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Attorneys for Plaintiff Bureau of Consumer Financial Protection

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

13 Bureau of Consumer Financial Protection,)
14 Plaintiff,)

15 vs.)

16 Chou Team Realty, LLC f/k/a Chou Team)
17 Realty, Inc., d/b/a Monster Loans, d/b/a)
18 MonsterLoans; Lend Tech Loans, Inc.;)
Docu Prep Center, Inc., d/b/a DocuPrep)
19 Center, d/b/a Certified Document Center;)
Document Preparation Services, LP, d/b/a)
20 DocuPrep Center, d/b/a Certified)
Document Center; Certified Doc Prep, Inc.;)
21 Certified Doc Prep Services, LP; Assure)
Direct Services, Inc.; Assure Direct)
22 Services, LP; Direct Document Solutions,)
Inc.; Direct Document Solutions, LP;)
23 Secure Preparation Services, Inc.; Secure)
Preparation Services, LP; Docs Done)
24 Right, Inc.; Docs Done Right, LP; Bilal)
Abdelfattah, a/k/a Belal Abdelfattah, a/k/a)
25 Bill Abdel; Robert Hoose; Eduardo “Ed”)
Martinez; Jawad Nesheiwat; Frank)
Anthony Sebreros; and David Sklar,)

26 Defendants,)

27 Thomas “Tom” Chou; and Sean Cowell,)
28

Case No.: 8:20-cv-00043-JVS-ADS
SECOND AMENDED COMPLAINT

1	Defendants and)
	Relief Defendants,	}
2	Kenneth Lawson; Cre8labs, Inc.; XO	}
3	Media, LLC; and TDK Enterprises,	}
	LLC,	}
4	Relief Defendants.	}

JURISDICTION AND VENUE

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

2. Venue is proper in this district because Defendants and Relief Defendants are located, reside, or do business in this district. 12 U.S.C. § 5564(f).

INTRODUCTION

3. The Bureau of Consumer Financial Protection (Bureau) brings this action to address unlawful conduct by several companies and individuals in connection with providing debt-relief services to consumers with student loans.¹

4. Between 2015 and 2017, a mortgage company known as Monster Loans unlawfully obtained consumer reports from the consumer-reporting agency Experian. Monster Loans provided the reports to other companies that used the reports to market debt-relief services to consumers with student loans.

¹ On May 14, 2020, the Court entered a stipulated final judgment and order against Defendant Chou Team Realty, LLC, Defendants and Relief Defendants Thomas Chou and Sean Cowell, and Relief Defendants TDK Enterprises, LLC and Cre8labs, Inc., which resolved the Bureau’s claims against them. ECF No. 90. On July 7, 2020, the Court entered a stipulated final judgment and order against Defendant Robert Hoose, which resolved the Bureau’s claims against him. ECF No. 115.

1 From August 2017 through at least January 2019, a sham entity known as Lend
2 Tech also unlawfully obtained consumer reports from Experian and provided
3 them to other companies, including companies that used the lists to market
4 student-loan debt-relief services.

5 5. In direct-mailings and in telemarketing-sales calls, certain of these
6 debt-relief companies represented to consumers that: (1) the consumers would
7 obtain lower interest rates by consolidating their federal student loans, (2) the
8 consumers would improve their credit scores by consolidating their loans, and
9 (3) the United States Department of Education (ED) would become the “new
10 servicer” on their loans. All of this was false.

11 6. Additionally, several of these companies unlawfully charged and
12 collected their fees before consumers’ applications for loan consolidations, loan
13 repayment plans, and loan forgiveness plans were approved and before
14 consumers made payments under the altered terms of their student loans.

15 7. The Bureau brings this action to secure injunctive relief to stop
16 Defendants’ unlawful conduct, to obtain redress for harmed consumers, to
17 obtain penalties against Defendants for their violations of Federal consumer
18 financial law, and to require Relief Defendants to disgorge profits they received
19 due to those violations.

20 **PLAINTIFF**

21 8. The Bureau is an independent agency charged with enforcing
22 Federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau has
23 independent litigating authority, 12 U.S.C. § 5564(a)-(b), including the
24 authority to enforce prohibitions on unfair, deceptive, and abusive acts or
25 practices in the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C.
26 §§ 5531, 5536; the Fair Credit Reporting Act, 15 U.S.C. § 1681s; and the
27
28

1 Telemarketing Sales Rule (TSR), 16 C.F.R. Part 310, as it applies to persons
2 subject to the CFPB, 15 U.S.C. §§ 6102(c), 6105(d).

3 9. The Bureau has authority to bring civil actions against persons
4 violating Federal consumer financial laws and to seek all appropriate legal and
5 equitable relief, including injunctive relief, refund of monies paid, damages,
6 restitution, disgorgement, and civil money penalties. 12 U.S.C. §§ 5564(a),
7 5565(a)(2).

8 **DEFENDANTS AND RELIEF DEFENDANTS**

9 10. Chou Team Realty, Inc. was a California corporation registered on
10 July 18, 2003. Chou Team Realty, Inc. was registered and located at 3
11 Whatney, Irvine, CA 92618, and later moved to 25391 Commercentre Drive,
12 Suite 200, Lake Forest, CA 92630. In March 2018, Chou Team Realty, Inc. was
13 converted into Defendant Chou Team Realty, LLC. Chou Team Realty, LLC is
14 a California limited-liability company registered and located at 25391
15 Commercentre Drive, Suite 200, Lake Forest, CA 92630.

16 11. Chou Team Realty, LLC is a successor to Chou Team Realty, Inc.

17 12. Chou Team Realty, Inc. and Chou Team Realty, LLC (collectively,
18 Monster Loans) have held themselves out as doing business as Monster Loans
19 and MonsterLoans.

20 13. Since 2014, Monster Loans has operated as a mortgage lender. It is
21 licensed in at least 30 states, including California.

22 14. Defendant Lend Tech Loans, Inc. (Lend Tech) is a California
23 corporation registered on June 15, 2017. Lend Tech has held itself out as doing
24 business at 25391 Commercentre Drive, Suite 100, Lake Forest, CA 92630 and
25 1851 E. First St. #810, Santa Ana, CA 92705.

26 15. Lend Tech is licensed by the California Department of Real Estate
27 and has held itself out as doing business as a mortgage-brokerage company.
28

1 16. Defendant Docu Prep Center, Inc. registered as a California
2 corporation on February 3, 2015, and it has held itself out as doing business at 3
3 Whatney, Suite 100, Irvine, CA 92618.

4 17. Defendant Document Preparation Services, LP registered as a
5 California limited partnership on October 19, 2015, and it has held itself out as
6 doing business at 3 Whatney, Suite 100, Irvine, CA 92618. Docu Prep Center,
7 Inc. was the general partner of Document Preparation Services, LP
8 (collectively, Docu Prep Center).

9 18. Docu Prep Center has held itself out as doing business as
10 DocuPrep Center and Certified Document Center.

11 19. Defendant Certified Doc Prep, Inc. registered as a California
12 corporation on October 14, 2015, and it has held itself out as doing business at
13 1015 E. Imperial Highway, Unit C8, Brea, CA 92821.

14 20. Defendant Certified Doc Prep Services, LP registered as a
15 California limited partnership on October 21, 2015, and it has held itself out as
16 doing business at 1015 E. Imperial Highway, Unit C8, Brea, CA 92821.
17 Certified Doc Prep, Inc. was the general partner of Certified Doc Prep Services,
18 LP (collectively, Certified Doc Prep Services).

19 21. Defendant Assure Direct Services, Inc. registered as a California
20 corporation on August 22, 2016, and it has held itself out as doing business at
21 23785 El Toro Road, Suite 467, Lake Forest CA 92630.

22 22. Defendant Assure Direct Services, LP registered as a California
23 corporation on August 17, 2016, and it has held itself out as doing business at 5
24 Oldfield, 2nd Floor, Irvine, CA 92618. Assure Direct Services, Inc. was the
25 general partner of Assure Direct Services, LP (collectively, Assure Direct
26 Services).

1 23. Defendant Direct Document Solutions, Inc. registered as a
2 California corporation on January 3, 2017, and it has held itself out as doing
3 business at 23785 El Toro Road, Suite 493, Lake Forest, CA 92630.

