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15 FEDERAL TRADE COMMISSION

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

18 **FEDERAL TRADE COMMISSION,**

19 Plaintiff,

20 v.

21 **PANDA BENEFIT SERVICES, LLC,**

22 **CLARITY SUPPORT SERVICES,**
23 **LLC,**

24 **PACIFIC QUEST SERVICES,**

25 **PROSPERITY LOAN SERVICES**
26 **LLC,**
27

CASE NO.

**COMPLAINT FOR PERMANENT
INJUNCTION, MONETARY
RELIEF, AND OTHER RELIEF**

FILED UNDER SEAL

1 **PUBLIC PROCESSING SERVICES**
2 **LLC,**

3 **QUICK START SERVICES, LLC,**

4 **SELECT STUDENT SERVICES,**
5 **LLC,**

6 **SIGNATURE PROCESSING**
7 **SERVICES, INC.,**

8 **EDUARDO AVALOS MARTINEZ,**

9 **EMILIANO SALINAS, JR.,**

10 **CHRISTOPHER MICHAEL**
11 **HANSON, and**

12 **MELISSA SALINAS,**

13 Defendants.

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

15
16 1. The FTC brings this action for Defendants’ violations of Section 5(a)
17 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 45(a), the FTC’s
18 Telemarketing Sales Rule (“TSR”), 16 C.F.R. Part 310, Section 521 of the Gramm-
19 Leach-Bliley Act (“GLB Act”), 15 U.S.C. § 6821, and the FTC’s Trade Regulation
20 Rule on Impersonation of Government and Businesses (“Impersonation Rule”), 16
21 C.F.R. Part 461. Defendants’ violations relate to their deceptive marketing and sale
22 of student loan debt relief services. For these violations, the FTC seeks relief,
23 including temporary, preliminary, and permanent injunctive relief, monetary relief,
24 revision or reformation of contracts, disgorgement of ill-gotten moneys, and other
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1 relief, including an asset freeze, appointment of a receiver, and immediate access
2 to Defendants' business premises, pursuant to Sections 13(b) and 19 of the FTC
3 Act, 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and Consumer Fraud and
4 Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101-6108, and
5 Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a).
6

7 **SUMMARY OF CASE**

8
9 2. Defendants have deceived consumers, many of whom are low-income
10 borrowers saddled with thousands of dollars of student debt, into paying hundreds
11 of dollars for services that are made up, not as described, or simply never
12 materialize.
13

14 3. Defendants tell consumers that (1) Defendants will secure forgiveness
15 of their student loan debt; (2) Defendants can obtain for consumers repayment
16 plans that will lower their monthly payment amounts; (3) Defendants are loan
17 servicers who will take over servicing their federal student loans; and (4)
18 Defendants "work with" or are otherwise affiliated with the government, including
19 specifically the U.S. Department of Education ("ED").
20

21
22 4. But Defendants' promises are false. Defendants do not seek or deliver
23 loan forgiveness or loan repayment plans. Defendants are not federal loan servicers
24 and do not work with the Department of Education. Consumers have paid
25 significant sums to Defendants only to find that Defendants are not affiliated with
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1 the government, and have not sought or obtained forgiveness of their loans,
2 enrolled them in payment plans that reduce their monthly obligation, or taken over
3 servicing their loans. When consumers realize they were duped and ask for a
4 refund, Defendants often refuse to make them whole.
5

6 5. Through this action, the FTC seeks to put an end to Defendants'
7 scheme and secure redress for the consumers whom Defendants have harmed.
8

9 **JURISDICTION AND VENUE**

10 6. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
11 1331, 1337(a), and 1345.
12

13 7. Venue is proper in this District under 28 U.S.C. §§ 1391(b)(2), (c)(1),
14 (c)(2), and (d), and 15 U.S.C. § 53(b).
15

16 **PLAINTIFF**

17 8. The FTC is an independent agency of the United States Government
18 created by the FTC Act, which authorizes the FTC to commence this district court
19 civil action by its own attorneys. 15 U.S.C. §§ 41-58. The FTC enforces Section
20 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or
21 practices in or affecting commerce. The FTC also enforces the Telemarketing Act,
22 15 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated
23 and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive
24 telemarketing acts or practices in or affecting commerce. The FTC also enforces
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1 the GLB Act, 15 U.S.C. §§ 6821-27, which prohibits any person from obtaining or
2 attempting to obtain customer information of a financial institution relating to
3 another person by making a false, fictitious, or fraudulent statement or
4 representation to a customer of a financial institution. The FTC also enforces the
5 Impersonation Rule, 16 C.F.R. Part 461, which prohibits the impersonation of the
6 government and businesses.
7

