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15  
16 UNITED STATES DISTRICT COURT  
17 NORTHERN DISTRICT OF CALIFORNIA

18 Consumer Financial Protection  
19 Bureau,

20 Plaintiff,

21 v.

22 Freedom Debt Relief, LLC and  
23 Andrew Houser,

24 Defendants.

Case No. 3:17-cv-6484

FIRST AMENDED  
COMPLAINT

25  
26  
27  
28 First Amended Complaint  
Case No. 17-cv-6484-EDL

1 The Consumer Financial Protection Bureau (“Bureau”) files this First  
2 Amended Complaint against Freedom Debt Relief, LLC (“Freedom”) and  
3 Andrew Housser (collectively, “Defendants”) and alleges as follows:

4 **Introduction**

5 1. The Bureau brings this action under the Telemarketing and  
6 Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C.  
7 §§ 6102(c), 6105(d) (2012); the Telemarketing Sales Rule (“TSR”), 16 C.F.R. pt. 310  
8 (1995) (revised 2010); and §§ 1031, 1036(a), 1054, and 1055 of the Consumer  
9 Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5531, 5536(a), 5564, 5565  
10 (2012), in connection with the marketing and sale of debt-settlement or debt-  
11 relief services.

12 **Jurisdiction**

13 2. This Court has subject-matter jurisdiction over this action because it  
14 is brought under “Federal consumer financial law,” 12 U.S.C. § 5565(a)(1),  
15 presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the  
16 United States, 28 U.S.C. § 1345.

17 **Venue**

18 3. Venue is proper in this district because Freedom and Housser are  
19 located, reside, and do business here. 12 U.S.C. § 5564(f).

20 **Intradistrict Assignment**

21 4. Under the Local Rules of Practice in Civil Proceedings before the  
22 United States District Court for the Northern District of California, this action  
23 arises in the county of San Mateo because a substantial part of the events or  
24 omissions giving rise to the claims occurred there. *See* Civil L.R. 3-2(c). This  
25 action should therefore be assigned to the San Francisco Division or the Oakland  
26 Division of this Court. *See* Civil L.R. 3-2(d).

## Parties

1  
2 5. The Bureau is an independent agency of the United States created by  
3 the CFPA. 12 U.S.C. § 5491(a). It has independent litigating authority and may  
4 secure appropriate relief for violations of the CFPA, 12 U.S.C. § 5564(a)-(b), and  
5 the TSR, 15 U.S.C. §§ 6102(c), 6105(d).

6 6. Freedom, a Delaware corporation, maintains its principal place of  
7 business at 1875 S. Grant St., Suite 400, San Mateo, CA 94402. Freedom offers and  
8 provides “financial advisory services,” including debt-settlement services, to  
9 consumers owing unsecured debts to creditors. Those activities are “consumer  
10 financial services or products” under the CFPA. 12 U.S.C. § 5481(5)(A),  
11 (15)(A)(viii)(II). Freedom is therefore a “covered person” under the CFPA. 12  
12 U.S.C. § 5481(6). Additionally, in connection with a campaign to use telephones  
13 to make interstate phone calls to consumers and to use advertisements to solicit  
14 calls from consumers to induce them to purchase its services, wherein Freedom  
15 offers to renegotiate, settle, or in any way alter the terms of payment or other  
16 terms of the debt between a person and one or more unsecured creditors or debt  
17 collectors, Freedom initiates and receives telephone calls from consumers. Thus,  
18 Freedom is a “telemarketer” offering a “debt relief service” under the TSR. 16  
19 C.F.R. § 310.2(o), (ff).

20 7. Andrew Houser is the co-founder and co-CEO of Freedom. At all  
21 times material to this Complaint, Houser has exercised substantial control over  
22 and involvement in the establishment of Freedom’s business policies and  
23 practices described in the Complaint. At all times material to this Complaint,  
24 Houser has exercised managerial responsibility for Freedom and has materially  
25 participated in the conduct of its affairs. Houser is therefore a “related person.”  
26 12 U.S.C. § 5481(25)(C)(i)-(ii). Because Houser is a “related person,” he is  
27 deemed a “covered person” under the CFPA. 12 U.S.C. § 5481(25)(B).

## Factual Background

1  
2 8. Freedom is a consumer-debt-settlement company. Established in  
3 2002, Freedom claims that it has successfully negotiated and settled consumer  
4 debts in excess of \$7 billion for over 450,000 consumers who have enrolled in its  
5 debt-settlement program.

