continuing to the filing of this action, Defendants, and each of them, have repeatedly
21 violated the UCL by engaging in “unlawful, unfair, or fraudulent business act[s] or
22 practice[s]” with the sale of their purported student loan debt settlement services. Cal.
23 Bus. & Prof. Code § 17200. These violations include, but are not limited to:

24 a. Violating the UCL through the following unlawful acts or practices
25 committed against California consumers, including in the City and County of Los
26 Angeles:

27 i. As to the Student Loan Debt Relief Companies and Individual
28 Defendants, violating California Financial Code § 12000 et seq., the

1 California Check Sellers, Bill Payers and Proraters Law, by acting as a
2 check seller, bill payer, or prorater without first obtaining a license from the
3 California Commissioner of Business Oversight. Cal. Fin. Code § 12200;

4 1. As alleged in this Complaint, including but not limited to
5 in paragraphs 8-17, 25-32, 37-49, and 64-210, California consumers
6 provided funds to Defendants based upon assurances and
7 representations that Defendants would assist them in reducing or
8 otherwise managing their student loan debts and/or negotiate with
9 their creditors and distribute payments.

10 2. At all relevant times, the Student Loan Debt Relief
11 Companies and Individual Defendants were not licensed by the
12 California Corporations Commissioner as required by Financial Code
13 § 12000 et seq.

14 ii. As to the Student Loan Debt Relief Companies and Individual
15 Defendants, violating California Financial Code section 28100, et seq., the
16 California Student Loan Servicing Act, which requires Student Loan
17 Servicers to be licensed to lawfully operate, by engaging in the business of
18 servicing student loans in California without obtaining a license as required
19 under the Act;

20 1. The Student Loan Debt Relief Companies and Individual
21 Defendants are “persons” under the Student Loan Servicing Act. Cal.
22 Fin. Code § 28104, subd. (j).

23 2. As alleged in this Complaint, including but not limited to
24 in paragraphs 8-17, 25-32, 37-49, and 64-210, the Student Loan Debt
25 Relief Companies and Individual Defendants have engaged in the
26 business of servicing student loans in California. Cal. Fin. Code
27 § 28104, subds. (f), (g), (l), (m), (n).

28 3. The Student Loan Debt Relief Companies and Individual

1 Defendants never obtained a license to service student loans as
2 required under the California Student Loan Servicing Act. Cal. Fin.
3 Code § 28102, subd. (a).

4 iii. As to all Defendants, violating the Telemarketing Sales Rule
5 (“TSR”), which is specifically set forth in 16 C.F.R. Part 310, as set forth in
6 this Complaint, including but not limited to in paragraphs 25-63, 211-222
7 and paragraphs 234-270 (Count I (Advance Fees in Violation of the TSR –
8 Enrollment Fees), Count II (Advance Fees in Violation of the TSR –
9 Monthly Fees), Count III (Misrepresentations About Material Aspects of
10 Their Services in Violation of the TSR) (The Student Loan Debt Relief
11 Companies and Individual Defendants), Count IV (Misrepresentations
12 About Material Aspects of Their Services in Violation of the TSR) (True
13 Count, Prime, and TAS), Count V (Substantial Assistance in Violation of the
14 TSR) (Individual Defendants), and Count VI (Substantial Assistance in
15 Violation of the TSR) (Payment Companies)).

16 iv. As to all Defendants, violating the Consumer Financial
17 Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531 et seq., as set forth in
18 this Complaint, including but not limited to in paragraphs 25-63, 223-233
19 and paragraphs 271-298 (Count VII (CFPA – Deception) (The Student Loan
20 Debt Relief Companies and Individual Defendants), Count VIII (CFPA –
21 Deception) (True Count, Prime, and TAS), Count IX (Substantial Assistance
22 in Violation of the CFPA) (Individual Defendants), Count X (Substantial
23 Assistance in Violation of the CFPA) (Payment Companies), and Count XI
24 (CFPA Violation Based on Violation of TSR)).

25 v. As to the Relief Defendants, by receiving, directly or indirectly,
26 funds or other assets from Defendants that are traceable to funds obtained
27 from consumers through the deceptive and unlawful practices as set forth in
28 this Complaint, without having legal or equitable title to funds or other

1 assets received from Defendants as bona fide purchasers, as further alleged
2 in paragraphs 50-63, 191-210, and paragraphs 299-303 (Count XII).