8 9 **DEFENDANTS**

10 **9. Defendant Panda Benefit Services, LLC d/b/a Prosperity Benefit**
11 **Services and also d/b/a Prosperity Benefit Services, LLC (“PBS”)** is a
12 California limited liability company with its principal place of business at 19800
13 MacArthur Blvd., Suite 300, Irvine, CA 92612. PBS transacts or has transacted
14 business in this district and throughout the United States. At all times relevant to
15 this Complaint, acting alone or in concert with others, PBS has advertised,
16 marketed, distributed, or sold student loan debt relief services to consumers
17 throughout the United States.
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19
20 **10. Defendant Clarity Support Services, LLC (“Clarity”)** was a
21 California limited liability company with a principal place of business at 333 City
22 Boulevard West, 17th Floor, Orange, CA 92868. Clarity filed a Certificate of
23 Cancellation – LLC Termination on August 16, 2023. Clarity has transacted
24 business in this district and throughout the United States. At all times relevant to
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1 this Complaint, Clarity, acting alone or in concert with others, has advertised,
2 marketed, distributed, or sold student loan debt relief services to consumers
3 throughout the United States.
4

5 **11. Defendant Pacific Quest Services d/b/a DocPrepPay.Com** (“Pacific
6 Quest”) is a California corporation with a principal place of business at 2030 Main
7 Street, Suite 1300, #825, Irvine, CA 92614. Pacific Quest transacts or has
8 transacted business in this district and throughout the United States. At all times
9 relevant to this Complaint, acting alone or in concert with others, Pacific Quest has
10 advertised, marketed, distributed, or sold student loan debt relief services to
11 consumers throughout the United States.
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14 **12. Defendant Prosperity Loan Services LLC** (“Prosperity Loan”) is a
15 Delaware limited liability company with a principal place of business at 4 Hutton
16 Centre Drive, Suite 400, Santa Ana, CA 92707. Prosperity Loan is registered as a
17 foreign corporation in California. Prosperity Loan transacts or has transacted
18 business in this district and throughout the United States. At all times relevant to
19 this Complaint, acting alone or in concert with others, Prosperity Loan has
20 advertised, marketed, distributed, or sold student loan debt relief services to
21 consumers throughout the United States.
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25 **13. Defendant Public Processing Services LLC** (“Public Processing”) is
26 a Nevada limited liability company with a principal place of business at 501 S
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1 Rancho Dr. Suite D20 PMB 1043, Las Vegas, NV 89101. Public Processing
2 transacts or has transacted business in this district and throughout the United
3 States. At all times relevant to this Complaint, acting alone or in concert with
4 others, Public Processing has advertised, marketed, distributed, or sold student loan
5 debt relief services to consumers throughout the United States.
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7 14. **Defendant Quick Start Services, LLC** (“Quick Start”) is a
8 California limited liability company with a principal place of business at 6
9 Centerpointe Drive, Suite 700, La Palma, CA 90623. Quick Start transacts or has
10 transacted business in this district and throughout the United States. At all times
11 relevant to this Complaint, acting alone or in concert with others, Quick Start has
12 advertised, marketed, distributed, or sold student loan debt relief services to
13 consumers throughout the United States.
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17 15. **Defendant Select Student Services, LLC** (“Select”) is a California
18 limited liability company with a principal place of business at 1851 East First
19 Street, Suite 975, Santa Ana, CA 92705. Select transacts or has transacted business
20 in this district and throughout the United States. At all times relevant to this
21 Complaint, acting alone or in concert with others, Select has advertised, marketed,
22 distributed, or sold student loan debt relief services to consumers throughout the
23 United States.
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1 16. **Defendant Signature Processing Services, Inc.** (“Signature
2 Processing”) is a Nevada corporation with a principal place of business at 3753
3 Howard Hughes Parkway Suite 200 #1221, Las Vegas, NV 89169. Signature
4 Processing transacts or has transacted business in this district and throughout the
5 United States. At all times relevant to this Complaint, acting alone or in concert
6 with others, Signature Processing has advertised, marketed, distributed, or sold
7 student loan debt relief services to consumers throughout the United States.
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9 17. **Defendant Eduardo Avalos Martinez** (“E. Martinez”) has held
10 himself out as a member and officer of Clarity, PBS, and Select. He has used the
11 name “Ed Martinez” in service provider and official documents in connection with
12 the business activities alleged in this Complaint. E. Martinez has held signatory
13 authority for a PBS bank account and served as its point of contact for remote
14 office services. He has also had bank signatory authority for a bank account owned
15 by Clarity. E. Martinez has served as a customer point of contact for Select’s
16 payroll services and was an authorized user for Select’s Chase Business Signature
17 bank card. At all times relevant to this Complaint, acting alone or in concert with
18 others, he has formulated, directed, controlled, had the authority to control, or
19 participated in the acts and practices described in this Complaint. He resides in this
20 District and, in connection with the matters alleged herein, transacts or has
21 transacted business in this District and throughout the United States.
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1 18. **Defendant Emiliano Salinas** (“E. Salinas”) has held himself out as a
2 member and the President and Chief Executive Officer of PBS, an officer of
3 Prosperity Loan, and a Vice President of Select. Salinas has held signatory
4 authority for bank accounts owned by PBS and Prosperity Loan; has served as the
5 point of contact for PBS, Prosperity Loan, and Select for essential services like
6 payroll processors, merchant processing, virtual office space and
7 telecommunications; and has served as PBS’s authorized representative to the
8 California Employment Development Department. E. Salinas is believed to reside
9 in a single family home that has been used as a business address for Pacific Quest,
10 Prosperity Loan, and PBS. At all times relevant to this Complaint, acting alone or
11 in concert with others, E. Salinas has formulated, directed, controlled, had the
12 authority to control, or participated in the acts and practices described in this
13 Complaint. Defendant E. Salinas resides in this District and, in connection with the
14 matters alleged herein, transacts or has transacted business in this District and
15 throughout the United States.

