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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 2:19-cv-7849

_____)
FEDERAL TRADE COMMISSION,)

and)

STATE OF MINNESOTA, by its)
Attorney General, Keith Ellison,)

Plaintiffs,)

v.)

MANHATTAN BEACH)
VENTURE, LLC, a limited liability)
company, also d/b/a The Student)
Loan Relief Department;)

CHRISTOPHER E. LYELL, an)
individual;)

BRADLEY K. HANSEN, an)
individual; and)

EQUITABLE ACCEPTANCE)
CORPORATION, a corporation,)

Defendants.)
_____)

STIPULATED ORDER
FOR PERMANENT INJUNCTION,
MONETARY RELIEF
AND FINAL JUDGMENT AS TO
EQUITABLE ACCEPTANCE
CORPORATION

1 Plaintiff, the Federal Trade Commission (“Commission or “FTC”), and
2 Plaintiff, the Minnesota Attorney General (“MN AG”) (collectively, “Plaintiffs”),
3 filed their Complaint for Permanent Injunction and Other Equitable Relief
4 (“Complaint”), pursuant to Sections 13(b) and 19 of the Federal Trade
5 Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and
6 Consumer Fraud and Abuse Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108,
7 the Truth in Lending Act (“TILA”), 15 U.S.C. § 1601-1666j, the Minnesota
8 Uniform Deceptiv

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1 3. The Complaint also charges that EAC, in the offering or extension of
2 credit to consumers for purchase of MBV Defendants’ products or services,
3 misstated the terms of these loans in violation of the Truth in Lending Act
4 (“TILA”), 15 U.S.C. §§ 1631 and 1638, and its implementing Regulation Z, 12
5 C.F.R. §§ 1026.17 and 1026.18. The Complaint further alleges that EAC violated
6 the MN RLA by failing to make the disclosures required by Minnesota Statutes
7 section 56.14(1), which incorporates TILA disclosures into Minnesota state law.

8 4. EAC neither admits nor denies any of the allegations in the
9 Complaint, except as specifically stated in this Order. Only for purposes of this
10 action, EAC admits the facts necessary to establish jurisdiction.

11 5. EAC waives any claim that it may have under the Equal Access to
12 Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action through
13 the date of this Order, and agrees to bear its own costs and attorney fees.

14 6. EAC and Plaintiffs waive a ~ ® Leg gh
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1 4. providing names of, or assisting in the generation of, potential
2 customers;

3 5. performing marketing, billing, or payment services of any kind; or

4 6. acting or serving as an owner, officer, director, manager, or principal
5 of any entity.

6 B. **“Consumer Reporting Agency”** or **“CRA”** shall mean any Person
7 which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly
8 engages in whole or in part in the practice of assembling or evaluating consumer
9 credit information or other information on consumers for the purpose of furnishing
10 consumer reports to third parties, and which uses any means or facility of interstate
11 commerce for the purpose of preparing or furnishing consumer reports.

12 C. **“Dealer”** means any Person for whom EAC is providing credit
13 services to consumers for the purchase of that Person’s product or service.

14 D. **“Debt”** means any obligation or alleged obligation of a consumer to
15 pay money arising out of a transaction in which the money, property, or services
16 that are the subject of the transaction are primarily for personal, family, or
17 household purposes, whether or not such obligation has been reduced to judgment.

18 E. **“MBV”** means Defendant Manhattan Beach Venture, LLC d/b/a the
19 Student Loan Relief Department.

20 F. **“MBV Defendants”** means Defendants Manhattan Beach Venture,
21 LLC d/b/a the Student Loan Relief Department, Christopher E. Lyell, and Bradley
22 K. Hansen, individually, collectively, or in any combination.

23 G. **“Person”** means a natural person, organization, or other legal entity,
24 including a corporation, partnership, proprietorship, association, cooperative, or
25 any other group or combination acting as an entity.

26 H. **“Secured or Unsecured Debt Relief Product or Service”** means:
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1 1. With respect to any mortgage, loan, Debt, or obligation between a
2 person and one or more secured or unsecured creditors or debt collectors, any
3 product, service, plan, or program represented, expressly or by implication, to:

4 a. stop, prevent, or postpone any mortgage or deed of foreclosure
5 sale for a person's dwelling, any other sale of collateral, any repossession of a
6 person's dwelling or other collateral, or otherwise save a person's dwelling or
7 other collateral from foreclosure or repossession;

8 b. negotiate, obtain, or arrange a modification, or renegotiate,
9 settle, or in any way alter any terms of the mortgage, loan, Debt, or obligation,
10 including a reduction in the amount of interest, principal balance, monthly
11 payments, or fees owed by a person to a secured or unsecured creditor or debt
12 collector;

13 c. obtain any forbearance or modification in the timing of
14 payments from any secured or unsecured holder or servicer of any mortgage, loan,
15 Debt, or obligation;

16 d. negotiate, obtain, or arrange any extension of the period of time
17 within which a person may (i) cure his or her default on the mortgage, loan, Debt,
18 or obligation, (ii) reinstate his or her mortgage, loan, Debt, or obligation, (iii)
19 redeem a dwelling or other collateral, or (iv) exercise any right to reinstate the
20 mortgage, loan, Debt, or obligation or redeem a dwelling or other collateral;

21 e. obtain any waiver of an acceleration clause or balloon payment
22 contained in any promissory note or contract secured by any dwelling or other
23 collateral; or

24 f. negotiate, obtain, or arrange (i) a short sale of a dwelling or
25 other collateral, (ii) a deed-in-lieu of foreclosure, or (iii) any other disposition of a
26 mortgage, loan, Debt, or obligation other than a sale to a third party that is not the
27 secured or unsecured loan holder.