4 24. Defendant Direct Document Solutions, LP registered as a
5 California limited partnership on January 3, 2017, and it has held itself out as
6 doing business at 23785 El Road, Suite 493, Lake Forest, CA 92630 and 5
7 Oldfield, 2nd Floor, Irvine, CA 92618. From January 2017 to March 2018,
8 Direct Document Solutions, Inc. was the general partner of Direct Document
9 Solutions, LP (collectively, Direct Document Solutions).

10 25. Defendant Secure Preparation Services, Inc. registered as a
11 California corporation on January 12, 2017, and it has held itself out as doing
12 business at 2500 E. Imperial Highway, Suite 201-396, Brea, CA 92821.

13 26. Defendant Secure Preparation Services LP registered as a
14 California limited partnership on January 12, 2017, and it has held itself out as
15 doing business at 2500 E. Imperial Highway, Suite 201-396, Brea, CA 92821
16 and 5 Oldfield, 2nd Floor, Irvine, CA 92618. From January 2017 to March 2018,
17 Secure Preparation Services, Inc., was the general partner of Secure Preparation
18 Services, LP (collectively, Secure Preparation Services).

19 27. Defendants Docu Prep Center, Certified Doc Prep Services, Assure
20 Direct Services, Direct Document Services, and Secure Preparation Services
21 (collectively, the Student Loan Debt Relief Companies) marketed and sold
22 debt-relief services to consumers with federal student loans.

23 28. Defendant Docs Done Right, Inc. registered as a California
24 corporation on October 22, 2015, and it has held itself out as doing business at
25 895 Dove Street, 3rd Floor, Newport Beach, CA 92660.

26 29. Defendant Docs Done Right, LP registered as a California limited
27 partnership on March 8, 2016, and it has held itself out as doing business at 3
28

1 Whatney, Suite 100, Irvine, CA 92618. Docs Done Right, Inc. was the general
2 partner of Docs Done Right, LP (collectively, Docs Done Right).

3 30. Relief Defendant TDK Enterprises, LLC registered as a California
4 limited-liability company on March 18, 2016, and it has held itself out as doing
5 business at 3 Whatney, Suite 200, Irvine, CA 92618.

6 31. Relief Defendant Cre8labs, Inc. registered as a California
7 corporation on April 1, 2016, and it has held itself out as doing business at
8 24632 La Plata Drive, Laguna Niguel, CA 92677.

9 32. Relief Defendant XO Media, LLC registered as a California
10 limited liability company on March 2, 2010, and it has held itself out as doing
11 business at 26500 W. Agoura Road Suite 102-595, Calabasas, CA 91302.

12 33. Defendant and Relief Defendant Thomas “Tom” Chou was
13 Monster Loans’ president and owner between January 2015 and December
14 2017. Chou exercised substantial managerial responsibility for and control over
15 Monster Loans’ business practices.

16 34. Chou owned limited partnership interests in each of the Student
17 Loan Debt Relief Companies. At times, Chou has held those limited partnership
18 interests through Relief Defendant TDK Enterprises, LLC. Chou is the
19 president and sole member of TDK Enterprises, LLC.

20 35. Defendant Jawad Nesheiwat was the chief operating officer of
21 Monster Loans between January 2015 and April 2017. Nesheiwat exercised
22 substantial managerial responsibility for and control over Monster Loans’
23 business practices.

24 36. Nesheiwat owned limited partnership interests in each of the
25 Student Loan Debt Relief Companies.

1 37. Nesheiwat exercised substantial managerial responsibility for and
2 control over Docu Prep Center’s business practices, including its sales
3 practices, marketing practices, and fees.

4 38. Nesheiwat participated in the conduct of the affairs of Certified
5 Doc Prep Services, Assure Direct Services, Direct Document Solutions, and
6 Secure Preparation Services, including their marketing practices.

7 39. Defendant and Relief Defendant Sean Cowell co-founded Monster
8 Loans and was its chief visionary officer between at least January 2015 and
9 February 2017. Cowell exercised managerial responsibility for Monster Loans
10 and participated in the conduct of its affairs.

11 40. Cowell registered Lend Tech in June 2017, and he was its sole
12 owner until November 2017.

13 41. Cowell owned limited-partnership interests in each of the Student
14 Loan Debt Relief Companies. At times, Cowell has held those limited-
15 partnership interests through Relief Defendant Cre8labs, Inc. Cowell is
16 Cre8labs, Inc.’s president and owner.

17 42. Defendant David Sklar was Docu Prep Center’s chief executive
18 officer. Sklar was the part-owner of Docu Prep Center, Inc. and owned a
19 limited-partnership interest in Document Preparation Services LP. Sklar
20 exercised substantial managerial responsibility for and control over Docu Prep
21 Center’s business practices, including its sales practices, marketing practices,
22 and fees.

23 43. Defendant Robert Hoose was Docu Prep Center’s chief operating
24 officer. Hoose was the part-owner of Docu Prep Center, Inc. and owned a
25 limited-partnership interest in Document Preparation Services, LP. Hoose
26 exercised substantial managerial responsibility for and control over Docu Prep
27
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1 Center’s business practices, including its sales practices, marketing practices,
2 and fees.

3 44. Defendant Frank Anthony Sebreros was the president of Assure
4 Direct Services. Sebreros owned Assure Direct Services, Inc. and he owned a
5 limited-partnership interest in Assure Direct Services, LP. Sebreros exercised
6 substantial managerial responsibility for and control over Assure Direct
7 Services’ business practices, including its sales practices, marketing practices,
8 and fees.

9 45. Sebreros was identified as a manager of Lend Tech in the
10 company’s application to Experian in June 2017.

11 46. Defendant Bilal Abdelfattah a/k/a Belal Abdelfattah a/k/a Bill
12 Abdel (Abdel) was a marketing manager at Monster Loans in 2015 and 2016.

13 47. Abdel was a marketing manager at Docu Prep Center and was an
14 employee of Assure Direct Services.

15 48. Abdel was identified as a manager of Lend Tech in the company’s
16 application to Experian in June 2017.

17 49. Defendant Eduardo “Ed” Martinez is the president of Docs Done
18 Right. Martinez exercised substantial managerial responsibility for and control
19 over Docs Done Right’s business practices, including its assistance in the
20 charging of fees to consumers.

21 50. Martinez represented that he was a manager or employee of Lend
22 Tech in communications with Experian in 2017 and 2018.

23 51. Relief Defendant Kenneth Lawson owned limited-partnership
24 interests in each of the Student Loan Debt Relief Companies. At times, Lawson
25 has held those interests through XO Media, LLC. Lawson is the manager and
26 owner of 90 percent of XO Media, LLC.

FACTS

Monster Loans' Purchases of Prescreened Lists

52. Monster Loans and Lend Tech have purchased from Experian prescreened consumer reports (also known as “prescreened lists”) that contained information regarding consumers with student loans, including consumers’ names, addresses, number of student loans, and aggregate student loan balances.

53. In 2015, Monster Loans applied for and received an account with Experian, which enabled it to purchase prescreened lists.

54. In its application, Monster Loans certified to Experian that it would use prescreened lists to make firm offers of credit for mortgage loans.

55. During and after the enrollment process, Monster Loans also represented to Experian that it would use prescreened lists to market its mortgage products.

56. Monster Loans did not disclose to Experian that prescreened lists would be provided to other companies and used to market debt-relief services.

57. Between at least December 2015 and May 2017, Monster Loans primarily used its account with Experian to obtain prescreened lists for use by other companies that marketed student-loan debt-relief services, including the Student Loan Debt Relief Companies.

58. In total, Monster Loans purchased prescreened lists containing information about more than 7 million consumers with student loans.

59. The prescreened lists that Monster Loans purchased were used to market debt-relief services, and not to make firm offers of credit or insurance.

60. Nesheiwat oversaw Monster Loans’ purchases of prescreened lists from Experian for use by the Student Loan Debt Relief Companies in their direct mailings.

1 61. Several other officers and employees of Monster Loans, including
2 Chou, Cowell, and Abdel, were aware of and participated in the company's
3 efforts to purchase prescreened lists for the Student Loan Debt Relief
4 Companies through the company's account with Experian.

5 62. Sklar and Hoose obtained prescreened lists through Monster
6 Loans' account with Experian and used the lists to market Docu Prep Center's
7 student-loan debt-relief services.