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17 19. **Defendant Christopher Michael Hanson** (“Hanson”) has held
18 himself out as an officer and member of Clarity. He has served as the point of
19 contact for a payment processor used by Pacific Quest, and has served as Clarity’s
20 point of contact for web hosting and payroll services. He has held signatory
21 authority on Clarity’s bank account and applied for a Paycheck Protection Program
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1 loan on Clarity’s behalf. Hanson has received a salary from PBS. At all times
2 relevant to this Complaint, acting alone or in concert with others, Hanson has
3 formulated, directed, controlled, had the authority to control, or participated in the
4 acts and practices described in this Complaint. Hanson resides in this District and,
5 in connection with the matters alleged herein, transacts or has transacted business
6 in this District and throughout the United States.
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9 20. **Defendant Melissa Salinas** (“M. Salinas”) has held herself out as an
10 officer of Pacific Quest. She was the incorporator at the time Pacific Quest was
11 formed and continues to hold herself out as its Chief Executive Officer, Secretary,
12 and Chief Financial Officer, as well as its Director. She has held signatory
13 authority for its bank accounts and has served as point of contact for essential
14 services like payroll, web hosting, and virtual office space. She has also served as
15 the point of contact for web hosting services utilized by multiple entities within the
16 common enterprise. M. Salinas has also drawn a salary from Clarity. At all times
17 relevant to this Complaint, acting alone or in concert with others, M. Salinas has
18 formulated, directed, controlled, had the authority to control, or participated in the
19 acts and practices described in this Complaint. Defendant M. Salinas resides in this
20 District and, in connection with the matters alleged herein, transacts or has
21 transacted business in this District and throughout the United States.
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1 **COMMON ENTERPRISE**

2 21. Defendants PBS, Clarity, Prosperity Loan, Pacific Quest, Public
3 Processing, Quick Start, Select, and Signature Processing (collectively, “Corporate
4 Defendants”) have operated as a common enterprise while engaging in the
5 unlawful acts and practices described below. Corporate Defendants have
6 conducted the business practices described below through an interrelated network
7 of companies that have common ownership, officers, business functions,
8 employees, managers, and office locations, and that commingled funds. Because
9 these Corporate Defendants have operated as a common enterprise, each of them is
10 liable for the acts and practices alleged below.
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14 **COMMERCE**

15 22. At all times relevant to this Complaint, Defendants have maintained a
16 substantial course of trade in or affecting commerce, as “commerce” is defined in
17 Section 4 of the FTC Act, 15 U.S.C. § 44.
18
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20 **BACKGROUND ON STUDENT LOAN**
21 **FORGIVENESS AND REPAYMENT PROGRAMS**

22 23. Student loan debt is the second largest class of consumer debt, with
23 over 43 million borrowers owing over \$1.72 trillion. Student loan debt is also one
24 of the most distressed classes of debt: roughly one in ten Americans have defaulted
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1 on a student loan, and nearly a quarter of borrowers default within their first five
2 years of repayment.

3 24. The federal government administers several student loan forgiveness
4 and discharge programs. These include income-driven repayment (“IDR”)
5 programs, which allow eligible borrowers to limit their monthly payments based
6 on a percentage of their discretionary monthly income and offer forgiveness after a
7 borrower has made payments for 20 or 25 years; and public service loan
8 forgiveness (“PSLF”), which provides loan forgiveness to borrowers who make
9 payments for ten years while employed at qualifying government or nonprofit
10 organizations. ED also administers other loan forgiveness programs for qualifying
11 borrowers, including those who can establish a permanent and total disability;
12 borrowers whose school closed while they were enrolled; and borrowers whose
13 school violated certain state or federal laws, among others.