6 9. Freedom required consumers enrolled in its debt-settlement program  
7 to deposit funds into dedicated accounts with an FDIC-insured bank. Freedom  
8 claimed that once there were sufficient funds in those accounts to make  
9 settlement offers to consumers' creditors, Freedom would negotiate with the  
10 creditors to persuade them to accept less than the amounts actually owed.

11 10. Freedom instructed its customers who had been making payments to  
12 their creditors to withhold any further payments and to change their billing  
13 addresses with their creditors to Freedom's Arizona address, 4940 South  
14 Wendler Drive, Tempe, AZ 85828.

15 11. Freedom would approve consumers for enrollment in its debt-  
16 settlement program even if they were not delinquent on any debts at the time of  
17 enrollment. Freedom did not independently verify hardship claims or require  
18 consumers to provide supporting documentation for hardship claims as part of  
19 its underwriting efforts.

20 12. When a debt enrolled in its debt-settlement program was settled or a  
21 creditor ceased attempts to collect the debt (in the absence of a settlement),  
22 Freedom would charge consumers fees that typically ranged between 18% and  
23 25% of the enrolled debt amount.

### Freedom's Enrollment of Consumers and Lack of Disclosure

24  
25 13. Freedom's employees received phone calls from prospective  
26 customers and initiated phone calls to prospective customers across the United  
27 States to persuade them to enroll in its debt-settlement program.

1 14. Before consumers enrolled in Freedom's program, Freedom pulled  
2 credit reports of prospective customers. Freedom used the credit reports to  
3 confirm in its telephone discussions with prospective customers the identities of  
4 their creditors, the amounts owed to each creditor, the underlying nature of the  
5 debt owed to each creditor, and the payment status for each debt.

6 15. Freedom's underwriting department prepared a "Schedule of  
7 Creditors and Debt" listing each consumer's creditors and the amounts owed to  
8 those creditors. The Schedule of Creditors and Debt was submitted to  
9 prospective customers for review and execution, and it became "Exhibit A" of  
10 the Debt Resolution Agreement that consumers entered into with Freedom for  
11 debt-settlement services.

12 16. While Freedom's Debt Resolution Agreement explained that  
13 consumers could withdraw from the program and terminate the agreement, it  
14 did not notify consumers that if they withdrew from the program, they would  
15 receive all funds in their accounts, minus any fees that Freedom had already  
16 earned.

17 **Freedom's Knowledge That Certain Creditors Would Not Negotiate**

18 17. Freedom has long known that certain creditors have policies against  
19 negotiating with debt-settlement companies such as Freedom.

20 18. For example, in late 2011, KPIX-TV ("CBS 5"), a local San Francisco  
21 television station, aired a story about two Freedom customers who complained  
22 about Freedom's inability to settle debts they owed to Chase. Chase confirmed to  
23 CBS 5 that it "does not work with debt-settlement companies." So as early as  
24 2011, Freedom had notice and knew or should have known that Chase would not  
25 negotiate as a matter of corporate policy.

26 19. Freedom has actively sought to reverse creditors' policies against  
27 negotiating with debt-settlement companies. For years, it has maintained a team

1 dedicated to meeting with creditors that have frequently refused to negotiate  
2 with Freedom to persuade them to change their policies. On occasion, Houser  
3 accompanied this “creditor development team” on its meetings. And for years,  
4 Houser has received regular updates (typically every two weeks) from the  
5 “creditor development team” and has met frequently with the team to learn  
6 about its efforts to persuade creditors to negotiate with Freedom.

7 20. In 2015, Freedom requested an in-person meeting with American  
8 Express. Freedom representatives met with American Express representatives in  
9 the summer of 2015 in an effort to have American Express reverse its policy  
10 against negotiating with debt-settlement companies. Freedom did not succeed,  
11 and American Express’s policy remained unchanged.

12 21. In 2016, Freedom requested an in-person meeting with Chase.  
13 Freedom representatives met with Chase representatives in the summer of 2016  
14 in an effort to have Chase reverse its policy against negotiating with debt-  
15 settlement companies. Freedom did not succeed, and Chase’s policy remained  
16 unchanged.

17 22. Freedom has held multiple in-person meetings with Discover since  
18 2015 – including in October 2015, April 2016, and March 2017 – in an effort to  
19 have Discover reverse its policy against negotiating with debt-settlement  
20 companies. Freedom’s efforts have been unsuccessful; Discover’s policy has  
21 remained unchanged.