8 63. In or around May 2017, Monster Loans stopped purchasing
9 prescreened lists for the Student Loan Debt Relief Companies through its
10 account with Experian.

11 **Lend Tech's Purchases of Prescreened Lists**

12 64. In June 2017, Cowell registered Lend Tech as a purported
13 mortgage-brokerage company.

14 65. In fact, Lend Tech is a sham entity that has only ever been used to
15 obtain prescreened lists from Experian.

16 66. Lend Tech's application to Experian certified that it would use
17 prescreened lists to make firm offers of credit for mortgage loans.

18 67. Lend Tech did not disclose to Experian that the prescreened lists
19 would be provided to other companies and used for the purpose of marketing
20 debt-relief services.

21 68. Monster Loans helped Lend Tech satisfy Experian's due-diligence
22 review for new applicants so that Lend Tech could obtain an Experian account.
23 For example, Monster Loans purported to provide Lend Tech office space
24 under a sublease agreement, and also provided an approval letter agreeing to
25 fund the loans that Lend Tech was purportedly going to broker.

26 69. During August and September 2017, Lend Tech used its account
27 with Experian to order prescreened lists containing information regarding more
28

1 than 1.5 million consumers with student loans for the Student Loan Debt Relief
2 Companies.

3 70. Cowell, Abdel, Sebreros, and Chou were aware of and participated
4 in Lend Tech's efforts to purchase prescreened lists for the Student Loan Debt
5 Relief Companies during August and September 2017.

6 71. In November 2017, Cowell transferred ownership of Lend Tech to
7 a friend of Martinez named Sergio Loza.

8 72. At the time of the transfer, Lend Tech had no meaningful assets
9 other than the account with Experian.

10 73. Between November 2017 and at least January 2019, Abdel,
11 Sebreros, and Martinez controlled Lend Tech's Experian account.

12 74. During that period, Lend Tech obtained prescreened lists
13 containing information regarding more than 11 million consumers.

14 75. Lend Tech continued representing to Experian that it would use the
15 prescreened lists for its own marketing of mortgage loans.

16 76. In fact, Lend Tech has never used the prescreened lists to market
17 mortgage loans.

18 77. Martinez, Sebreros, and Abdel resold the prescreened lists to
19 numerous other companies, including companies offering student-loan debt-
20 relief services.

21 78. Martinez, Sebreros, and Abdel also used the prescreened lists to
22 market student-loan debt-relief services through new companies created during
23 or after September 2017.

24 79. The student-loan debt-relief companies that received prescreened
25 lists purchased by Lend Tech between November 2017 and January 2019 did
26 not use the lists to make firm offers of credit or insurance.

1 **Student Loan Consolidations, Repayment Programs,**
2 **and Forgiveness Programs**

3 80. ED offers several federal student-loan repayment and forgiveness
4 programs. Some programs potentially offer lower monthly loan payments.
5 Some allow consumers to obtain loan forgiveness.

6 81. These programs are administered through third-party student-loan
7 servicers that handle the billing and other services on federal student loans.

8 82. To access certain repayment and forgiveness programs, consumers
9 must first consolidate (*i.e.*, combine) multiple federal student loans into one
10 loan. Consolidating results in, among other things, a single monthly payment
11 instead of multiple monthly payments.

12 83. Following consolidation or enrollment in a new repayment or
13 forgiveness program, the consumer's loan continues to be serviced by a third-
14 party student-loan servicer.

15 **The Student Loan Debt Relief Companies and Docs Done Right**

16 84. The Student Loan Debt Relief Companies each offered, in
17 exchange for a fee, to assist consumers with consolidating their federal student
18 loans and with choosing between and enrolling in repayment and forgiveness
19 programs offered by ED. The Student Loan Debt Relief Companies did not
20 themselves offer or extend credit.

21 85. The Student Loan Debt Relief Companies primarily marketed their
22 debt-relief services through direct mail.

23 86. When consumers called in response to the direct-mail solicitations,
24 sales representatives purported to advise consumers about their eligibility for
25 and the potential benefits of consolidating their federal student loans and
26 enrolling in ED's repayment and forgiveness programs.

1 87. After Docs Done Right was created in late 2015, Martinez
2 arranged for Docs Done Right to assist the Student Loan Debt Relief
3 Companies. Docs Done Right played a “back-end” role for the Student Loan
4 Debt Relief Companies. In that role, Docs Done Right provided the actual
5 services that the Student Loan Debt Relief Companies marketed and sold, and
6 helped ensure that the Student Loan Debt Relief Companies received the fees
7 they charged. Under this arrangement, Docs Done Right received a portion of
8 each consumer’s fee.

9 88. As part of its responsibilities, Docs Done Right’s employees
10 participated in a portion of each telemarketing sales call regarding consumers’
11 understanding of the services.

12 89. Following enrollment, Docs Done Right handled all
13 communications with consumers concerning the debt-relief services and the
14 payment of fees. Docs Done Right posed as the relevant Student Loan Debt
15 Relief Company in those communications. Docs Done Right also handled the
16 preparation and submission of consumers’ applications to consolidate their
17 federal student loans and enroll in ED’s repayment and forgiveness programs.

18 90. Docs Done Right also participated in responding to consumer
19 complaints about the Student Loan Debt Relief Companies’ services, including
20 consumer complaints regarding deceptive or misleading statements made by the
21 Student Loan Debt Relief Companies during sales calls.

22 91. Docs Done Right also handled refund requests by consumers who
23 complained about the Student Loan Debt Relief Companies’ conduct, including
24 complaints about deceptive or misleading statements made by the Student Loan
25 Debt Relief Companies during sales calls.

1 **Misrepresentations about Lower Interest Rates**

2 92. In direct-mail solicitations and in sales calls, the Student Loan
3 Debt Relief Companies represented that consumers could obtain a lower
4 interest rate by consolidating their loans.

5 93. When a federal student loan is consolidated, the consolidated loan
6 has a fixed interest rate for the life of the loan. The fixed rate is the weighted
7 average of the interest rates on the consolidated loans, rounded up to the nearest
8 one-eighth of one percent.

9 94. As a result, after consolidation, the consumer’s new loan has either
10 the same effective interest rate as the prior loans or a higher rate.

11 95. The Student Loan Debt Relief Companies’ representations that
12 consolidation would lead to a lower interest rate were therefore false.

13 96. Consumers with federal student loans are generally eligible for an
14 interest rate reduction if they set up automatic monthly payments.

15 97. At times between 2015 and 2017, the Student Loan Debt Relief
16 Companies implied that consumers were required to consolidate their loans to
17 be eligible for the interest-rate reduction associated with setting up automatic
18 monthly payments.

19 98. But consumers can receive the interest-rate reduction associated
20 with setting up automatic monthly payments regardless of whether they
21 consolidate their loans.

22 **Misrepresentations about Improved Credit Scores**

23 99. Between 2015 and 2017, the Student Loan Debt Relief Companies
24 represented during sales calls that consolidating federal student loans would
25 improve consumers’ credit scores.

1 100. In many instances, consolidating is not likely to improve a
2 consumer's credit score, such as when the consumer is current on their student
3 loan payments.

4 101. By presenting themselves as experts on student loans and making
5 representations about credit score changes, the Student Loan Debt Relief
6 Companies implied that the Companies had a reasonable basis to represent that
7 consolidation would increase consumers' credit scores.

8 102. Prior to making such representations, the Student Loan Debt Relief
9 Companies had no reason to believe that consumers' credit scores would
10 improve following consolidation, and the Companies did not attempt to
11 measure thereafter whether consumers' credit scores did in fact improve
12 following consolidation.

13 **Misrepresentations that ED Would Become Consumers' "New Servicer"**

14 103. At times between 2015 and 2017, Docu Prep Center represented to
15 consumers that, after they consolidated their loans, ED would become their
16 "new servicer."

17 104. Docu Prep Center also represented that student loan servicers did
18 not act in consumers' best interests and implied that consumers would not have
19 to interact with third-party student loan servicers after consolidating their loans.

20 105. In fact, ED does not become the "new servicer" on loans that are
21 consolidated. ED contracts with third-party student-loan servicers that handle
22 federal student loans both before and after the loans are consolidated. Loan
23 consolidation does not enable consumers to avoid interacting with third-party
24 servicers.

25 **Collection of Advance Fees**

26 106. The Student Loan Debt Relief Companies charged consumers a fee
27 that ranged between \$699 and \$999.

