

UNITED STATES OF

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January 23, 2007

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**violations** of the TILA, Regulation Z, and the FTC Act, regarding the sale of and refunds for tax-information products. There are other ongoing invest

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<sup>4</sup> Federal Trade Commission v. Chase Financial Funding, Inc., No. SACV 04-549 GLT (ANx) (C.D. Cal. filed May 12, 2004).

<sup>5</sup> In re Berry, No. 8:06-BK-10560-JR (Bankr. C.D. Cal. Apr. 20, 2006).

<sup>6</sup> Id. (Bankr. C.D. Cal. Oct. 17, 2006).



In October 2006, the President signed into law the John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. 109-364. Section 670 of this law provides for rate limits and other requirements, including provisions that relate to the TILA, on certain loans to active duty service members and their dependents. The law is to be implemented through rulemaking by the Department of Defense (“DOD”), which is required to consult with the federal banking agencies and the Commission in prescribing the regulations. The Commission’s staff is part of an interagency working group that is providing input to DOD.

### **C. Consumer and Business Education**

The Commission’s consumer and business education efforts for consumer credit and consumer leasing are important to its mission and enforcement goals. In 2006, the Commission released the “Consumer Credit Briefcase,” a miniature computer disk (“mini CD”) containing copies of many of the Commission’s credit-related consumer education materials, including publications on mortgages, credit cards and consumer loans. In furtherance of the Commission’s Hispanic Outreach program, the Commission published Spanish-language versions of credit-related brochures, including “Credit, ATM, and Debit Cards: What to do if They’re Lost or Stolen,” “Fair Credit Billing,” “Avoiding Credit and Charge Card Fraud,” and “Credit and Your Consumer Rights.”<sup>10</sup> All of the Commission’s consumer protection materials are made available to the public through the Commission’s Web site.<sup>11</sup>

#### **Equal Credit Opportunity Act**

Although no enforcement actions were issued in 2006, there are ongoing investigations of potential violations of the ECOA and Regulation B. As part of the ongoing law enforcement coordination efforts, the Commission staff continued its participation in the Interagency Task Force on Fair Lending, currently chaired by Board staff. The Commission also continued its consumer and business education efforts, including efforts to increase awareness of and compliance with the ECOA. The Commission’s new mini CD “Consumer Credit Briefcase,” and its Spanish-language publication “Credit and Your Consumer Rights,” discussed above, include information on consumer rights under the ECOA.

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<sup>10</sup> See FEDERAL TRADE COMM’N, TARJETAS DE CREDITO, DEBITO Y ATM; QUE HACER SI SE PIERDEN O SON ROBADAS, at <http://www.ftc.gov/bcp/online/spanish/credit/s-atmcard.htm>; FEDERAL TRADE COMM’N, FACTURACION IMPARCIAL DE CREDITO, at <http://www.ftc.gov/bcp/online/spanish/credit/s-feb.htm>; FEDERAL TRADE COMM’N, COMO EVITAR EL FRAUDE DE TARJETAS DE CREDITO Y CARGO, at <http://www.ftc.gov/bcp/online/spanish/credit/s-cards.htm>; and FEDERAL TRADE COMM’N, CREDITO Y SUS DERECHOS COMO CONSUMIDOR, at <http://www.ftc.gov/bcp/online/spanish/credit/s-crdright.pdf>

<sup>11</sup> See <http://www.ftc.gov/ftc/consumer.htm>

**Electronic Fund Transfer Act**

In 2006, the Commission filed two federal district court actions for alleged violations of the EFTA, Regulation E, the FTC Act, and other federal statutes. Other investigations of potential EFTA violations are ongoing.

The Commission filed a complaint in federal district court against Remote Response Corporation, its marketing and management company, and various principals for, among other things, alleged violations of the EFTA, Regulation E, and the FTC Act.<sup>12</sup> According to the complaint, the defendants marketed to Spanish-speaking consumers and sold products under the name “Amerikash.” The complaint alleges that defendants made promises of a guaranteed, pre-approved MasterCard for an advance fee ranging from \$138-\$200 (along with free items such as an ATM card and phone card) and a free trial membership in a discount health plan. The complaint alleges that many consumers never received a MasterCard, and instead received only a random combination of the free items, and that many consumers received nothing. The complaint also alleges defendants charged consumers’ credit cards, or debited their bank accounts for the discount health plan on a recurrent basis, without obtaining their authorization for preauthorized electronic fund transfers in violation of the EFTA and Regulation E. The complaint seeks consumer redress and other permanent equitable relief.

Upon motion by the Commission, the court entered an *ex parte* temporary restraining order freezing the defendants’ assets and prohibiting them from engaging in the violations alleged by the complaint<sup>13</sup> and a stipulated preliminary injunction with an asset freeze and other equitable relief.<sup>14</sup> As the litigation progressed this year, the Commission obtained a default judgment and permanent injunction against defendant Instant Way Corp<sup>15</sup> and successfully moved the court for a civil contempt order against three individual defendants for failure to comply with the financial disclosure requirements of the preliminary injunctions.<sup>16</sup> The trial is scheduled for April 2007.

The Commission filed a complaint in federal district court against a group of corporate and individual defendants (collectively, “Berkeley Premium”) for, among other things, alleged violations of the EFTA, Regulation E, and the FTC Act.<sup>17</sup> According to the complaint, the

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<sup>12</sup> Federal Trade Commission v. Remote Response Corp., No. 06-20168-CIV (S.D. Fla. filed Jan. 23, 2006). The complaint was later amended to include additional principals of Remot

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defendants offered consumers “free” samples of their dietary supplements and enrolled them in a program that automatically shipped them more pills and billed them for the shipments, even though most consumers never agreed to participate in the program. The complaint charged that after consumers provided credit or debit card information to pay the \$4.50 shipping and handling fee for the “free” sa