### 22 **Freedom’s False Claims That All Creditors Would Negotiate**

23 23. Despite knowing that certain creditors would not negotiate with it,  
24 Freedom told consumers that it could negotiate all of their debts.

25 24. In company scripts, Freedom instructed employees in pre-enrollment  
26 telephone calls to mention its “professional Negotiations Division of 200  
27 negotiators” and to tell consumers that Freedom would “negotiate directly with

1 [their] creditors to settle [their] debt for less than” what was owed. In marketing  
2 materials, Freedom touted its “negotiating power.” Freedom did not tell  
3 consumers that there might be certain creditors with which it would be unable to  
4 “negotiate directly.”

5 25. Since at least 2012, Section 2 of Freedom’s Debt Resolution  
6 Agreement consistently represented to consumers that Freedom would be  
7 “negotiating settlements.” Section 2 further represented that “each Creditor  
8 listed on Exhibit A will work with us to negotiate a settlement of your Debts.”  
9 Exhibit A of the Debt Resolution Agreement, the “Schedule of Creditors and  
10 Debt,” listed all debts that a consumer enrolled in Freedom’s program and the  
11 creditors associated with those debts.

12 26. Freedom made this representation even when the creditors listed on  
13 the Schedule of Creditors and Debt included Chase, American Express, Discover,  
14 Macy’s, Synchrony Bank, or other creditors either known to Freedom to have  
15 policies against working with debt-settlement companies or with track records of  
16 repeatedly refusing to negotiate with Freedom.

17 27. Since at least 2013, when creditors refused to negotiate with Freedom,  
18 Freedom would tell some consumers to negotiate with their creditors directly  
19 and would give these consumers instructions on how to negotiate a settlement  
20 on their own. Typically, it was only after consumers had been enrolled in  
21 Freedom’s program for months or years that Freedom revealed that one or more  
22 of the consumers’ creditors refused to negotiate with Freedom and told  
23 consumers that they would need to negotiate directly with those creditors. When  
24 consumers acting on their own were able to negotiate a settlement with a  
25 creditor, Freedom still charged consumers its fee, usually in the thousands of  
26 dollars per enrolled debt – even when Freedom had not directly negotiated with  
27 the creditor (or, in some cases, even communicated with the creditor).

1                   **Freedom’s Instruction to Consumers to Deceive Creditors**

2           28. As part of the instructions given to consumers for negotiating  
3 settlements on their own, Freedom told consumers to expressly mislead their  
4 creditors when asked directly about their enrollment in a debt-settlement  
5 program. Freedom’s instructions to consumers stated: “If they ask you if you are  
6 enrolled into our program, let them know that as it pertains to this account, you  
7 are looking to resolve it on your own.” Freedom directed consumers to make this  
8 representation to a creditor when the consumers were in fact enrolled in  
9 Freedom’s program to settle that creditor account.

10           29. Freedom instructed consumers to represent to creditors that the  
11 source of settlement funds was from family, friends, tax refunds, or the sale of a  
12 vehicle. But this was not true; in fact, the funds came either from Freedom’s  
13 affiliated loan program or from the funds consumers deposited in the dedicated  
14 account set up upon their enrollment in Freedom’s debt-settlement program.

15           30. Freedom did not disclose to consumers during the enrollment  
16 process that Freedom might instruct them to mislead their creditors in the event  
17 those creditors refused to negotiate with Freedom.

18                   **Freedom’s Deception of Consumers about Chargeable Events**

19           31. Since at least 2012, Section 1 of Freedom’s Debt Resolution  
20 Agreement stated, “We will not charge any fee for our services until we  
21 successfully resolve a debt for you and you have made a payment toward the  
22 settlement of that debt.” This is consistent with Freedom’s pre-enrollment  
23 telephone scripts, where Freedom instructed its employees to tell consumers that  
24 **“NO FEES ARE ACCEPTED UNTIL WE SETTLE A DEBT and then only for**  
25 **the debt that was settled!”**

26           32. Contrary to this assertion, Freedom charged consumers its fee even  
27 when Freedom had not successfully settled consumers’ debts.



1 33. For example, Freedom charged its fee when it had not directly  
2 negotiated with the creditors – or even communicated with the creditors –  
3 because the consumers had negotiated a binding settlement on their own.