28

1 107. The Student Loan Debt Relief Companies charged and received
2 fees before consumers' applications for loan consolidations, loan repayment
3 plans, and loan forgiveness plans were approved, and before consumers had
4 made the first payments under the altered terms of their student loans.

5 108. Docs Done Right participated in the charging of fees and received
6 its portion of the fees before consumers' applications for loan consolidations,
7 loan repayment plans, and loan forgiveness plans were approved, and before
8 consumers had made the first payments under the altered terms of their student
9 loans.

10 109. Docs Done Right arranged for the Student Loan Debt Relief
11 Companies to obtain access to payment processing services for ACH
12 transactions and coordinated the collection and disbursement of consumers'
13 ACH payments.

14 110. For consumers who paid by credit card, Docs Done Right
15 monitored whether consumers made their payments and then followed up with
16 consumers whose payments did not go through.

17 111. Collectively, the Student Loan Debt Relief Companies and Docs
18 Done Right collected more than \$15 million in illegal advance fees from
19 thousands of consumers nationwide between 2015 and at least 2017.

20 **Role of Individual Defendants in Deceptive Representations**
21 **and Charging of Advance Fees**

22 112. Nesheiwat, Sklar, and Hoose each participated directly in Docu
23 Prep Center's making of the representations described in this Complaint or had
24 the authority to control them, and each had knowledge of the representations,
25 was recklessly indifferent to the truth or falsity of the misrepresentations, or
26 was aware of a high probability of fraud along with an intentional avoidance of
27 the truth.
28

1 113. Nesheiwat, Sklar, and Hoose each participated directly in the
2 charging of fees by Docu Prep Center or had the authority to control its
3 charging of fees, and each had knowledge of Docu Prep Center's fee-charging
4 practices or was recklessly indifferent to those practices.

5 114. Sebreros participated directly in Assure Direct Services' making of
6 the representations described in this Complaint or had the authority to control
7 them, and had knowledge of the representations, was recklessly indifferent to
8 the truth or falsity of the misrepresentations, or was aware of a high probability
9 of fraud along with an intentional avoidance of the truth.

10 115. Sebreros participated directly in the charging of fees by Assure
11 Direct Services or had the authority to control its charging of fees, and had
12 knowledge of Assure Direct Services' fee-charging practices or was recklessly
13 indifferent to those practices.

14 116. Martinez participated directly in the charging of fees by the
15 Student Loan Debt Relief Companies and Docs Done Right or had the authority
16 to control the charging of fees, and had knowledge of the Student Loan Debt
17 Relief Companies' and Docs Done Right's fee-charging practices or was
18 recklessly indifferent to those practices.

19 117. As part of his involvement in the charging of fees, Martinez
20 arranged for the Student Loan Debt Relief Companies and Docs Done Right to
21 obtain access to ACH payment processing services and oversaw the collection
22 and disbursement of consumer payments made by ACH.

23 118. When Martinez arranged for Docs Done Right to assist the Student
24 Loan Debt Relief Companies in late 2015, he knew that the TSR prohibited
25 charging advance fees for debt relief services.

26 119. While overseeing Docs Done Right's assistance to the Student
27 Loan Debt Relief Companies from late 2015 to 2017, Martinez knew that the
28

1 Student Loan Debt Relief Companies were receiving their fees before
2 consumers' applications for loan consolidations, loan repayment plans, and loan
3 forgiveness plans were approved, and before consumers had made the first
4 payments under the altered terms of their student loans.

5 120. During that period, Martinez knew that the Student Loan Debt
6 Relief Companies sold their services during telemarketing sales calls and that
7 their sales representatives offered to assist consumers with consolidating their
8 federal student loans and with enrolling in loan repayment plans and loan
9 forgiveness plans.

10 121. Martinez participated in, controlled, and had knowledge of Docs
11 Done Right's handling of consumer complaints and requests for refunds arising
12 from statements made by the Student Loan Debt Relief Companies during sales
13 calls.

14 **Relief Defendants Lawson and XO Media, LLC**

15 122. In 2010, the Federal Trade Commission (FTC) amended the TSR
16 to add specific provisions to curb deceptive and abusive practices associated
17 with debt relief services. 75 Fed. Reg. 48458. Among other things, the
18 amendments prohibited debt relief providers who sold their services through
19 telemarketing from collecting advance fees. 16 C.F.R. § 310.4(a)(5).

20 123. In 2010, the FTC put out a guide for businesses offering "debt
21 relief services" regarding the TSR amendments, which highlighted that "It's
22 illegal to charge upfront fees... [and] You can't misrepresent your services."
23 *See Debt Relief Services & the Telemarketing Sales Rule: A Guide for*
24 *Businesses*, FTC, Aug. 2010, available at [https://www.ftc.gov/tips-](https://www.ftc.gov/tips-advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-guide-business)
25 [advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-](https://www.ftc.gov/tips-advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-guide-business)
26 [guide-business](https://www.ftc.gov/tips-advice/business-center/guidance/debt-relief-services-telemarketing-sales-rule-guide-business).

1 124. Lawson, through XO Media, LLC, made a capital contribution to
2 Docu Prep Center at or around the time the company was created in February
3 2015.

4 125. Prior to and around the time Lawson and XO Media, LLC initially
5 made a capital contribution Docu Prep Center in February 2015, Lawson
6 received information from Chou about the nature of Docu Prep Center’s
7 business, which involved selling student loan debt relief services through direct
8 mail and telemarketing sales calls.

9 126. Prior to Lawson and XO Media, LLC’s contribution, companies
10 offering student loan debt relief services had received extensive press coverage
11 for “scamming” consumers by engaging in deceptive marketing and charging
12 unlawful advance fees.

13 127. For example, CNBC reported in July 2014 that “[s]cammers” were
14 operating “phony student loan ‘debt relief’ companies that promise to help—for
15 a price” and that law enforcement was “cracking down” on illegal conduct by
16 such companies. *Student Debt ‘Relief’ Scams Offering Nothing but Distress*,
17 CNBC, July 29, 2014, [https://www.cnbc.com/2014/07/28/student-loan-crisis-
18 student-debt-relief-is-not-always-relieving.html](https://www.cnbc.com/2014/07/28/student-loan-crisis-student-debt-relief-is-not-always-relieving.html); *see also* Robert Farrington,
19 *Beware: Student Loan Scams Victimizing Students and Graduates*, Forbes, June
20 10, 2014, [https://www.forbes.com/sites/robertfarrington/2014/06/10/beware-
21 student-loan-scams-victimizing-students-and-graduates/#16876dec5160](https://www.forbes.com/sites/robertfarrington/2014/06/10/beware-student-loan-scams-victimizing-students-and-graduates/#16876dec5160).

22 128. News outlets also reported in December 2014 on two lawsuits the
23 Bureau filed against student loan debt relief businesses that allegedly deceived
24 consumers and charged unlawful advance fees, including one business based in
25 Orange County. *See, e.g.*, Imran Ghori and Steve Greenhut, *U.S. Agency
26 Claims OC Company Running Student Debt-Relief Scam*, Orange County
27 Register, Dec. 15, 2014, [https://www.ocregister.com/2014/12/15/us-agency-
28](https://www.ocregister.com/2014/12/15/us-agency-)

1 [claims-oc-company-running-student-debt-relief-scam/](#); *Students Tricked into*
2 *High Fees by Debt Relief Companies*, American Banker, Dec. 11, 2014,
3 [https://www.americanbanker.com/news/students-tricked-into-high-fees-by-](https://www.americanbanker.com/news/students-tricked-into-high-fees-by-debt-relief-companies)
4 [debt-relief-companies](#); Erin E. Arvedlund, *Investing in You: Beware Offers of*
5 *Student Debt ‘Help’*, The Philadelphia Inquirer, Dec. 28, 2014,
6 [https://www.inquirer.com/philly/education/20141228_Investing_in_You_Bew-](https://www.inquirer.com/philly/education/20141228_Investing_in_You_Beware_offers_of_student_debt_help.html)
7 [are_offers_of_student_debt_help.html](#).

8 129. Prior to Lawson and XO Media, LLC’s capital contribution to
9 Docu Prep Center in February 2015, there was thus readily available
10 information that legal prohibitions on deceptive acts or practices and the TSR’s
11 advance fee prohibition could apply to student loan debt relief companies like
12 Docu Prep Center. There was also readily available information indicating that
13 failure to comply with such laws was pervasive in the student loan debt relief
14 industry.

