

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

COMMISSIONERS: **William E. Kovacic, Chairman**
 Pamela Jones Harbour
 Jon Leibowitz
 J. Thomas Rosch

_____)
In the Matter of)
)
MICHAEL GENDROLIS dba) **DOCKET NO. C-**
GOOD LIFE FUNDING)
)
_____)

COMPLAINT

The Federal Trade Commission, having reason to believe that Michael Gendrolis dba Good Life Funding (“respondent”), a sole proprietorship owned by Michael Gendrolis or place of business at 1901 Newport

92627.

- 2. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

- 3. In the mortgage lending industry, there are certain terms of art. These terms generally have the following meanings. An “interest rate” is the rate charged the consumer for the loan. It is usually stated as an annual amount, such as “6% interest.” “Interest” is the dollar amount the consumer owes based on the interest rate. A “payment rate” is the rate used to calculate the consumer’s monthly payment amount, and is not necessarily the same as the interest rate. If the payment rate is less than the interest rate, the consumer’s monthly payment amount does not include the full interest owed each month; the difference between the amount the consumer pays, and the amount the consumer owes, is added to the total amount due from the consumer. “Negative amortization” is an increase in the consumer’s total debt due during the term of the loan. It occurs when the consumer’s monthly payment amount does not contain the amount of interest owed for that month. The difference between the amount the consumer pays, and the amount the consumer owes, is added to the consumer’s total debt, causing it to increase.

4. Since at least 2007, respondent has disseminated or has caused to be disseminated advertisements that promote extensions of closed-end credit in consumer credit transactions, as the terms “advertisement” and “consumer credit” are defined in Section 226.2 of Regulation Z, 12 C.F.R. § 226.2.
5. Respondent has disseminated or has caused to be disseminated mortgage loan advertisements, including but not necessarily limited to the attached Exhibit A. Exhibit A is a direct mail advertisement, which contains the following statements:

- a. At the top of the advertisement, respondent states the following:

RE Northern Trust Bank of CA
Original Loan: \$557,000

Case Number: DBA19282009
Re-Negotiation Department

- b. In the body of the advertisement, respondent states the following:

Your first Mortgage originally funded by Northern Trust Bank of CA can be restructured to a TEN Yr fixed payment of only \$116. . .

Your payment rate is only 1/4%* and is fixed for TEN years. . . This is the lowest payment in mortgage history.

You can receive an additional \$88,252 Cash out with a monthly payment of only \$134. . .

Call Today, and have No House Payments until June 2008 (that’s 12 months)**.

A fine print disclosure at the bottom of the advertisement states: “Good Life Funding is not sponsored or affiliated with Northern Trust Bank of CA and the solicitation is not authorized by Northern Trust Bank of CA. . . *Payment Rate 1/4% 6.75% APR. Deferred interest will accrue. . . ** . . . Based on the first year 1/4% interest only payment at close . . .” [Exhibit A]

FEDERAL TRADE COMMISSION ACT VIOLATIONS

COUNT I: Failure to Disclose, or Failure to Disclose Adequately, Material Terms

6. Through the means described in Paragraph 5, respondent has represented, expressly or by implication, that consumers can receive mortgage loans at the terms prominently stated in the advertisements, including but not necessarily limited to a low monthly payment amount and/or a low payment rate.
7. In its mortgage loan advertisements as described in Paragraph 5, respondent has failed to disclose, or failed to disclose adequately, additional terms pertaining to the mortgage offer, such as:

a.

- a. the terms of repayment;
 - b. the “annual percentage rate,” using that term; and
 - c. if the annual percentage rate may be increased after consummation, that fact.
14. Respondent’s practices have violated Section 144 of the Truth in Lending Act, 15 U.S.C. § 1664 (as amended) and Section 226.24(c) of Regulation Z, 12 C.F.R. § 226.24(c).

COUNT IV: Failure to Disclose, or Failure to Disclose Clearly and Conspicuously, Required Credit Advertisem