4 34. Similarly, Freedom charged its fee when a creditor, in the absence of  
5 a binding settlement, stopped collecting from a consumer, sometimes following a  
6 charge-off. In such circumstances, the consumer had not executed a settlement  
7 agreement and had made no settlement payment to the creditor or any debt  
8 collector before Freedom charged its fee. These consumers nevertheless could  
9 still be subject to collection efforts, and their credit reports could continue to  
10 reflect an unpaid or delinquent debt in the trade line for that creditor.

11 35. Freedom did not disclose to consumers that it would charge  
12 consumers its fee in such scenarios. And consumers did not agree to pay fees in  
13 such scenarios when they enrolled in Freedom’s program.

14 36. Freedom’s representations – regarding its ability to negotiate with  
15 creditors, creditors’ willingness to negotiate with Freedom, and the  
16 circumstances in which it would charge fees – were likely to mislead consumers  
17 acting reasonably when enrolling in Freedom’s debt-settlement program and  
18 when deciding whether to remain enrolled.

19 37. During the period that consumers were enrolled in Freedom’s  
20 program – typically months or years – Freedom required consumers to deposit  
21 funds into dedicated accounts and instructed consumers that if they had been  
22 making payments to their creditors, they should withhold any further payments  
23 and instead make payments into the dedicated accounts. This included  
24 consumers who had not previously been delinquent on their accounts. Such  
25 extended delinquencies negatively impacted consumers’ credit, resulted in  
26 consumers being charged late fees, penalties, and additional interest, and  
27

1 subjected consumers to ongoing collection activity and threatened and actual  
2 legal action by creditors.

3 38. Consumers who were charged fees after having to negotiate a  
4 settlement on their own or after Freedom allowed a charge-off instead of  
5 negotiating a settlement typically had been enrolled in Freedom's program for  
6 months or years, during which they were subject to the consequences of  
7 extended delinquencies.

8 **Houser's Substantial Involvement in Freedom's Practices**

9 39. Houser has had the authority and responsibility to approve  
10 Freedom's policies and practices.

11 40. Houser has had the authority and responsibility to approve the  
12 content of the Debt Resolution Agreements.

13 41. Houser's name and signature have appeared on all Debt Resolution  
14 Agreements with consumers.

15 42. Houser has known that the statement included in all Debt  
16 Resolution Agreements that creditors would work with Freedom to negotiate  
17 settlements was not always true with respect to certain creditors. Houser has  
18 known that certain creditors had policies against negotiating with debt-  
19 settlement companies. Houser has known that Freedom was often unable to  
20 negotiate with creditors who had such policies.

21 43. Houser has known that the statement included in all Debt  
22 Resolution Agreements that consumers would only be charged if Freedom  
23 negotiated a settlement and consumers made payments toward those settlements  
24 was not true. Houser has known that Freedom would charge consumers in  
25 other undisclosed scenarios.

1 44. Houser has approved Freedom's practice of coaching consumers  
2 when creditors would not negotiate with Freedom and has approved charging  
3 consumers if they later settled their debts with creditors.

4 45. Houser has had knowledge of and control over Freedom's fee-  
5 charging practices, including its charging of fees in the absence of a binding  
6 settlement or any consumer payment on a settlement.

7 **Count I**

8 *Defendants' Violations of the CFPA*

9 *(Deceiving Consumers Regarding Creditors' Willingness to Negotiate with Freedom)*

10 46. The Bureau re-alleges and incorporates by reference paragraphs 1-45.

11 47. In connection with marketing its services, Freedom touted its  
12 "negotiating power" and has represented to consumers that its negotiators  
13 would "negotiate directly" with their creditors. In many instances, there was a  
14 significant chance that Freedom would be unable to negotiate directly with  
15 certain creditors having policies against negotiating with debt-settlement  
16 companies. Freedom has known of these creditors' policies and of the significant  
17 chance that it would be unable to negotiate directly with those creditors, and  
18 Freedom has not notified consumers of these facts.

19 48. Freedom has represented to consumers in its customized Debt  
20 Resolution Agreements that it believed all creditors, including creditors with  
21 which Freedom was often unable to negotiate, would work with Freedom to  
22 negotiate a settlement of debts.

23 49. Freedom's statements have created the false net impression that  
24 Freedom itself would be able to negotiate directly with all creditors, including  
25 those that had policies against negotiating with debt-settlement companies.

