

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF CALIFORNIA

3
4 Consumer Financial Protection Bureau,
5 Plaintiff,

6 v.

7
8 Frank Ronald Gebase, Jr.,
9 Defendant.

Case No. 3:22-cv-00844-W-JLB

7 **STIPULATED FINAL JUDGMENT**
8 **AND ORDER**

10
11 The Consumer Financial Protection Bureau (“Bureau”) commenced this civil
12 action on June 9, 2022, to obtain injunctive relief and civil penalties, from Frank Ronald
13 Gebase, Jr. (“Defendant”). The Complaint alleges that, in connection with providing Debt
14 Relief Products or Services to consumers with student loans, certain entities and
15 individuals, including but not limited to Defendant, engaged in unfair debiting of
16 consumer accounts in violation of sections 1031 and 1036(a)(1)(B) of the Consumer
17 Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531 and 5536(a)(1)(B), and
18 provided substantial assistance in the unfair debiting of consumer accounts in violation of
19 § 1036(a)(3) of the CFPA, 12 U.S.C. §§ 5531 and 5536(a)(3).

20 The Bureau and Defendant agree to entry of this Stipulated Final Judgment and
21 Order (“Order”), without adjudication of any issue of fact or law, to settle and resolve all
22 matters in dispute arising from the conduct alleged in the Complaint.

23 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** as follows:

24 **FINDINGS**

25 1. This Court has jurisdiction over the parties and the subject matter of this
26 action.

1 2. The acts and practices set forth in the Complaint have resulted in \$240,995
2 in harm to Affected Consumers.

3 3. Defendant neither admits nor denies the allegations in the Complaint, except
4 as specified in this Order. For purposes of this Order, Defendant admits the facts
5 necessary to establish the Court’s jurisdiction over him and the subject matter of this
6 action.

7 4. Defendant waives all rights to seek judicial review or otherwise challenge or
8 contest the validity of this Order and any claim he may have under the Equal Access to
9 Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action to the date of this
10 Order. Each Party agrees to bear its own costs and expenses, including, without
11 limitation, attorneys’ fees.

12 5. Entry of this Order is in the public interest.

13 **DEFINITIONS**

14 6. The following definitions apply to this Order:

15 a. “**Affected Consumers**” includes all consumers whose bank accounts
16 were debited, directly or indirectly, by Processingstudentloans.

17 b. “**Assist[ing] Others**” includes, but is not limited to:

18 i. formulating or providing, or arranging for the formulation or
19 provision of, any advertising or marketing material, including but
20 not limited to any telephone-sales script, direct-mail solicitation, or
21 the text of any Internet website, email, or other electronic
22 communication;

23 ii. providing names of, or contributing to the generation of, potential
24 customers;

- 1 iii. participating in or providing services related to the offering, sale,
2 or servicing of a product, or the collection of payments for a
3 product;
- 4 iv. acting or serving as an owner, officer, director, manager, principal,
5 partner, limited partner, member, or employee of any entity;
- 6 v. investing or loaning money;
- 7 vi. providing paralegal or administrative support services; and
- 8 vii. performing customer service functions, including but not limited
9 to, receiving or responding to consumer complaints.

10 c. **“Consumer Financial Product or Service”** is synonymous in meaning
11 and equal in scope to the definition of the term in the CFPA, 12 U.S.C. §
12 5481(5), and, subject to applicable restrictions contained in the CFPA,
13 includes but is not limited to:

- 14 i. providing financial advisory services to consumers on individual
15 consumer financial matters or relating to proprietary financial
16 products or services, including providing credit counseling to any
17 consumer or providing services to assist a consumer with debt
18 management or debt settlement, modifying the terms of any
19 extension of credit, or avoiding foreclosure; and
- 20 ii. engaging in deposit-taking activities, transmitting or exchanging
21 funds, or otherwise acting as a custodian of funds or any financial
22 instrument for use by or on behalf of a consumer.

23 d. **“Debt Relief Product or Service”** means any product, service, plan, or
24 program represented, directly or by implication, to renegotiate, settle, or
25 in any way alter the terms of payment or other terms of the debt,
26 including but not limited to a student loan debt, mortgage loan debt,
27 credit card debt, or tax debt or obligation, between a person and one or
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1 more creditors or debt collectors, including, but not limited to, a
2 reduction in the balance, interest rate, or fees owed by a person to a
3 creditor or debt collector.