3 b. The Student Loan Debt Relief Companies and Individual Defendants
4 also violated the UCL through the following unlawful, fraudulent and/or unfair
5 acts or practices committed against California consumers, including consumers in
6 the City and County of Los Angeles:

7 i. Misrepresenting to consumers that Defendants could forgive
8 consumers' loans and otherwise misrepresenting Defendants' ability to
9 reduce or eliminate student loan debt;

10 ii. Misrepresenting to consumers that the consumers were
11 "approved" for student loan relief, and otherwise misrepresenting their
12 ability to qualify borrowers for government programs;

13 iii. Misrepresenting and falsely leading consumers to believe that
14 Defendants would apply payments made to Defendants to the consumers'
15 outstanding loans;

16 iv. Misrepresenting and falsely leading consumers to believe that
17 fees paid by consumers reflected the adjusted amount of the consumers'
18 periodic payments toward their outstanding loan balance;

19 v. Misrepresenting to consumers that the amount owed on their
20 student loans would be reduced if students signed up for Student Loan Debt
21 Relief Companies' services;

22 vi. Misrepresenting to consumers that their loans would be
23 forgiven in whole or in part shortly after enrolling in Student Loan Debt
24 Relief Companies' services;

25 vii. Misrepresenting to consumers that their monthly student loan
26 payment amount had been lowered for the life of the repayment plan;

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1 a. award the Bureau and the States such preliminary and injunctive and
2 ancillary relief as may be necessary to avert the likelihood of consumer injury
3 during the pendency of this action, including but not limited to a temporary and
4 preliminary injunction, an order freezing assets, immediate access to business
5 premises, and appointment of a Receiver against Defendants and Relief
6 Defendants;

7 b. permanently enjoin Defendants from committing future violations of
8 the TSR, the CFPA, the MNCFA, the MNDTPA, the NCDAA, the NCUDPA, the
9 NCTSRA, and the UCL, and enter such other injunctive relief as appropriate;

10 c. permanently enjoin Defendants from the advertisement, marketing,
11 promotion, offering for sale, or selling of any consumer-financial product or
12 service, including but not limited to any debt relief service;

13 d. grant additional injunctive relief as the Court may deem to be just and
14 proper;

15 e. award damages and other monetary relief against Defendants and
16 Relief Defendants as the Court finds necessary to redress injury to consumers
17 resulting from Defendants' violations of the CFPA, the TSR, the MNCFA, the
18 MNDTPA, the NCDAA, the NCUDPA, and the NCTSRA, including but not
19 limited to rescission or reformation of contracts, the refund of monies paid,
20 restitution, disgorgement or compensation for unjust enrichment;

21 f. award restitution against Defendants and Relief Defendants as the
22 Court finds necessary to redress injury to consumers resulting from Defendants'
23 violations of the UCL;

24 g. award the Bureau and the States civil money penalties;

25 h. award the Bureau and the States the costs of bringing this action, as
26 well as such other and additional relief as the Court may determine to be just and
27 proper; and

28 i. award the States the costs of investigation and attorneys' fees.

1 Dated: February 24, 2020

2 Respectfully submitted,

3 THOMAS G. WARD
4 Enforcement Director

5 DEBORAH MORRIS
6 Deputy Enforcement Director

7 /s/ Jesse Stewart

8 Sarah Preis (admitted *pro hac vice*)
9 Jesse Stewart (admitted *pro hac vice*)
10 Enforcement Attorneys

11 *Attorneys for Plaintiff Bureau of Consumer
12 Financial Protection*

13 JOSHUA H. STEIN
14 Attorney General of North Carolina

15 /s/ M. Lynne Weaver

16 M. Lynne Weaver
17 Special Deputy Attorney General
18 (Admitted *pro hac vice*)

19 *Attorney for the State of North Carolina*

20 KEITH ELLISON
21 Attorney General of Minnesota

22 /s/ Evan S. Romanoff

23 Evan S. Romanoff (admitted *pro hac vice*)
24 Assistant Attorney General

25 *Attorney for the State of Minnesota,
26 By Its Attorney General, Keith Ellison*

27 /s/ Christina V. Tusan

28 Christina V. Tusan (CA Bar No. 192203)
Supervising Deputy City Attorney
Office of the Los Angeles City Attorney
Telephone (213) 978-8707
Fax (213) 978-8111
christina.tusan@lacity.org

Attorney for the People of the State of California

1 I, Jesse Stewart, attest that all other signatories listed, and on whose behalf the filing is
2 submitted, concur in the filing's content and have authorized the filing.

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/s/ Jesse Stewart

Jesse Stewart