15 130. Prior to making their capital contribution in February 2015,
16 Lawson and XO Media, LLC did not conduct any due diligence concerning
17 whether Docu Prep Center would comply with applicable laws.

18 131. In 2015 and 2016 and prior to the creation of the other four Student
19 Loan Debt Relief Companies, there were continued public reports about illegal
20 conduct by student loan debt relief companies. *See, e.g.*, Adolfo Guzman-
21 Lopez, *California Attorney General Warns of Student Loan Scams*, 89.3KPCC,
22 Aug. 21, 2015, [https://www.scpr.org/news/2015/08/21/53909/california-](https://www.scpr.org/news/2015/08/21/53909/california-attorney-general-warns-of-student-loan)
23 [attorney-general-warns-of-student-loan](#); Ann Carrns, *Fraudulent Student Debt*
24 *Relief Firm Shut Down by Consumer Bureau*, The New York Times, Apr. 1,
25 2016, [https://www.nytimes.com/2016/04/02/your-money/fraudulent-student-](https://www.nytimes.com/2016/04/02/your-money/fraudulent-student-debt-relief-firm-shut-down-by-consumer-bureau.html)
26 [debt-relief-firm-shut-down-by-consumer-bureau.html](#).

1 132. Lawson and XO Media, LLC also did not conduct any due
2 diligence concerning whether the other four Student Loan Debt Relief
3 Companies would comply with applicable laws prior to receiving limited
4 partnership interests in those companies between October 2015 and January
5 2017.

6 133. Given the numerous public reports about student loan debt relief
7 companies “scamming” consumers, charging unlawful advance fees, and
8 engaging in deceptive conduct, Lawson and XO Media, LLC’s ongoing failure
9 to conduct any due diligence of the Student Loan Debt Relief Companies was
10 reckless and indicative of a lack of good faith.

11 134. After making their initial capital contribution in Docu Prep Center
12 in February 2015, Lawson and XO Media, LLC received detailed updates from
13 Sklar, Hoose, and others about Docu Prep Center’s operations, sales, marketing,
14 and growth through periodic meetings and emails.

15 135. In a May 18, 2015 email copying Lawson regarding Docu Prep
16 Center’s operations, Chou asked Sklar if Sklar had “any additional information
17 about the potential ban on advance fees that might extend the time frame that
18 we get payment.” Chou also asked whether a delay in receiving fees would
19 “slow[] growth” towards Docu Prep Center’s goal of making 1,000 sales per
20 month, which some involved with Docu Prep Center planned to celebrate with a
21 trip to Las Vegas. Chou stated that he was concerned about slowing the
22 company’s growth “because I really want to go to Vegas. :-)”

23 136. Following this May 18, 2015 email, Docu Prep Center did not take
24 any steps to comply with the TSR’s ban on charging advance fees for debt relief
25 services.

26 137. On the contrary, as Sklar reported in an email to Lawson and
27 others on June 8, 2015, Docu Prep Center arranged with a payment processor to
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1 begin receiving consumers' fees through ACH transactions within only three to
2 five business days, with the result that the company would not have to wait 30
3 to 60 days before receiving consumers' fees. Sklar's email also stated that
4 Docu Prep Center was working to obtain a credit card merchant account so that
5 it could "process credit cards very quickly."

6 138. On July 1, 2015, Sklar emailed Lawson and others to report that
7 Docu Prep Center was now receiving its customers' fees "7 to 9 days after the
8 client has made their ACH payment, which is much improved over the 45 day
9 turn time [sic] we were initially anticipating." This meant that Docu Prep
10 Center charged and received fees before consumers' applications for loan
11 consolidations, loan repayment plans, and loan forgiveness plans were approved
12 and before consumers had made the first payment under the altered terms of
13 their student loans.

14 139. By July 2015, prior to receiving any distributions from Docu Prep
15 Center, Lawson and XO Media, LLC therefore knew or should have known that
16 Docu Prep Center was charging unlawful advance fees for debt relief services
17 in violation of the TSR.

18 140. Lawson, through XO Media, LLC, made a capital contribution to
19 Certified Doc Prep Services at or around the time the company was created in
20 October 2015.

21 141. Lawson, through XO Media, LLC, made a capital contribution to
22 Assure Direct Services at or around the time the company was created in
23 August 2016.

24 142. Lawson and XO Media, LLC knew, at the time they made capital
25 contributions, that Certified Doc Prep Services and Assure Direct Services'
26 business models and practices were based on Docu Prep Center's. For
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1 example, in an email Lawson received in October 2015, Certified Doc Prep
2 Services was referred to as a “second location” of Docu Prep Center.

3 143. Lawson and XO Media, LLC therefore knew or should have
4 known when they made capital contributions that Certified Docu Prep Services
5 and Assure Direct Services would charge unlawful advance fees for debt relief
6 services in violation of the TSR, just as Docu Prep Center was already doing.

7 144. On April 8, 2016, Sklar sent an email to Lawson and others
8 indicating that Docu Prep Center was purchasing and using consumer reports
9 obtained from Experian to market its debt relief services.

10 145. Lawson and XO Media, LLC knew or should have known at the
11 time they made capital contributions to Assure Direct Services in August 2016
12 that it too would use consumer reports obtained from Experian to market its
13 debt relief services.

14 146. In October 2016, Lawson received an email stating that the use of
15 Monster Loans’ Experian account to buy prescreened lists for the Student Loan
16 Debt Relief Companies was generating frequent complaints and threats of
17 lawsuits from consumers. Thus, by that time, Lawson and XO Media, LLC
18 knew or should have known that the Student Loan Debt Relief Companies’ use
19 of Experian consumer reports violated FCRA.

20 147. Lawson and XO Media, LLC did not make any capital
21 contributions to Direct Document Solutions or Secure Preparation Services
22 when those companies were formed in January 2017. Lawson and XO Media,
23 LLC nonetheless received limited partnership interests in those two companies.
24 In 2017 and 2018, XO Media, LLC received distributions of purported profits
25 from Direct Document Solutions and Secure Preparation Services.

26 148. Direct Document Solutions and Secure Preparation Services’
27 initial operations were funded with loans from certain of the earlier Student
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1 Loan Debt Relief Companies. Those loans consisted of funds that certain of the
2 earlier Student Loan Debt Relief Companies had unlawfully taken from
3 consumers through the violations described in this Complaint.

4 149. Lawson and XO Media, LLC knew or should have known at the
5 time that they received limited partnership interests in Direct Document
6 Solutions and Secure Preparation Services in January 2017 that those
7 companies would also violate FCRA and the TSR, since those companies'
8 business models and practices were based on the earlier companies' business
9 models and practices.

10 150. Lawson supported efforts to continue obtaining Experian consumer
11 reports to market debt relief services even after he knew that doing so might
12 violate FCRA. For example, in or around May 2017, Lawson participated in a
13 meeting with Nesheiwat, Chou, and other limited partners regarding the
14 possibility of setting up a new mortgage company to obtain a new Experian
15 account to buy consumer reports for the Student Loan Debt Relief Companies.
16 In an email to Chou on May 11, 2017, Nesheiwat noted that at the meeting
17 "Ken" (i.e., Kenneth Lawson) had recommended that the company be located
18 "far enough away" to keep it separate from the existing businesses but be set up
19 so that "we can still have the access."

20 151. Mikael van Loon was a close associate of Lawson's, and owned
21 10% of XO Media, LLC beginning in around mid-2016. During 2016 and
22 2017, van Loon frequently acted as a representative of Lawson, XO Media,
23 LLC, and other limited partners in dealings with the Student Loan Debt Relief
24 Companies. Van Loon was also Monster Loans' CFO beginning in August
25 2016 and then its CEO beginning in December 2016.

26 152. Like Lawson, van Loon knew or should have known about the
27 Student Loan Debt Relief Companies' violations of the TSR by July 2015 and
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1 of FCRA by October 2016 based on information he received through meetings
2 with the managers of the Student Loan Debt Relief Companies and emails he
3 received regarding the companies. For example, Van Loon also received the
4 emails to Lawson referenced in Paragraphs 125, 127, 128, and 136.