26 50. Freedom's statements were false or misleading, were material to  
27 consumers' decisions to enroll in Freedom's debt-settlement program, and

1 constituted deceptive acts and practices, in violation of §§ 1031(a) and  
2 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

3 51. Houser has had significant responsibility for establishing Freedom's  
4 policies and practices, and he has had substantial control over Freedom's  
5 operations, including the content of its Debt Resolution Agreements.

6 52. Houser directly contributed to the development, review, and  
7 approval of materials containing the aforementioned deceptive statements.

8 53. Houser's name and signature appeared on materials containing the  
9 aforementioned deceptive statements.

10 54. Houser has committed or engaged in deceptive acts or practices in  
11 connection with the offering of a consumer-financial product or service. 12 U.S.C.  
12 §§ 5531(a), 5536(a)(1)(B).

13 55. Houser knowingly or recklessly has provided substantial assistance  
14 to Freedom, a covered person engaged in deceptive acts and practices, in  
15 violation of the CFPA, 12 U.S.C. § 5536(a)(3).

16 **Count II**

17 *Defendants' Violations of the CFPA*

18 *(Deceiving Consumers Regarding Charges)*

19 56. The Bureau re-alleges and incorporates by reference paragraphs 1-45.

20 57. Freedom has represented to consumers that it would not charge any  
21 fee for its services until it settled a debt and consumers have made a settlement  
22 payment to the creditor. In fact, Freedom has charged consumers its fee in cases  
23 where it did not settle the consumer's debt and the consumer did not make a  
24 settlement payment.

25 58. Freedom's statements concerning the circumstances when consumers  
26 would be charged fees were false or misleading, were material to consumers'  
27 decisions to enroll in Freedom's debt-settlement program, and constituted

1 deceptive acts and practices, in violation of §§ 1031(a) and 1036(a)(1)(B) of the  
2 CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

3 59. Houser has had significant responsibility for establishing Freedom's  
4 policies and practices, and he has had substantial control over Freedom's  
5 operations, including the content of its Debt Resolution Agreements.

6 60. Houser directly contributed to the development, review, and  
7 approval of materials containing the aforementioned deceptive statements.

8 61. Houser's name and signature appeared on materials containing the  
9 aforementioned deceptive statements.

10 62. Houser has committed or engaged in deceptive acts or practices in  
11 connection with the offering of a consumer-financial product or service. 12 U.S.C.  
12 §§ 5531(a), 5536(a)(1)(B).

13 63. Houser has knowingly or recklessly provided substantial assistance  
14 to Freedom, a covered person engaged in deceptive acts and practices, in  
15 violation of the CFPA, 12 U.S.C. § 5536(a)(3).

16 **Count III**

17 *Defendants' Violations of the CFPA*

18 *(Abusively Requiring Consumers to Negotiate on their Own)*

19 64. The Bureau re-alleges and incorporates by reference paragraphs 1-45.

20 65. When Freedom has been unable to negotiate with creditors, Freedom  
21 has told some consumers to negotiate with their creditors directly and has given  
22 them instructions on how to negotiate settlements on their own.

23 66. Freedom's instructions to these consumers included directions to  
24 mislead their creditors by concealing the fact of their enrollment in Freedom's  
25 debt-settlement program and misrepresenting the source of the funds available  
26 for settlement.

1           67. Freedom did not disclose to consumers before they enrolled in its  
2 program that they might be required to negotiate with creditors on their own,  
3 including by deceiving their creditors, in order to settle their debts. Freedom also  
4 did not disclose to consumers before they enrolled in its program that Freedom  
5 charged consumers its fee, usually in the thousands of dollars per enrolled debt,  
6 even when consumers themselves – not Freedom – negotiated the debt  
7 settlements.

8           68. Freedom repeatedly has represented to consumers that Freedom  
9 would be able to negotiate with their creditors – including the specific creditors  
10 referenced in consumers’ customized Debt Resolution Agreements – and did not  
11 ensure that consumers understood that certain creditors might not negotiate with  
12 Freedom. Accordingly, many of these consumers did not understand that a  
13 material condition of Freedom’s debt-settlement program would be having to  
14 negotiate with creditors themselves. Typically, Freedom only revealed to  
15 consumers that one or more of their creditors would not negotiate with Freedom  
16 and told consumers that they would need to negotiate directly with those  
17 creditors after consumers had been enrolled in Freedom’s program for months or  
18 years – having borne the costs and consequences of extended delinquencies and  
19 forgone other debt-settlement alternatives.