14 25. Consumers can apply for these and other programs through ED or
15 their student loan servicers at no cost. These programs do not require the assistance
16 of a third-party company or payment of application fees.

17 26. In addition to federal loan repayment and forgiveness programs, the
18 original coronavirus relief bill, the Coronavirus Aid, Relief, and Economic
19 Security Act (“CARES Act”), signed into law on March 27, 2020, temporarily
20 paused payments and involuntary collections on federally held student loans. The
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1 payment pause was extended several times between 2020 and 2023. During the
2 pause, payments were not due, collection activities (like wage garnishment and
3 reduction of tax refunds) were prohibited, and interest did not accrue on balances.
4 Months during the pause counted toward the payments required for forgiveness
5 under PSLF (if the borrower worked for a qualifying employer) and federal IDR
6 plans.
7
8

9 27. In 2022, in addition to the above ongoing programs and COVID-19
10 payment pause, President Biden and ED created a one-time debt relief program for
11 borrowers of federal student loans. The program would have forgiven up to
12 \$20,000 for qualifying borrowers, based on income. ED made an application for
13 the forgiveness program available to the public, and many consumers submitted
14 applications. However, the Supreme Court rejected the program and it was never
15 implemented. *See Biden v. Nebraska*, 600 U.S. 477 (2023).
16
17

18 28. Student loan repayments on federally-held loans resumed in October
19 of 2023. Borrowers who were enrolled in IDR plans before the CARES Act pause
20 are automatically enrolled in the same program, and have at least six months to
21 recertify their income. To help borrowers successfully return to repayment, ED
22 created a temporary on-ramp period through September 30, 2024, during which ED
23 will not report missed, late, or partial payments as delinquent.
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DEFENDANTS' STUDENT LOAN DEBT RELIEF SCAM

1
2 29. Defendants own and operate a student loan debt relief scam that preys
3 on consumers burdened with student loan debt by making false promises of loan
4 forgiveness. Since at least September 2020 Defendants have collected hundreds of
5 dollars per consumer from many consumers—totaling over \$20.3 million.
6

7 30. Defendants' scheme relies heavily on false and misleading
8 representations made by Defendants' representatives to consumers, often made
9 during an initial call between a telemarketer and a consumer.
10

11 31. In many instances, Defendants use mailers delivered to consumers'
12 mailboxes to entice consumers to call them and speak to a telemarketer. The
13 mailers in many instances use urgent language, like "FINAL NOTICE" and "Time
14 Sensitive," and frequently boast benefits like "complete loan forgiveness" and "tax
15 free loan forgiveness." The mailers include a telephone number for consumers to
16 call to obtain assistance. When consumers call the number, they speak with
17 Defendants' telemarketers.
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20

21 32. In other instances, Defendants use telemarketers to make outbound
22 telemarketing calls to consumers to offer their services.
23

24 33. Defendants' telemarketers promise consumers that Defendants can
25 alleviate the burdens of their student loans.
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Defendants' Misrepresentations to Consumers

1
2 34. To persuade consumers into signing up and paying for Defendants'
3 purported student loan debt relief services, Defendants, often acting through their
4 telemarketers, make at least four types of claims:

5
6 a) Consumers who pay for Defendants' program are guaranteed to
7 receive loan forgiveness;

8
9 b) Consumers who pay for Defendants' program will be enrolled
10 in a loan repayment program that will significantly reduce their loan
11 payments;

12
13 c) Defendants will assume responsibility for the servicing of
14 consumers' student loans; and

15
16 d) Defendants are affiliated with the federal government,
17 including, specifically, ED.

18 35. *First*, Defendants have represented to numerous consumers that if
19 consumers sign up for Defendants' debt relief program, Defendants will secure
20 forgiveness of their student loans.
21

22 36. Defendants frequently tell consumers that the repayment program will
23 include a schedule of several monthly payments of approximately \$290, sometimes
24 followed by monthly payments of a lower amount for a period of months or years.
25 All of these payments are to be made to Defendants.
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1 37. Defendants in many instances tell consumers that their loans will be
2 forgiven either directly upon payment of the initial installments of approximately
3 \$290, or after several months or years of making payments. Often, the quoted
4 repayment program is substantially shorter than the programs offered by the
5 federal government—sometimes only a few months.
6

7 38. In other instances, Defendants represent that consumers are
8 guaranteed to receive loan forgiveness if they enroll in Defendants’ program.
9