5 153. In addition, emails that van Loon received in May 2016 indicate
6 that he was aware of other red flags about the Student Loan Debt Relief
7 Companies. The emails state that federal regulators were taking enforcement
8 actions against similar student debt-relief companies for charging unlawful fees
9 and engaging in deceptive advertising. In one of the emails, Hoose also
10 mentions that Docu Prep Center had “gotten ... past” past banks’ due diligence
11 requirements for merchant accounts. Docu Prep Center did that by presenting
12 information to banks that was not consistent with its actual business practices.

13 154. Between October 2015 and November 2018, XO Media, LLC
14 received at least \$585,000 in distributions of purported profits from the Student
15 Loan Debt Relief Companies.

16 155. Between October 2015 and November 2018, the Student Loan
17 Debt Relief Companies were committing or had committed the violations
18 described in this Complaint, resulting in potential liabilities for, among other
19 things, damages, consumer restitution or other monetary relief, and civil money
20 penalties that were greater than the assets of those companies.

21 156. When the Student Loan Debt Relief Companies distributed
22 purported profits to XO Media, LLC, Lawson and XO Media, LLC knew or
23 should have known that the Student Loan Debt Relief Companies did not have
24 assets equal to or exceeding those potential liabilities.

25 157. Lawson and XO Media, LLC continued receiving distributions
26 from the Student Loan Debt Relief Companies even after those companies shut
27 down in September 2017 in response to the Bureau’s issuance of Civil
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1 Investigative Demands seeking information regarding potential FCRA, TSR,
2 and CFPB violations by the Student Loan Debt Relief Companies.

3 158. XO Media, LLC passed at least \$277,000 of the distributions from
4 the Student Loan Debt Relief Companies on to Lawson.

5 159. Lawson and XO Media, LLC commingled the distributions from
6 the Student Loan Debt Relief Companies with their other assets.

7 160. Under the limited partnership agreements that governed Certified
8 Doc Prep Services, Assure Direct Services, Direct Document Solutions, and
9 Secure Preparation Services, their limited partners, including XO Media, LLC,
10 owned interests in the partnerships as entities. Under those agreements, the
11 assets of Certified Doc Prep Services, Assure Direct Services, Direct Document
12 Solutions, and Secure Preparation Services were owned by the partnerships as
13 entities, and not by their limited partners.

14 161. Under the limited partnership agreements that governed Certified
15 Doc Prep Services, Assure Direct Services, Direct Document Solutions, and
16 Secure Preparation Services, limited partners, including XO Media, LLC, were
17 not guaranteed any distributions of purported profits, including any return of
18 capital contributions.

19 **LEGAL BACKGROUND**

20 **FCRA**

21 162. FCRA defines a “consumer report” to include:

22 any written, oral, or other communication of any information
23 by a consumer reporting agency bearing on a consumer’s
24 credit worthiness, credit standing, credit capacity, character,
25 general reputation, personal characteristics, or mode of living
26 which is used or expected to be used or collected in whole or
27 in part for the purpose of serving as a factor in establishing
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1 the consumer's eligibility for (A) credit or insurance to be
2 used primarily for personal, family, or household purposes;
3 (B) employment purposes; or (C) any other purpose
4 authorized under section 604 [§ 1681b].

5 15 U.S.C. § 1681a(d).

6 163. Monster Loans and Lend Tech purchased from Experian
7 prescreened lists containing information regarding consumers with student
8 loans, including consumers' names, addresses, number of student loans, and
9 aggregate student loan balances.

10 164. Information such as a consumer's number of student loans and
11 their aggregate balance bears on, among other things, a consumer's credit
12 worthiness and credit standing and is used or expected to be used or collected
13 for the purpose of serving as a factor in determining a consumer's eligibility for
14 credit.

15 165. The prescreened lists that Monster Loans and Lend Tech
16 purchased from Experian are therefore "consumer reports" under § 603(d) of
17 FCRA. 15 U.S.C. § 1681a(d).

18 **The TSR**

19 166. The TSR is the implementing regulation of the Telemarketing and
20 Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C.
21 §§ 6101-6108.

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

25 168. The TSR defines "debt relief service" as "any program or service
26 represented, directly or by implication, to renegotiate, settle, or in any way alter
27 the terms of payment or other terms of the debt between a person and one or
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1 more unsecured creditors or debt collectors, including, but not limited to, a
2 reduction in the balance, interest rate, or fees owed by a person to an unsecured
3 creditor or debt collector.” 16 C.F.R. § 310.2(o).

4 169. The TSR defines a “seller” as “any person who, in connection with
5 a telemarketing transaction, provides, offers to provide, or arranges for others to
6 provide goods or services to the customer in exchange for consideration.” 16
7 C.F.R. § 310.2(dd).

8 170. The TSR defines “telemarketer” as “any person who, in connection
9 with telemarketing, initiates or receives telephone calls to or from a customer.”
10 16 C.F.R. § 310.2(ff).

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

15 172. The Student Loan Debt Relief Companies offered services to
16 renegotiate, settle, or alter the terms of payments of consumers’ federal student
17 loans involving the preparation and submission of requests for loan
18 consolidations, loan forgiveness, and loan-repayment plans to consumers’
19 student-loan servicers.

20 173. The Student Loan Debt Relief Companies offered and provided
21 these services to consumers nationwide using the telephones and more than one
22 interstate telephone call.

23 174. The Student Loan Debt Relief Companies offered and provided
24 these services to consumers in exchange for payment of fees in connection with
25 a telemarketing transaction.

26 175. The Student Loan Debt Relief Companies are each a
27 “telemarketer” or “seller” offering a “debt relief service” under the TSR.
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1 176. Docs Done Right provided services to renegotiate, settle, or alter
2 the terms of payments of consumers' federal student loans by preparing and
3 submitting requests for loan consolidations, loan forgiveness, and loan-
4 repayment plans to consumers' student-loan servicers, and by handling
5 communications with consumers concerning the services, payment of fees, and
6 complaints.

7 177. Docs Done Right is a "seller" offering a "debt relief service" under
8 the TSR.

9 178. Nesheiwat, Sklar, and Hoose each arranged for Docu Prep Center
10 to provide debt-relief services to consumers in exchange for consideration.
11 Nesheiwat, Sklar, and Hoose are each "sellers" offering a "debt relief service"
12 under the TSR. 16 C.F.R. § 310.2(dd), (o).

13 179. Sebreros arranged for Assure Direct Services to provide debt-relief
14 services to consumers in exchange for consideration. Sebreros is a "seller"
15 offering a "debt relief service" under the TSR. 16 C.F.R. § 310.2(dd), (o).

16 180. Martinez arranged for Docs Done Right to provide debt-relief
17 services to consumers in exchange for consideration. Martinez is a "seller"
18 offering a "debt relief service" under the TSR. 16 C.F.R. § 310.2(dd), (o).

19 **The CFPA**

20 181. Sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531,
21 5536(a)(1)(B), prohibit "covered person[s]" from engaging in any "unfair,
22 deceptive, or abusive act or practice."

23 182. A representation is deceptive under the CFPA if it is likely to
24 mislead consumers acting reasonably under the circumstances, and the
25 information is material to consumers.

26 183. The Student Loan Debt Relief Companies are each "covered
27 persons" under the CFPA because they offered or provided consumer-financial
28

1 products or services, including financial-advisory services such as assisting
2 consumers with debt-management or debt-settlement and modifying the terms
3 of any extension of credit. 12 U.S.C. § 5481(5), (6), (15)(A)(viii).

4 184. Docs Done Right is a “covered person” because it offered or
5 provided consumer-financial products or services, including financial-advisory
6 services such as assisting consumers with debt-management or debt-settlement
7 and modifying the terms of any extension of credit. 12 U.S.C. § 5481(5), (6),
8 (15)(A)(viii).

9 185. Monster Loans is a “covered person” because it offers or provides
10 consumer-financial products or services, including extending credit for
11 mortgage loans. 12 U.S.C. § 5481(5), (6), (15)(A)(i).

12 186. Monster Loans is a “service provider” because it provided the
13 material service of obtaining and providing prescreened consumer reports for
14 use in marketing to the Student Loan Debt Relief Companies in connection with
15 the Student Loan Debt Relief Companies’ offering of a consumer-financial
16 product or service. 12 U.S.C. § 5481(26).