20           69. Freedom took unreasonable advantage of consumers’ lack of  
21 understanding by, with full knowledge of its own misrepresentations and failure  
22 to correct them, enrolling consumers in its debt-settlement program who  
23 reasonably might have chosen not to enroll if they understood that they might  
24 have to negotiate with creditors themselves and be instructed by Freedom to  
25 mislead those creditors during negotiations.

26           70. Freedom’s practice of enrolling consumers in its debt-settlement  
27 program under these circumstances took unreasonable advantage of the

1 consumers' lack of understanding of the material risks, costs, or conditions of  
2 enrolling in Freedom's debt-settlement program, and it is abusive in violation of  
3 §§ 1031(d)(2)(A) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(2)(A),  
4 5536(a)(1)(B).

5 71. Houser has had significant responsibility for establishing Freedom's  
6 policies and practices, and he has had substantial control over Freedom's  
7 operations, including the content of its Debt Resolution Agreements and the  
8 guidance offered to consumers regarding negotiating with their creditors.

9 72. Houser directly contributed to the development, review, and  
10 approval of Freedom's Debt Resolution Agreements and the guidance they offer  
11 to consumers.

12 73. Houser's name and signature appeared on the Debt Resolution  
13 Agreements.

14 74. Houser has committed or engaged in abusive acts or practices in  
15 connection with the offering of a consumer-financial product or service. 12 U.S.C.  
16 §§ 5531(a), 5536(a)(1)(B).

17 75. Houser has knowingly or recklessly provided substantial assistance  
18 to Freedom, a covered person engaged in abusive acts and practices, in violation  
19 of the CFPA, 12 U.S.C. § 5536(a)(3).

#### 20 **Count IV**

##### 21 *Defendants' Violations of the TSR and the CFPA*

##### 22 *(Failure to Clearly and Conspicuously Disclose Consumers' Rights to Funds)*

23 76. The Bureau re-alleges and incorporates by reference paragraphs 1-45.

24 77. It is a violation of the TSR for any seller or telemarketer in connection  
25 with the sale of any debt-relief service requiring customers to place funds in an  
26 account at an insured financial institution to fail to disclose truthfully, in a clear  
27 and conspicuous manner before customers consent to pay for those services, that

1 customers own the funds held in the accounts, that customers may withdraw  
2 from the debt-relief service at any time without penalty, and that, if customers  
3 withdraw, they must receive all funds in the accounts other than funds earned by  
4 the debt-relief service. 16 C.F.R. § 310.3(a)(1)(viii)(D).

5 78. Freedom has requested or required its customers to place funds in an  
6 account at an insured financial institution.

7 79. Freedom did not clearly and conspicuously disclose that if a  
8 customer withdrew, the customer must receive all funds in the account, other  
9 than funds earned by Freedom.

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

13 81. Freedom's failure to disclose in a clear and conspicuous manner that  
14 consumers would receive all funds in the account was a deceptive act or practice  
15 in telemarketing, in violation of the TSR. 16 C.F.R. § 310.3(a)(1)(viii)(D).

16 82. In addition, Freedom's violation of the TSR is treated as a violation of  
17 a rule under § 1031 of the CFPA. 15 U.S.C. § 6102(c). Freedom therefore has also  
18 violated the CFPA. 12 U.S.C. § 5536(a)(1)(A).

19 83. Housser directly contributed to the development, review, and  
20 approval of Freedom's Debt Resolution Agreements, and Housser's name and  
21 signature appeared on the Debt Resolution Agreements.

22 84. Housser knew or consciously avoided knowing that Freedom failed  
23 to clearly and conspicuously disclose that consumers must receive all funds in  
24 the account other than fees earned by Freedom upon withdrawal, in violation of  
25 the TSR.

26 85. Housser has violated the TSR's ban on assisting and facilitating  
27 others' violations of that rule. 16 C.F.R. § 310.3(b).



1 86. Housser's violation of the TSR is treated as a violation of a rule under  
2 § 1031 of the CFPA. 15 U.S.C. § 6102(c). Housser has therefore violated  
3 § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

4 87. Housser has knowingly or recklessly provided substantial assistance  
5 to Freedom's violation of the TSR. Housser has therefore violated § 1036(a)(3) of  
6 the CFPA. 12 U.S.C. § 5536(a)(3).