10 39. These representations are false. In many instances, Defendants do not
11 even apply for—much less obtain—student loan forgiveness programs offered by
12 the federal government.
13

14 40. Numerous consumers have reported that Defendants did not apply for
15 or secure loan forgiveness on their behalf.
16

17 41. Even when Defendants do submit applications for income-based
18 repayment programs on consumers’ behalf, that does not guarantee loan
19 forgiveness. Consumers who are enrolled in income-driven repayment programs
20 must make a certain number of qualifying payments (often 20 or 25 years, or 10
21 years if the consumer qualifies for public service loan forgiveness). Consumers
22 also must recertify their income annually. Submitting an application for an income-
23 driven repayment program, alone, does not guarantee loan forgiveness.
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1 42. Defendants have also guaranteed consumers would receive
2 forgiveness under President Biden’s proposed plan to forgive \$10,000 or \$20,000
3 of student debt. Those guarantees were also false, and the Supreme Court blocked
4 that plan.
5

6 43. **Second**, Defendants often tell consumers that Defendants will reduce
7 their student loan payments.
8

9 44. Defendants advertise that consumers who enroll in Defendants’
10 program, and pay Defendants an up-front fee, will see their monthly loan payment
11 reduced—including to a zero-dollar payment. In many instances, Defendants have
12 told consumers that these reduced payments are possible because someone else—
13 either the government or a third party—will be paying the balance of the payment.
14

15 45. Like Defendants’ promises of loan forgiveness, these representations
16 are false. In many instances, Defendants do not apply for or obtain a modified
17 payment plan for consumers who pay for Defendants’ services, and do not enroll
18 them in federal repayment plans that might reduce their payments. In some
19 instances, Defendants submit an application without using the income and
20 employment information provided by consumers to Defendants.
21

22 46. Further, there are no federal repayment programs that reduce a
23 borrower’s monthly payment because a third party is covering part of the monthly
24 payment. Federal income-driven repayment programs reduce a borrower’s monthly
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1 payment obligation based on the borrower's income and family size. These
2 programs do not reduce a borrower's payment obligation because a third party is
3 paying part of the amount the borrower would owe on a standard ten-year payment
4 plan.

5
6 47. Thus, in numerous instances, Defendants have failed to reduce
7 consumers' student loan payments.

8
9 48. *Third*, Defendants have represented to numerous consumers that they
10 will be purchasing, taking over, or handling servicing of consumers' loans.
11 Defendants have also told consumers that the up-front payments reflect the fee to
12 "buy" consumers' loans from their federal servicer.

13
14 49. Defendants are not federal loan servicers and despite their
15 representations to consumers, have not taken over servicing of or purchased
16 consumers' student loans. And, since Defendants have not and cannot service or
17 "buy" consumers' loans from their federal servicers, Defendants' description of the
18 fee as one to "buy" loans is false.

19
20
21 50. *Fourth*, Defendants frequently tell consumers that they are working
22 with the federal government (sometimes, specifically, ED).

23
24 51. Defendants are not affiliated with ED or any government agency and
25 do not hold contracts with ED or federal student loan servicers, nor is Defendants'
26 debt relief scheme part of any government program.

Defendants' Unlawful Enrollment Practices

1
2 52. As part of the enrollment process, Defendants instruct consumers to
3 log in to their Federal Student Aid (FSA) accounts, download their account data,
4 and email it to Defendants. Once they receive that document, Defendants have
5 access to consumers' home addresses, email addresses, phone numbers, and
6 student loan data. Defendants also instruct consumers to provide their social
7 security numbers and income during the call.
8

9
10 53. Defendants then email consumers an electronic contract with a
11 payment authorization form that the consumer is requested to sign electronically,
12 which allows Defendants to take automatic payments from consumers' debit cards
13 and bank accounts. Defendants require consumers to provide debit card or bank
14 account information (including account and routing number) to pay for their
15 services.
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18 54. Once in possession of consumers' private and sensitive financial
19 information, but before securing promised debt relief, Defendants typically collect
20 approximately six "initial" monthly payments of approximately \$290, sometimes
21 followed by monthly payments in a reduced amount.
22

23 55. Defendants have collected or attempted to collect hundreds of dollars
24 per consumer for their purported services. Defendants often mislead consumers
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1 into believing the majority of these payments are going towards paying off their
2 student loan debt or otherwise securing loan forgiveness.