17 187. Lend Tech is a “covered person” because it purports to offer or
18 provide consumer-financial products or services, including extending credit by
19 brokering mortgage loans. 12 U.S.C. § 5481(5), (6), (15)(A)(i).

20 188. Section 1002(25) of the CFPA defines the term “related person” to
21 mean “any director, officer, or employee charged with managerial responsibility
22 for, or controlling shareholder of,” or “any . . . other person . . . who materially
23 participates in the conduct of the affairs of” a non-bank provider of a consumer-
24 financial product or service. 12 U.S.C. § 5481(25)(C). Section 1002(25) further
25 provides that a “related person” shall be “deemed to mean a covered person for
26 all purposes of any provision of Federal consumer financial law.” 12 U.S.C.
27 § 5481(25)(B).

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1 189. Chou is a “related person” and “covered person” because he was
2 Monster Loans’ president and had managerial responsibility for it.

3 190. Nesheiwat is a “related person” and “covered person” because he
4 was Monster Loans’ COO and had managerial responsibility for it. Nesheiwat
5 is also a “related person” and “covered person” because he materially
6 participated in the conduct of the Student Loan Debt Relief Companies.

7 191. Cowell is a “related person” and “covered person” because he was
8 an officer of Monster Loans and because he materially participated in the
9 conduct of the company’s affairs. Cowell is also a “related person” and
10 “covered person” because he was Lend Tech’s owner and had managerial
11 responsibility for it.

12 192. Sklar is a “related person” and “covered person” because he was
13 Docu Prep Center’s CEO and had managerial responsibility for it.

14 193. Hoose is a “related person” and “covered person” because he was
15 Docu Prep Center’s COO and had managerial responsibility for it.

16 194. Sebreros is a “related person” and “covered person” because he
17 was president of Assure Direct Services and had managerial responsibility for
18 it. He is also a “related person” and “covered person” because he had
19 managerial responsibility for Lend Tech.

20 195. Abdel is a “related person” and “covered person” because he was a
21 marketing manager of Monster Loans and materially participated in the conduct
22 of its affairs. He is also a “related person” and “covered person” because he was
23 a marketing manager of Docu Prep Center and materially participated in the
24 conduct of its affairs. He is also a “related person” and “covered person”
25 because he was an employee of Assure Direct Services and materially
26 participated in the conduct of its affairs. He is also a “related person” and
27 “covered person” because he had managerial responsibility for Lend Tech.
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1 196. Martinez is a “related person” and “covered person” because he
2 was president of Docs Done Right and had managerial responsibility for it. He
3 is also a “related person” and “covered person” because he had managerial
4 responsibility for Lend Tech.

5 **COUNT I**

6 **Violations of FCRA**

7 **(Against Student Loan Debt Relief Companies, Monster Loans, Lend Tech,**
8 **Chou, Nesheiwat, Cowell, Abdel, Sebreros, Martinez, Sklar, and Hoose)**

9 197. The allegations in Paragraphs 1 to 196 are incorporated here by
10 reference.

11 198. FCRA prohibits persons from using or obtaining a consumer report
12 unless the person obtains it for a permissible purpose and the purpose is
13 certified by the prospective user of the report. 15 U.S.C. § 1681b(f).

14 199. FCRA provides that using or obtaining a prescreened consumer
15 report to make “a firm offer of credit or insurance” is a permissible purpose. 15
16 U.S.C. § 1681b(c). A “firm offer” is an offer that will be honored (subject to
17 certain exceptions) if the consumer continues to meet the pre-selected criteria
18 used to select them for the offer. 15 U.S.C. § 1681a(l).

19 200. Using or obtaining prescreened lists to send solicitations marketing
20 debt-relief services is not a permissible purpose under FCRA.

21 201. Monster Loans’ and Lend Tech’s certifications to Experian did not
22 state that the prescreened lists were being obtained for use by other companies
23 or for the purpose of sending solicitations marketing debt-relief services.

24 202. The Student Loan Debt Relief Companies, Monster Loans, Lend
25 Tech, Chou, Nesheiwat, Cowell, Abdel, Sebreros, Martinez, Sklar, and Hoose
26 have, directly or indirectly, used or obtained consumer reports without a
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1 permissible purpose, and without a certification of the purpose by the
2 prospective user of the report, in violation of FCRA. 15 U.S.C. § 1681b(f).

3 **COUNT II**

4 **Advance Fees in Violation of the TSR**

5 **(Against Student Loan Debt Relief Companies, Docs Done Right,**
6 **Nesheiwat, Sklar, Hoose, Sebreros, and Martinez)**

7 203. The allegations in Paragraphs 1 to 196 are incorporated here by
8 reference.

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

18 205. In the course of providing, offering to provide, or arranging for
19 others to provide debt-relief services, the Student Loan Debt Relief Companies,
20 Docs Done Right, Nesheiwat, Sklar, Hoose, Sebreros, and Martinez charged
21 and received fees before consumers' applications for loan consolidations, loan-
22 repayment plans, and loan-forgiveness plans were approved, and before
23 consumers had made the first payments under the altered terms of their student
24 loans, in violation of the TSR. 16 C.F.R. § 310.4(a)(5)(i)(A)-(B).

1 **COUNT III**

2 **Misrepresentations in Violation of the TSR – Lower Interest Rates**
3 **(Against Student Loan Debt Relief Companies,**
4 **Nesheiwat, Sklar, Hoose, and Sebreros)**

5 206. The allegations in Paragraphs 1 to 196 are incorporated here by
6 reference.

7 207. It is a deceptive practice under the TSR for a seller or telemarketer
8 to misrepresent any material aspect of a debt-relief service, including the
9 amount of money or the percentage of the debt amount that a consumer may
10 save. 16 C.F.R. § 310.3(a)(2)(x).

11 208. The Student Loan Debt Relief Companies, Nesheiwat, Sklar,
12 Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by
13 implication, that:

14 a. consolidating would cause consumers to obtain a lower interest
15 rate on their student loans; and

16 b. consumers were required to consolidate their student loans to
17 obtain an interest-rate deduction.

18 209. The acts or practices of the Student Loan Debt Relief Companies,
19 Nesheiwat, Sklar, Hoose, and Sebreros, as set forth in Paragraph 158, are
20 deceptive acts or practices that violate the TSR, 16 C.F.R. 310.3(a)(2)(x).

21 **COUNT IV**

22 **Misrepresentations in Violation of the TSR – Improved Credit Scores**
23 **(Against Student Loan Debt Relief Companies,**
24 **Nesheiwat, Sklar, Hoose, and Sebreros)**

25 210. The allegations in Paragraphs 1 to 196 are incorporated here by
26 reference.

1 211. It is a deceptive practice under the TSR for a seller or telemarketer
2 to misrepresent any material aspect of a debt-relief service, including the effect
3 of the service on a consumer’s creditworthiness. 16 C.F.R. § 310.3(a)(2)(x).

4 212. The Student Loan Debt Relief Companies, Nesheiwat, Sklar,
5 Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by
6 implication, that consolidating student loans would improve consumers’ credit
7 scores.

8 213. The Student Loan Debt Relief Companies, Nesheiwat, Sklar,
9 Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by
10 implication, that they had a reasonable basis for representing that consolidating
11 student loans would improve consumers’ credit scores.

12 214. The acts or practices of the Student Loan Debt Relief Companies,
13 Nesheiwat, Sklar, Hoose, and Sebreros, as set forth in Paragraphs 162 and 163,
14 are deceptive acts or practices that violate the TSR, 16 C.F.R. § 310.3(a)(2)(x).

15 **COUNT V**

16 **Misrepresentations in Violation of the TSR – New Servicer**
17 **(Against Docu Prep Center, Nesheiwat, Sklar, and Hoose)**

18 215. The allegations in Paragraphs 1 to 196 are incorporated here by
19 reference.

20 216. It is a deceptive practice under the TSR for a seller or telemarketer
21 to misrepresent any material aspect of a debt-relief service. 16 C.F.R.
22 § 310.3(a)(2)(x).