7 **Count V**

8 *Defendants' Violations of the TSR and the CFPA*

9 *(Charging Fees in the Absence of a Settlement)*

10 88. The Bureau re-alleges and incorporates by reference paragraphs 1-45.

11 89. It is a violation of the TSR for any seller or telemarketer in connection  
12 with the sale of any debt-relief service to request or receive payment of any fee or  
13 consideration for any debt-relief service until and unless: (1) the seller or  
14 telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of  
15 at least one debt pursuant to a settlement agreement, debt management plan, or  
16 other such valid contractual agreement executed by the customer; (2) the  
17 customer has made at least one payment pursuant to that settlement agreement,  
18 debt-management plan, or other valid contractual agreement between the  
19 customer and the creditor or debt collector; and (3) where the debts are  
20 renegotiated, settled, reduced, or otherwise altered individually, the fee or  
21 consideration must be proportional to the debts that have been so settled, or else  
22 charged at a flat percentage of the amount saved as a result of such settlements.  
23 16 C.F.R. § 310.4(a)(5)(i).

24 90. Freedom has requested and received fees from consumers in  
25 connection with enrolled debts even though Freedom had not renegotiated,  
26 settled, reduced, or otherwise altered the terms of these debts pursuant to a  
27 settlement agreement, debt-management plan, or other such valid contractual

1 agreement executed by the consumers and even though the consumers had not  
2 made any payments pursuant to a settlement agreement, debt-management plan,  
3 or other valid contractual agreement between the consumers and the creditor or  
4 debt collector.

5 91. Where consumers' debts were purportedly renegotiated, settled,  
6 reduced, or otherwise altered individually, Freedom has also requested and  
7 received fees from consumers in connection with enrolled debts that were not  
8 proportional due to the absence of a binding settlement and that were also not  
9 charged at a flat percentage of the amount saved as a result of such settlements.

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

13 93. Freedom's requesting or receiving payment of fees from consumers  
14 under the circumstances described in paragraph 90 was an abusive act or  
15 practice in telemarketing, in violation of the TSR. 16 C.F.R. § 310.4(a)(5)(i).

16 94. In addition, Freedom's violation of the TSR is treated as a violation of  
17 a rule under § 1031 of the CFPA. 15 U.S.C. § 6102(c). Freedom therefore has also  
18 violated the CFPA. 12 U.S.C. § 5536(a)(1)(A).

19 95. Houser has had significant responsibility for establishing Freedom's  
20 policies and practices, and he has had substantial control over Freedom's  
21 operations, including its fee-charging practices.

22 96. Houser knew or consciously avoided knowing that Freedom  
23 requested or received payment of fees from consumers under the circumstances  
24 described in paragraph 90.

25 97. Houser has violated the TSR's ban on assisting and facilitating  
26 others' violations of that rule. 16 C.F.R. § 310.3(b).

1 98. Housser’s violation of the TSR is treated as a violation of a rule under  
2 § 1031 of the CFPA. 15 U.S.C. § 6102(c). Housser has therefore violated  
3 § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

4 99. Housser has knowingly or recklessly provided substantial assistance  
5 to Freedom’s violation of the TSR. Housser has therefore violated § 1036(a)(3) of  
6 the CFPA. 12 U.S.C. § 5536(a)(3).

7 **Demand for Relief**

8 The Bureau requests that the Court:

- 9 a. permanently enjoin Defendants from committing future violations of  
10 the Telemarketing Act, 15 U.S.C. §§ 6102(c), 6105(d); the TSR, 16  
11 C.F.R. pt. 310; and §§ 1031, 1036(a) of the CFPA, 12 U.S.C. §§ 5531,  
12 5536(a), and any other provision of “Federal consumer financial law,”  
13 as defined by 12 U.S.C. § 5481(14);  
14 b. grant additional injunctive relief as the Court may deem just and  
15 proper;  
16 c. order Defendants to pay redress to consumers harmed by its  
17 unlawful conduct;  
18 d. order Defendants to disgorge all ill-gotten gains;  
19 e. impose on Defendants civil money penalties;  
20 f. award costs against Defendants; and  
21 g. award additional relief as the Court may determine to be just and  
22 proper.

23  
24 Dated: June 1, 2018

Respectfully Submitted,

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26 *Enforcement Director*

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28 First Amended Complaint  
Case No. 17-cv-6484-EDL

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