- 4 e. “**Defendant**” means Frank Ronald Gebase, Jr., and any other name by
5 which he is known.
- 6 f. “**Effective Date**” means the date on which the Order is entered by the
7 Court.
- 8 g. “**Enforcement Director**” means the Assistant Director of the Office of
9 Enforcement for the Consumer Financial Protection Bureau, or his or her
10 delegate.
- 11 h. “**Financial Advisory Services**” is synonymous in meaning and equal in
12 scope to its usage in the CFPB, 12 U.S.C. § 5481(15)(A)(viii) and
13 includes providing services to consumers on individual financial matters
14 or relating to proprietary financial products or services, including but not
15 limited to:
- 16 i. providing credit counseling to any consumer; and
 - 17 ii. providing services to assist a consumer with debt management or
18 debt settlement, or modifying the terms of any extension of credit.
- 19 i. “**Person**” means an individual, partnership, company, corporation,
20 association (incorporated or unincorporated), trust, estate, cooperative
21 organization, or other entity.
- 22 j. “**Processing student loans**” means the nonbank California corporation
23 incorporated by the Defendant in or about February 2016.
- 24 k. “**Related Consumer Action**” means a private action by or on behalf of
25 one or more consumers or an enforcement action by another
26 governmental agency brought against Defendant based on substantially
27 the same facts as described in the Complaint.
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1 **Customer Information**

2 **IT IS FURTHER ORDERED that:**

3 8. Defendant, and his agents, servants, employees, and attorneys and all other
4 Persons in active concert or participation with any of them, who receive actual notice of
5 this Order, whether acting directly or indirectly, may not: disclose, use, or benefit from
6 customer information of the Defendant, Student Aid Institute, Inc., or
7 Processingstudentloans, including names, addresses, telephone numbers, email addresses,
8 social security numbers, other identifying information, or any data that enables access to
9 a customer’s account (including a credit card, bank account, or other financial account),
10 in connection with Financial Advisory Services or Debt Relief Products or Services.

11 *However*, this Order does not prohibit the disclosure of consumer information if
12 lawfully requested by a government agency or required by law, regulation, or court order.

13 **III**

14 **Customer Payments**

15 9. Defendant, and his agents, servants, employees, and attorneys and all other
16 Persons in active concert or participation with any of them, who receive actual notice of
17 this Order, whether acting directly or indirectly, may not: attempt to collect, sell, assign,
18 or otherwise transfer any right to collect payment from any consumer who paid for,
19 purchased, or agreed to purchase Financial Advisory Services or Debt Relief Products or
20 Services from Defendant, SAI, or Processingstudentloans.

21 **MONETARY PROVISIONS**

22 **IV**

23 **Order to Pay Civil Money Penalty**

24 **IT IS FURTHER ORDERED that:**

25 10. Under Section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the
26 violations of law alleged in the Complaint, and taking into account the factors in 12
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1 U.S.C. § 5565(c)(3), Defendant must pay a civil money penalty of \$175,000 to the
2 Bureau.

3 11. Within 90 days of the Effective Date, Defendant must pay the civil money
4 penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the
5 Bureau's wiring instructions.

6 12. Within 10 days of the Effective Date, Defendant must pay \$75,000 of the
7 civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance
8 with the Bureau's wiring instructions. Within 90 days of the Effective Date, Defendant
9 must pay the remaining \$100,000 of the civil money penalty to the Bureau or the
10 Bureau's agent in compliance with the Bureau's wiring instructions.

11 13. The civil money penalty paid under this Order will be deposited in the Civil
12 Penalty Fund of the Bureau as required by Section 1017(d) of the CFPA, 12 U.S.C. §
13 5497(d).

14 14. Defendant must treat the civil money penalty paid under this Order as a
15 penalty paid to the government for all purposes. Regardless of how the Bureau ultimately
16 uses those funds, Defendant may not:

- 17 a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax
18 benefit for any civil money penalty paid under this Order; or
19 b. Seek or accept, directly or indirectly, reimbursement or indemnification
20 from any source, including but not limited to payment made under any
21 insurance policy, with regard to any civil money penalty paid under this
22 Order.

23 15. Defendant agrees that the civil penalty imposed by the Order represents a
24 civil penalty owed to the United States Government, is not compensation for actual
25 pecuniary loss, and, thus, as to Defendant, it is not subject to discharge under the
26 Bankruptcy Code under 11 U.S.C. § 523(a)(7).

27 **V**

1 **Additional Monetary Provisions**

2 **IT IS FURTHER ORDERED** that:

3 16. In the event of any default on Defendant’s obligations to make payment
4 under this Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on
5 any outstanding amounts not paid from the date of default to the date of payment, and
6 will immediately become due and payable.