23 217. Docu Prep Center, Nesheiwat, Sklar, and Hoose misrepresented,
24 directly or indirectly, expressly or by implication, that consolidating would
25 result in ED becoming consumers’ “new servicer” and that consolidating would
26 enable consumers to avoid interacting with third-party student-loan servicers.
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COUNT VII

**Deception in Violation of the CFPA – Lower Interest Rates
(Against Student Loan Debt Relief Companies,
Nesheiwat, Sklar, Hoose, and Sebreros)**

224. The allegations in Paragraphs 1 to 196 are incorporated here by reference.

225. The Student Loan Debt Relief Companies, Nesheiwat, Sklar, Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by implication, that:

a. consolidating would cause consumers to obtain a lower interest rate on their student loans; and

b. consumers were required to consolidate to obtain an interest-rate deduction.

226. These representations were material and likely to mislead consumers acting reasonably under the circumstances.

227. The Student Loan Debt Relief Companies, Nesheiwat, Sklar, Hoose, and Sebreros have therefore engaged in deceptive acts or practices in violation of §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT VIII

**Deception in Violation of the CFPA – Improved Credit Scores
(Against Student Loan Debt Relief Companies,
Nesheiwat, Sklar, Hoose, and Sebreros)**

228. The allegations in Paragraphs 1 to 196 are incorporated here by reference.

229. The Student Loan Debt Relief Companies, Nesheiwat, Sklar, Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by

1 implication, that consolidating student loans would improve consumers' credit
2 scores.

3 230. These representations were material and likely to mislead
4 consumers acting reasonably under the circumstances.

5 231. The Student Loan Debt Relief Companies, Nesheiwat, Sklar,
6 Hoose, and Sebreros misrepresented, directly or indirectly, expressly or by
7 implication, that they had a reasonable basis for representing that consolidating
8 student loans would improve consumers' credit scores.

9 232. The Student Loan Debt Relief Companies, Nesheiwat, Sklar,
10 Hoose, and Sebreros have therefore engaged in deceptive acts or practices in
11 violation of §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

12 **COUNT IX**

13 **Deception in Violation of the CFPA – New Servicer**
14 **(Against Docu Prep Center, Nesheiwat, Sklar, and Hoose)**

15 233. The allegations in Paragraphs 1 to 196 are incorporated here by
16 reference.

17 234. Docu Prep Center, Nesheiwat, Sklar, and Hoose misrepresented,
18 directly or indirectly, expressly or by implication, that consolidating would
19 result in ED becoming consumers' "new servicer," and that consolidating
20 would enable consumers to avoid interacting with third-party student-loan
21 servicers.

22 235. These representations were material and likely to mislead
23 consumers acting reasonably under the circumstances.

24 236. Docu Prep Center, Nesheiwat, Sklar, and Hoose have therefore
25 engaged in deceptive acts or practices in violation of §§ 1031 and 1036 of the
26 CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT X

**Substantial Assistance in Violation of the CFPA
(Against Monster Loans, Docs Done Right, Nesheiwat, and Martinez)**

237. The allegations in Paragraphs 1 to 196 are incorporated here by reference.

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

239. Monster Loans, Docs Done Right, Nesheiwat, and Martinez knew, or recklessly avoided knowing, the material misrepresentations that the Student Loan Debt Relief Companies made to consumers.

240. Monster Loans, Docs Done Right, Nesheiwat, and Martinez provided substantial assistance to the Student Loan 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

**CFPA Violations Based on Violations of FCRA and TSR
(Against Student Loan Debt Relief Companies, Monster Loans,
Lend Tech, Docs Done Right, Chou, Nesheiwat, Cowell,
Abdel, Sebreros, Martinez, Sklar, and Hoose)**

241. The allegations in Paragraphs 1 to 196 are incorporated here by reference.

242. FCRA and the Telemarketing Act are “Federal consumer financial laws” under the CFPA. 12 U.S.C. § 5481(12)(F), (14); 15 U.S.C. § 6105(d).

1 243. The violations of FCRA committed by the Student Loan Debt
2 Relief Companies, Monster Loans, Lend Tech, Chou, Nesheiwat, Cowell,
3 Abdel, Sebreros, Martinez, Sklar, and Hoose are deemed to be violations of the
4 CFPA. 15 U.S.C. § 1681s(d).

5 244. Because the Student Loan Debt Relief Companies, Monster Loans,
6 Lend Tech, Chou, Nesheiwat, Cowell, Abdel, Sebreros, Martinez, Sklar, and
7 Hoose are “covered persons” who violated FCRA by, directly or indirectly,
8 using or obtaining consumer reports without a permissible purpose and without
9 a certification of the purpose by the prospective user of the report, they violated
10 § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

11 245. The violations of the TSR committed by the Student Loan Debt
12 Relief Companies, Docs Done Right, Nesheiwat, Sklar, Hoose, Sebreros, and
13 Martinez are treated as violations of a rule under § 1031 of the CFPA. 15
14 U.S.C. § 6102(c).

15 246. Because the Student Loan Debt Relief Companies, Docs Done
16 Right, Nesheiwat, Sklar, Hoose, Sebreros, and Martinez are “covered persons”
17 who violated the TSR by charging and receiving illegal advance fees from
18 consumers, they violated § 1036(a)(1)(A) of the CFPA. 12 U.S.C.
19 § 5536(a)(1)(A).

20 247. Because the Student Loan Debt Relief Companies, Nesheiwat,
21 Sklar, Hoose, and Sebreros are “covered persons” who violated the TSR by
22 engaging in deceptive conduct, they violated § 1036(a)(1)(A) of the CFPA. 12
23 U.S.C. § 5536(a)(1)(A).

24 248. Because Monster Loans, Docs Done Right, Nesheiwat, and
25 Martinez are “covered persons” who substantially assisted violations of the
26 TSR, they violated § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

COUNT XII

Relief Defendants

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3 249. The allegations in Paragraphs 1 to 196 are incorporated here by
4 reference.

5 250. Chou, Cowell, Lawson, TDK Enterprises, LLC, Cre8labs, Inc., and
6 XO Media, LLC have received, directly or indirectly, distributions from the
7 Student Loan Debt Relief Companies.

8 251. All of those distributions are traceable to funds obtained from
9 consumers through one or more of the violations of the CFPA, TSR, and FCRA
10 described herein.

11 252. As limited partners, Lawson and XO Media, LLC had only an
12 equity interest in the Student Loan Debt Relief Companies. They therefore lack
13 a legitimate claim to distributions from the Student Loan Debt Relief
14 Companies traceable to the violations described herein.

15 253. Lawson and XO Media, LLC also lack a legitimate claim to the
16 distributions from the Student Loan Debt Relief Companies to the extent that, at
17 the time of each of the distributions, those companies' liabilities exceeded their
18 available assets such that the companies had no assets or "profits" that could
19 legitimately be distributed to their limited partners, including to Lawson and
20 XO Media, LLC, under California law. Cal. Corp. Code § 15905.08(b)(2).

21 254. Lawson and XO Media, LLC also lack a legitimate claim to
22 distributions from the Student Loan Debt Relief Companies because they did
23 not invest in those companies in good faith or receive distributions from those
24 companies in good faith.

25 255. Lawson and XO Media, LLC also lack a legitimate claim to the
26 distributions from Direct Document Solutions and Secure Preparation Services
27 because they made no capital contributions to those companies. The
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1 distributions from those companies to Lawson and XO Media, LLC were
2 gratuitous transfers.

3 256. Lawson and XO Media, LLC would be unjustly enriched if not
4 required to disgorge the funds distributed to them or the value of the benefits
5 they received.

6 DEMAND FOR RELIEF

7 The Bureau requests that the Court:

8 a. permanently enjoin Defendants from committing future violations
9 of the FCRA, TSR, and CFPA and enter such other injunctive relief as
10 appropriate;

11 b. permanently enjoin Defendants from advertising, marketing,
12 promoting, offering for sale, selling, or providing any form of assistance to any
13 debt-relief service;

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

16 d. order Monster Loans, the Student Loan Debt Relief Companies,
17 Docs Done Right, Nesheiwat, Sklar, Hoose, Sebreros, and Martinez to pay
18 redress to consumers harmed by their unlawful conduct;

19 e. award damages and other monetary relief against Defendants;

20 f. impose civil money penalties against Defendants;

21 g. order disgorgement of ill-gotten funds against Relief Defendants so
22 that those funds can be returned to consumers;

23 h. order the rescission or reformation of contracts where necessary to
24 redress injury to consumers; and

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

1 Dated August 26, 2020

Respectfully Submitted,

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3 Enforcement Director

4 Deborah Morris
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