3 56. In many instances, Defendants collected these fees before even
4 submitting an application for a repayment program or otherwise beginning to work
5 on reducing consumers' loan payments or obtaining forgiveness.
6

7 57. Defendants are, in numerous instances, simply taking the money
8 without delivering promised services. Many consumers have reported that
9 Defendants never sought or obtained repayment plans or student loan forgiveness.
10 Thus, in many instances, Defendants continued to receive fees from consumers
11 despite never renegotiating, settling, reducing, or otherwise altering the terms of
12 the consumers' debt.
13

14 58. During the federal COVID-19 student loan repayment pause,
15 consumers were not required to make payments on their federal loans at all.
16 Consumers who paid Defendants during the pause paid more to Defendants than
17 they would have been required to pay toward their student loan balances.
18

19 59. In many instances, Defendants have refused or ignored requests by
20 consumers for refunds.
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22 60. Not only have Defendants refused or ignore refund requests, but many
23 consumers have reported that after they advised Defendants they did not want to
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1 participate in Defendants' program, Defendants continued to charge or attempt to
2 charge them anyway.

3 **Ongoing Conduct**

4
5 61. Based on the facts and violations of law alleged in this Complaint, the
6 FTC has reason to believe that Defendants are violating or are about to violate laws
7 enforced by the FTC.
8

9 **VIOLATIONS OF THE FTC ACT**

10 62. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
11 deceptive acts or practices in or affecting commerce."
12

13 63. Misrepresentations or deceptive omissions of material fact constitute
14 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.
15

16 **Count I** 17 **Deceptive Representations**

18 64. In numerous instances in connection with the advertising, marketing,
19 promotion, offering for sale, or sale of student loan debt relief services, Defendants
20 represent, directly or indirectly, expressly or by implication, that:
21

22 a) Consumers who pay for Defendants' program are guaranteed to
23 receive loan forgiveness;

24 b) Consumers who pay for Defendants' program will have their
25 loan repayment amounts reduced;
26

27 c) Defendants will assume responsibility for the servicing of

1 consumers' student loans; and

2 d) Defendants are affiliated with the federal government, including
3 specifically ED.
4

5 65. In fact, in numerous instances in which Defendants have made the
6 representations set forth in Paragraph 64, such representations were false or
7 unsubstantiated at the time Defendants made them.
8

9 66. Therefore, Defendants' representations as set forth in Paragraph 64
10 are false or misleading and constitute deceptive acts or practices in violation of
11 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
12

13 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

14 67. In 1994, Congress directed the FTC to prescribe rules prohibiting
15 abusive and deceptive telemarketing acts or practices pursuant to the
16 Telemarketing Act, 15 U.S.C. §§ 6101–6108. The FTC adopted the original TSR
17 in 1995, extensively amended it in 2003, and amended certain sections thereafter.
18

19 68. Defendants are “seller[s]” or “telemarketer[s]” engaged in
20 “telemarketing” as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A
21 “seller” means any person who, in connection with a telemarketing transaction,
22 provides, offers to provide, or arranges for others to provide goods or services to a
23 customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer”
24 means any person who, in connection with telemarketing, initiates or receives
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1 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).

2 “Telemarketing” means a plan, program, or campaign which is conducted to
3 induce the purchase of goods or services or a charitable contribution, by use of one
4 or more telephones and which involves more than one interstate telephone call. 16
5 C.F.R. § 310.2(gg).
6

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

17 70. The TSR prohibits sellers and telemarketers from misrepresenting
18 directly or by implication any material aspect of any debt relief service, including,
19 but not limited to, the amount of money or the percentage of the debt amount that a
20 customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).
21

22 71. The TSR prohibits sellers and telemarketers from requesting or
23 receiving payment of any fees or consideration for any debt relief service unless
24 and until:
25
26
27

1 a) The seller or telemarketer has renegotiated, settled, reduced, or
2 otherwise altered the terms of at least one debt pursuant to a
3 settlement agreement, debt management plan, or other such valid
4 contractual agreement executed by the customer; and

5
6 b) The customer has made at least one payment pursuant to that
7 settlement agreement, debt management plan, or other valid
8 contractual agreement between the customer and creditor; and

9
10 c) To the extent that debts enrolled in a service are renegotiated,
11 settled, reduced, or otherwise altered individually, the fee or
12 consideration either:

13
14 (1) Bears the same proportional relationship to the total fee for
15 renegotiating, settling, reducing, or altering the terms of the
16 entire debt balance as the individual debt amount bears to the
17 entire debt amount. The individual debt amount and entire debt
18 amount are those owed at the time the debt was enrolled in the
19 service; or
20
21

22 (2) Is a percentage of the amount saved as a result of the
23 renegotiation, settlement, reduction, or alteration. The
24 percentage charged cannot change from one individual debt to
25 another. The amount saved is the difference between the
26
27

1 amount owed at the time the debt was enrolled in the service
2 and the amount actually paid to satisfy the debt. 16 C.F.R. §
3 310.4(a)(5)(i).
4