7 17. Defendant relinquishes all dominion, control, and title to the funds paid
8 under this Order to the fullest extent permitted by law and no part of the funds may be
9 returned to Defendant.

10 18. The facts alleged in the Complaint will be taken as true and be given
11 collateral estoppel effect, without further proof, in any proceeding based on the entry of
12 the Order, or in any subsequent civil litigation by or on behalf of the Bureau, including in
13 a proceeding to enforce its rights to any payment or monetary judgment under this Order,
14 such as a nondischargeability complaint in any bankruptcy case.

15 19. The facts alleged in the Complaint establish all elements necessary to sustain
16 an action by the Bureau under to Section 523(a)(2)(A) of the Bankruptcy Code, 11
17 U.S.C. § 523(a)(2)(A). For such purposes, this Order will have collateral estoppel effect
18 against the Defendant, even in such Defendant’s capacity as debtor-in-possession.

19 20. Under 31 U.S.C. § 7701, Defendant, unless he already has done so, must
20 furnish to the Bureau his taxpayer-identification numbers, which may be used for
21 purposes of collecting and reporting on any delinquent amount arising out of this Order.

22 21. Within 30 days of the entry of a final judgment, order, or settlement in a
23 Related Consumer Action, Defendant must notify the Enforcement Director of the final
24 judgment, order, or settlement in writing. That notification must indicate the amount of
25 redress, if any, that Defendant paid or is required to pay to consumers and describe the
26 consumers or classes of consumers to whom that redress has been or will be paid. To
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1 preserve the deterrent effect of the civil money penalty in any Related Consumer Action,
2 Defendant may not argue that Defendant is entitled to, nor may Defendant benefit by, any
3 offset or reduction of any monetary remedies imposed in the Related Consumer Action
4 because of the civil money penalty paid in this action or because of any payment that the
5 Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action
6 offsets or otherwise reduces the amount of compensatory monetary remedies imposed
7 against Defendant based on the civil money penalty paid in this action or based on any
8 payment that the Bureau makes from the Civil Penalty Fund, Defendant must, within 30
9 days after entry of a final order granting such offset or reduction, notify the Bureau and
10 pay the amount of the offset or reduction to the U.S. Treasury. Such a payment will not
11 be considered an additional civil money penalty and will not change the amount of the
12 civil money penalty imposed in this action.

13 22. Upon written request of a representative of the Bureau, any consumer
14 reporting agency must furnish consumer reports to the Bureau concerning Defendant
15 under Section 604(a)(1) of the Fair Credit Reporting Act, 15 U.S.C. § 1681 b(a)(1), which
16 may be used for purposes of collecting and reporting on any delinquent amount arising
17 out of this Order.

18 COMPLIANCE PROVISIONS

19 VI

20 Reporting Requirements

21 **IT IS FURTHER ORDERED** that:

22 23. Defendant must notify the Bureau of any development that may affect
23 compliance obligations arising under this Order, including but not limited to the filing of
24 any bankruptcy or insolvency proceeding by or against Defendant, or a change in
25 Defendant's name or address. Defendant must provide this notice, if practicable, at least
26 30 days before the development, but in any case no later than 14 days after the
27 development.
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1 24. Within 7 days of the Effective Date, Defendant must:

- 2 a. Designate at least one telephone number and email, physical, and postal
3 addresses as points of contact that the Bureau may use to communicate
4 with Defendant;
- 5 b. Identify Defendant's telephone numbers and all email, Internet, physical,
6 and postal addresses, including all residences;
- 7 c. Identify all businesses for which Defendant is the majority owner, or that
8 Defendant directly or indirectly controls, by all of their names, telephone
9 numbers, and physical, postal, email, and Internet addresses;
- 10 d. Describe the activities of each such business, including the products and
11 services offered, and the means of advertising, marketing, and sales; and
- 12 e. Describe in detail the Defendant's involvement in any business for which
13 he performs services in any capacity or which he wholly or partially
14 owns, including Defendant's title, role, responsibilities, participation,
15 authority, control, and ownership.

16 25. Defendant must report any change in the information required to be
17 submitted under Paragraph 24 at least 30 days before the change or as soon as practicable
18 after learning about the change, whichever is sooner.

