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<sup>1</sup> The Commission is charged with enforcement of the FTC Act and various federal consumer financial laws and regulations, including the Truth in Lending Act (“TILA”), Consumer Leasing Act (“CLA”), Equal Credit Opportunity Act (“ECOA”), and Electronic Fund Transfer Act (“EFTA”), with respect to most nonbank entities in the nation. The Commission does not have data regarding the extent of compliance by these numerous nonbank entities with these mandates. As a result, this letter does not provide information on that issue.

<sup>2</sup> Information concerning the Commission’s enforcement and other activities discussed in this

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<sup>6</sup> The Commission continued its litigation in federal district court against Canadian-based Consumer Alliance, Inc. The Commission alleged that Consumer Alliance deceptively marketed worthless credit-card protection programs to U.S. consumers by misrepresenting the \$50 limit established by the TILA for liability for unauthorized credit card charges, which induced consumers to disclose their credit card account numbers, and caused unauthorized charges to be posted on those accounts. The court granted the Commission's motion for summary judgment as to liability under the FTC Act and other federal requirements and issued a permanent injunction against defendants. A date for a hearing on the remaining issue of damages has not been set. Federal Trade Commission v. Consumer Alliance, Inc., No. 1:02-CV-2429 (N.D. Ill. filed Apr. 4, 2002).

<sup>7</sup> Federal Trade Commission v. Stewart Finance Company Holdings, Inc., No. 1:03-CV-2648-JTC (N.D.Ga. filed Sept. 4, 2003). In addition, the Commission is litigating in bankruptcy court, where Stewart Finance Company, Inc., Stewart National Finance Company, Inc., and D & E Acquisitions, have filed for relief under the reorganization provisions of Chapter 11 of the Bankruptcy Code. In re Stewart Finance Company, Nos. 03-30277 (RHF), 03-30278 (RHF), and 03-30398 (RHF) (Bankr. M.D. Ga. filed Feb. 10, 2003 and Feb. 27, 2003).

<sup>8</sup> Id. (N.D.Ga. Sept. 12, 2003) (temporary restraining order with asset freeze); (N.D. Ga. Oct. 8, 2003) (two orders of preliminary injunc

and failing to promptly credit consumers for money they were owed. Under the settlement, the bankrupt corporate defendant, through its Chapter 7 trustee, is permanently barred from engaging in any business and from seeking authority to operate defendant's business.<sup>10</sup> Other charges against the individual defendant are still pending.

The Commission filed a complaint in federal district court against 30 Minute Mortgage Inc., as well as its principals Gregory P. Roth and Peter W. Stolz (collectively, "30 Minute Mortgage"), for alleged violations of the FTC Act, TILA, and Regulation Z, and other statutes.<sup>11</sup> According to the complaint, 30 Minute Mortgage misrepresented to consumers via email solicitations and its Web sites that it was a "national mortgage lender" and falsely advertised "3.95% 30 year mortgages." Although the defendants urged consumers to complete detailed online loan applications, the complaint alleged, 30 Minute Mortgage is not a mortgage lender and does not offer such loans. Instead, the defendants allegedly sold or offered to sell thousands of completed applications to nonaffiliated third parties without the consent of consumers. In addition, the Commission alleged that defendants' loan solicitations failed to make certain disclosures required by the TILA and Regulation Z. A stipulated preliminary judgment was ordered against all defendants. A stipulated final judgment providing for injunctive and other equitable relief was entered as to both individual defendants,<sup>12</sup> and a final default judgment and order for permanent injunction and equitable relief was entered against the corporate defendant.<sup>13</sup>

The Commission continued its litigation in federal district court against National Audit Defense Network, Inc., Tax Coach, Inc. (doing business as Tax Ready), and various officers of both companies, filed last year.<sup>14</sup> The Commission filed an amended complaint in the matter adding individual and corporate defendants. The case is now in the discovery phase. The court's preliminary injunction issued last year remains in effect. The company has filed for reorganization under Chapter 11 of the Bankruptcy Code.

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

The Commission's consumer and business education efforts are vital to achieving its mission and enforcement goals. In 2003, the Commission issued updates to various consumer publications to provide current and useful information to consumers, including significant

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<sup>10</sup> Id. (N.D. Ga. Nov. 12, 2003).

<sup>11</sup> Federal Trade Commission v. 30 Minute Mortgage Inc., No. 03-60021(JAL) (S.D. Fla filed Jan. 9, 2003).

<sup>12</sup> Id. (S.D. Fla. Sept. 16, 2003); (S.D. Fla. Nov. 26, 2003).

<sup>13</sup> Id. (S.D. Fla. Nov. 26, 2003).

<sup>14</sup> The complaint alleges the defendants violated the FTC Act and TILA and Regulation Z regarding misrepresentations about merchandise refunds and by failing to timely credit consumers' credit card accounts after accepting the return of tax-information products or otherwise acknowledging that refunds were owed. Federal Trade Commission v. National Audit Defense Network, Inc., No. CV-S-02-0131 (D. Nev. filed Jan. 30, 2002).

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expansion to “Need a Loan? Think Twice About using Your Home as Collateral,” “Reverse Mortgages,” and “Credit and Debit Card Blocking,” warning about the effect of merchants placlock00.0n4c 7, 2003).

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<sup>15</sup> The Commission also filed a case in federal district court against Electronic Financial Group, Inc. and its principals, Paul McClinton, Jerry Federico, and Randy Balusek, alleging they violated the FTC Act and the Telemarketing Sales Rule (“TSR”) when they deceptively marketed and sold advance-fee debit cards by misrepresenting that they are credit cards and that the defendants report consumers’ account activity to the three major credit bureaus, thereby improving consumers’ credit ratings. Although the complaint does not allege violations of the EFTA, the defendants were charged with violating the TSR by processing Automated Clearinghouse Transactions on behalf of numerous fraudulent outbound telemarketing operations, including at least four client telemarketer engaged in deceptively selling advance-fee credit cards. Federal Trade Commission v. Electronic Financial Group, Inc., No. W03-CA-0211 (W.D. Tex. filed July 7, 2003).

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The Commission filed and settled a case in federal district court charging MicroFinancial, Inc. and its wholly owned subsidiary, Leasecomm, with violations of the FTC Act and EFTA in connection with false and misleading representations made by Leasecomm about the financing of business ventures sold by third-party vendors and finance contracts.<sup>16</sup> Among other things, the Commission alleged that Leasecomm conditions the extension of credit

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<sup>16</sup> Federal Trade Commission v. Leasecomm Corp. and MicroFinancial, Inc., No. 1:03-cv-11034 (REK) (D. Mass. filed May 29, 2003).

<sup>17</sup> United States of America v. Mantra Films, Inc., and Joseph R. Francis, No. CV03-9184 (C.D. Cal. filed Dec.16, 2003).

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The Commission hopes that the information contained in this letter responds to your inquiry and will assist in preparation of the Board's Annual Report to Congress. If any other information would be useful or if you wish to request additional assistance, please contact Joel Winston, Associate Director, Division of Financial Practices, at (202) 326-3224.

By direction of the Commission.

Donald S. Clark  
Secretary