5 72. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C.
6 § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation
7 of the TSR constitutes an unfair or deceptive act or practice in or affecting
8 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Section
9 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides that the FTC may
10 commence a civil action against “any person, partnership, or corporation” who
11 “violates any rule . . . respecting unfair or deceptive acts or practices.” Section
12 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any action commenced
13 under Section 19(a)(1), the court “shall have jurisdiction to grant such relief as the
14 court finds necessary to redress injury to consumers, including but not limited to
15 recission or reformation of contracts, the refund of money or return of property.”
16
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19
20 **Count II**
21 **Material Debt Relief Misrepresentation**

22 73. In numerous instances, Defendants have, in connection with the
23 telemarketing of student loan debt relief services, misrepresented, directly or
24 indirectly, expressly or by implication, material aspects of their debt relief services,
25 including, but not limited to, that:
26
27

- 1 a) Consumers who pay for Defendants' program are guaranteed to
2 receive loan forgiveness;
- 3 b) Consumers who pay for Defendants' program will have their
4 loan repayment amounts reduced;
- 5 c) Defendants will assume responsibility for the servicing of
6 consumers' student loans; and
7
- 8 d) Defendants are affiliated with the federal government, including
9 specifically ED.
10

11 74. Therefore, Defendants' acts or practices as set forth in Paragraph 73
12 violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).
13

14 **Count III**
15 **Advance Fees for Debt Relief Services**

16 75. In numerous instances, Defendants have, in connection with the
17 telemarketing of student loan debt relief services, requested or received payment of
18 a fee or consideration for debt relief services before:
19

- 20 a) Defendants have renegotiated, settled, reduced, or otherwise
21 altered the terms of at least one debt pursuant to a settlement
22 agreement, debt management plan, or other such valid contractual
23 agreement executed by the customer; and
24
25
26
27

1 b) The customer has made at least one payment pursuant to that
2 settlement agreement, debt management plan, or other valid
3 contractual agreement between the customer and the creditor.
4

5 76. Therefore, Defendants’ acts or practices as set forth in Paragraph 75
6 violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

7 **VIOLATIONS OF THE GRAMM-LEACH-BLILEY ACT**
8

9 77. Section 521 of the GLB Act, 15 U.S.C. § 6821, became effective on
10 November 12, 1999, and remains in full force and effect. Section 521(a) of the
11 GLB Act, 15 U.S.C. § 6821(a), prohibits any person from “obtain[ing] or
12 attempt[ing] to obtain . . . customer information of a financial institution relating to
13 another person . . . by making a false, fictitious, or fraudulent statement or
14 representation to a customer of a financial institution.”
15

16 78. The GLB Act defines “customer” to mean “with respect to a financial
17 institution, any person (or authorized representative of a person) to whom the
18 financial institution provides a product or service, including that of acting as a
19 fiduciary.” 15 U.S.C. § 6827(1). The GLB Act defines “customer information of a
20 financial institution” as “any information maintained by or for a financial
21 institution which is derived from the relationship between the financial institution
22 and a customer of a financial institution and is identified with the customer.” 15
23 U.S.C. § 6827(2). The GLB Act defines “financial institution” to include “any
24 and a customer of a financial institution and is identified with the customer.” 15
25 U.S.C. § 6827(2). The GLB Act defines “financial institution” to include “any
26 and a customer of a financial institution and is identified with the customer.” 15
27

1 institution engaged in the business of providing financial services to customers
2 who maintain a credit, deposit, trust, or other financial account or relationship with
3 the institution.” 15 U.S.C. § 6827(4)(A).
4

5 79. Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a), empowers the
6 FTC to enforce Section 521 of the GLB Act “in the same manner and with the
7 same power and authority as the [FTC] has under the Fair Debt Collection
8 Practices Act [FDCPA] . . . to enforce compliance with such Act.” Pursuant to
9 Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), a violation of the FDCPA is
10 deemed an unfair or deceptive act or practice in violation of the FTC Act. Section
11 814(a) of the FDCPA further provides that all of the functions and powers of the
12 FTC under the FTC Act are available to the FTC to enforce compliance by any
13 person with the FDCPA, including the power to enforce provisions of the FDCPA
14 in the same manner as if the violation had been a violation of an FTC trade
15 regulation rule. Section 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides
16 that the FTC may commence a civil action against “any person, partnership, or
17 corporation” who “violates any rule . . . respecting unfair or deceptive acts or
18 practices.” Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any
19 action commenced under Section 19(a)(1), the court “shall have jurisdiction to
20 grant such relief as the court finds necessary to redress injury to consumers,
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1 including but not limited to rescission or reformation of contracts, the refund of
2 money or return of property.”