19 26. Ninety (90) days after the Effective Date, and again one year after the
20 Effective Date, Defendant must submit to the Enforcement Director an accurate written
21 compliance progress report sworn to under penalty of perjury (Compliance Report),
22 which, at a minimum:

- 23 a. Lists each applicable paragraph and subparagraph of the Order and
24 describes in detail the manner and form in which Defendant has complied
25 with each such paragraph and subparagraph of this Order;
- 26 b. Attaches a copy of each Order Acknowledgment obtained under Section
27 VII, unless previously submitted to the Bureau.
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VII

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

27. Within 7 days of the Effective Date, Defendant must submit to the Enforcement Director an acknowledgment of receipt of this Order, sworn under penalty of perjury.

28. Within 30 days of the Effective Date, Defendant, for any Consumer Financial Product or Service business, any Debt Relief Product or Service business, or any Financial Advisory Service business, for which he is the majority owner or which he directly or indirectly controls, must deliver a copy of this Order to each of its board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of the Order.

29. For 5 years from the Effective Date, Defendant, for any Consumer Financial Product or Service business, any Debt Relief Product or Service business, or any Financial Advisory Service business, for which he is the majority owner or which he directly or indirectly controls, must deliver a copy of this Order to any business entity resulting from any change in structure referred to in Section VI, any future board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of the Order before they assume their responsibilities.

30. Defendant must secure a signed and dated statement acknowledging receipt of a copy of this Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. §§ 7001-7006, within 30 days of delivery, from all Persons receiving a copy of this Order under this Section.

31. Within 90 days of the Effective Date, Defendant must provide the Bureau with a list of all Persons and their titles to whom this Order was delivered through that

1 date under Paragraphs 28 and 29 and a copy of all signed and dated statements
2 acknowledging of receipt of this Order under Paragraph 30.

3 **VIII**

4 **Recordkeeping**

5 **IT IS FURTHER ORDERED** that

6 32. Defendant must create and retain the following business records: All
7 documents and records necessary to demonstrate full compliance with each provision of
8 this Order, including all submissions to the Bureau. Defendant must make these
9 documents available to the Bureau upon the Bureau’s request.

10 **IX**

11 **Notices**

12 **IT IS FURTHER ORDERED** that:

13 33. Unless otherwise directed in writing by the Bureau, Defendant must provide
14 all submissions, requests, communications, or other documents relating to this Order in
15 writing, with the subject line, “*CFPB v. Frank R. Gebase, Jr.*, Case No. 3:22-cv-00844-
16 W-JLB,” by email to Enforcement_Compliance@cfpb.gov:

17 Assistant Director for Enforcement
18 Consumer Financial Protection Bureau
19 ATTENTION: Office of Enforcement
20 1700 G Street, N.W.
21 Washington D.C. 20552

22 **X**

23 **Cooperation with the Bureau**

24 **IT IS FURTHER ORDERED** that:

25 34. Defendant must cooperate fully to help the Bureau determine the identity
26 and location of, and the amount of injury sustained by, each Affected Consumer.
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1 Defendant must provide such information in his or his agents' possession or control
2 within 14 days of receiving a written request from the Bureau.

3 35. Defendant must cooperate fully with the Bureau in this matter and in any
4 investigation or litigation related to or associated with the conduct described in the
5 Complaint. Defendant must provide truthful and complete information, evidence, and
6 testimony. Defendant must appear for interviews, discovery, hearings, trials, and any
7 other proceedings that the Bureau may reasonably request upon 15 days written notice, or
8 other reasonable notice, at such places and times as the Bureau may designate, without
9 the service of compulsory process.

10 **XI**

11 **Compliance Monitoring**

12 **IT IS FURTHER ORDERED** that, to monitor Defendant's compliance with this Order:

13 36. Within 14 days of receipt of a written request from the Bureau, Defendant
14 must submit additional compliance reports or other requested information, which must be
15 sworn under penalty of perjury; provide sworn testimony; or produce documents.

16 37. For purposes of this Section, the Bureau may communicate directly with
17 Defendant, unless Defendant retains counsel related to these communications.

18 38. Defendant must permit Bureau representatives to interview any employee or
19 other Person affiliated with Defendant who has agreed to such an interview regarding: (a)
20 this matter; (b) anything related to or associated with the conduct described the
21 Complaint; or (c) compliance with this Order. The Person interviewed may have counsel
22 present.

23 39. Nothing in this Order will limit the Bureau's lawful use of compulsory
24 process, under 12 C.F.R. § 1080.6.

25 **XII**

26 **Retention of Jurisdiction**

27 **IT IS FURTHER ORDERED** that:
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1 40. The Court will retain jurisdiction of this matter for the purpose of enforcing
2 this Order.

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4 **IT IS SO ORDERED.**

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6 DATED this ___ day of _____, 20__.

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11 United States District Judge
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