3
4 **Count IV**
5 **Use of False Statements to Obtain Customer Information**

6 80. In numerous instances in connection with the advertising, marketing,
7 promotion, offering for sale, or sale of student loan debt relief services, Defendants
8 have made false, fictitious, or fraudulent statements or representations to customers
9 of financial institutions to obtain or attempt to obtain customer information of a
10 financial institution, such as credit or debit card numbers, bank account numbers,
11 and routing numbers, including by representing, directly or indirectly, expressly or
12 by implication, that:
13

- 14
- 15 a) Consumers who pay for Defendants’ program are guaranteed to
16 receive loan forgiveness;
 - 17 b) Consumers who pay for Defendants’ program will have their
18 loan repayment amounts reduced;
 - 19 c) Defendants will assume responsibility for the servicing of
20 consumers’ student loans; and
 - 21 d) Defendants are affiliated with the federal government, including
22 specifically ED.

23
24
25 81. Therefore, Defendants’ acts and practices set forth in Paragraph 80
26 violate Section 521(a) of the GLB Act, 15 U.S.C. § 6821(a).
27

1 **VIOLATIONS OF THE TRADE REGULATION RULE ON**
2 **IMPERSONATION OF GOVERNMENT AND BUSINESSES**

3 82. The Impersonation Rule, promulgated by the FTC under Section 18 of
4 the FTC Act, 15 U.S.C. § 57a, became effective on April 1, 2024, and remains in
5 full force and effect. The Impersonation Rule is codified at 16 C.F.R. Part 461.
6

7 83. Section 461.2(b) of the Impersonation Rule prohibits “materially
8 misrepresent[ing], directly or by implication, affiliation with, including
9 endorsement or sponsorship by, a government entity or officer thereof, in or
10 affecting commerce as *commerce* is defined in the Federal Trade Commission Act
11 (15 U.S.C. 44).”
12

13 84. The Impersonation Rule defines “materially” to mean “likely to affect
14 a person’s choice of, or conduct regarding, goods or services.” 16 C.F.R. § 461.1.
15 The Impersonation Rule defines “government” to include “federal, state, local, and
16 tribal governments as well as agencies and departments thereof.” *Id.*
17

18 85. Pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a
19 violation of the Impersonation Rule constitutes an unfair or deceptive act or
20 practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15
21 U.S.C. § 45(a). Section 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides
22 that the FTC may commence a civil action against “any person, partnership, or
23 corporation” who “violates any rule . . . respecting unfair or deceptive acts or
24 practices.” Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any
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1 action commenced under Section 19(a)(1), the court “shall have jurisdiction to
2 grant such relief as the court finds necessary to redress injury to consumers,
3 including but not limited to rescission or reformation of contracts, the refund of
4 money or return of property.”
5

6 **Count V**
7 **False Claims of Government Affiliation**

8 86. In numerous instances on or after April 1, 2024, in connection with
9 the advertising, marketing, promotion, offering for sale, or sale of student loan debt
10 relief services, Defendants have materially misrepresented, directly or by
11 implication, that they are affiliated with the federal government, including
12 specifically ED.
13
14

15 87. Therefore, Defendants’ representations as set forth in Paragraph 86
16 violate Section 461.2(b) of the Impersonation Rule, 16 C.F.R. § 461.2(b).
17

18 **CONSUMER INJURY**

19 88. Consumers are suffering, have suffered, and will continue to suffer
20 substantial injury as a result of Defendants’ violations of the FTC Act, the TSR,
21 the GLB Act, and the Impersonation Rule. Absent injunctive relief by this Court,
22 Defendants are likely to continue to injure consumers and harm the public interest.
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1 **PRAYER FOR RELIEF**

2 Wherefore, Plaintiff requests that the Court:

3 A. Enter a permanent injunction to prevent future violations of the FTC
4 Act, the TSR, the GLB Act, and the Impersonation Rule;

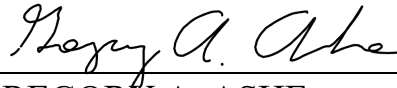
5
6 B. Grant preliminary injunctive and ancillary relief as may be necessary
7 to avert the likelihood of consumer injury during the pendency of this action and to
8 preserve the possibility of effective final relief, including temporary and
9 preliminary injunctions, an order freezing assets, immediate access to Corporate
10 Defendants' premises, and appointment of a receiver;

11
12 C. Award monetary and other relief within the Court's power to grant,
13 including the rescission or reformation of contracts, the refund of money, or other
14 relief necessary to redress injury to consumers; and
15

16
17 D. Award any additional relief as the Court determines to be just and
18 proper.
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1 Dated: June 24, 2024

Respectfully submitted,

2 

3 _____
GREGORY A. ASHE

4 (*pro hac vice* application pending)

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