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1 The foregoing shall include any manner of claimed assistance, including auditing
2 or examining a person's application for the mortgage, loan, Debt, or obligation.

3 2. With respect to any loan, Debt, or obligation between a person and
4 one or more unsecured creditors or debt collectors, any product, service, plan, or
5 program represented, expressly or by implication, to:

- 6 a. repay one or more unsecured loans, Debts, or obligations; or
- 7 b. combine unsecured loans, Debts, or obligations into one or
8 more new loans, Debts, or obligations.

9 **I.**

10 **BAN ON SECURED AND UNSECURED**
11 **DEBT RELIEF PRODUCTS AND SERVICES**

12 IT IS ORDERED that EAC is permanently restrained and enjoined from
13 financing the purchase of, or Assisting Others in the advertising, marketing,
14 promoting, offering for sale, selling, financing the purchase of, any Secured or
15 Unsecured Debt Relief Product or Service.

16 **II.**

17 **PROHIBITION AGAINST MISREPRESENTATIONS**
18 **RELATING TO FINANCIAL PRODUCTS AND SERVICES**

19 IT IS FURTHER ORDERED that EAC, EAC's officers, agents, employees,
20 and attorneys, and all other Persons in active concert or participation with any of
21 them, who receive actual notice of this Order, whether acting directly or indirectly,
22 in connection with the advertising, marketing, promoting, offering for sale, or
23 selling of any financial product or service, are permanently restrained and enjoined
24 from misrepresenting, or Assisting Others in misrepresenting, expressly or by
25 implication:

26 A. the terms or rates that are available for any loan or other extension of
27 credit, including:

- 28 1. closing costs or other fees;

- 1 2. the payment schedule, monthly payment amount(s), any balloon
- 2 payment, or other payment terms;
- 3 3. the interest rate(s), annual percentage rate(s), or finance charge(s), and
- 4 whether they are fixed or adjustable;
- 5 4. the loan amount, credit amount, draw amount, or outstanding balance;
- 6 the loan term, draw period, or maturity; or any other term of credit;
- 7 5. the amount of cash to be disbursed to the borrower out of the
- 8 proceeds, or the amount of cash to be disbursed on behalf of the borrower to any
- 9 third parties;
- 10 6. whether any specified minimum payment amount covers both interest
- 11 and principal, and whether the credit has or can result in negative amortization; or
- 12 7. that the credit does not have a prepayment penalty or whether
- 13 subsequent refinancing may trigger a prepayment penalty and/or other fees;
- 14 B. the ability to improve or otherwise affect a consumer's credit record,
- 15 credit history, credit rating, or ability to obtain credit, including that a consumer's
- 16 credit record, credit history, credit rating, or ability to obtain credit can be
- 17 improved by permanently removing current, accurate negative information from
- 18 the consumer's credit record or history;
- 19 C. that a consumer will receive legal representation; or
- 20 D. any other fact material to consumers concerning any good or service,
- 21 such as: the total costs; any material restrictions, limitations, or conditions; or any
- 22 material aspect of its performance, efficacy, nature, or central characteristics.

23 **III.**

24 **PROHIBITION AGAINST MISREPRESENTATIONS RELATING TO ANY**

25 **PRODUCTS OR SERVICES**

26 IT IS FURTHER ORDERED that EAC, EAC's officers, agents, employees,

27 and attorneys, and all other Persons in active concert or participation with any of

28 them, who receive actual notice of this Order, whether acting directly or indirectly,

1 in connection with the advertising, marketing, promoting, offering for sale, or
2 selling of any product, service, plan, or program, are permanently restrained and
3 enjoined from misrepresenting, or Assisting Others in misrepresenting, expressly
4 or by implication:

5 A. any material aspect of the nature or terms of any refund, cancellation,
6 exchange, or repurchase policy, including the likelihood of a consumer obtaining a
7 full or partial refund, or the circumstances in which a full or partial refund will be
8 granted to the consumer;

9 B. that any Person is affiliated with, endorsed or approved by, or
10 otherwise connected to any other Person; government entity; public, non-profit, or
11 other noncommercial program; or any other program;

12 C. the nature, expertise, position, or job title of any Person who provides
13 any product, service, plan, or program; or

14 D. any other fact material to consumers concerning any good or service,
15 such as: the total costs; any material restrictions, limitations, or conditions; or any
16 material aspect of its performance, efficacy, nature, or central characteristics.

17 IV.

18 REQUIRED DISCLOSURES

19 IT IS FURTHER ORDERED that EAC, EAC's officers, agents, employees,
20 and attorneys, and all other Persons in active concert or participation with any of
21 them, who receive actual notice of this Order, whether acting directly or indirectly,
22 in connection with the advertising, marketing, promoting, offering, or extension of
23 credit, are hereby permanently restrained and enjoined from:

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- 1 (2) that, pursuant to an agreement with the Federal Trade Commission
2 and the State of Minnesota, EAC will not collect or attempt to collect
3 on any debt that the consumer had incurred as a result of EAC's
4 extension of credit to the consumer;
- 5 (3) that EAC will not sell, assign or otherwise transfer any outstanding
6 debt that the consumer owes to EAC;
- 7 (4) that, to remain in any federal student loan payment assistance program
8 offered by the U.S. Department of Education, and to avoid losing the
9 benefits of continuous enrollment in such a program, the consumer is
10 required each year to re-certify, and update certain information to the
11 Department of Education, and that the consumer should contact the
12 Department of Education or the consumer's student loan servicer, and
13 not EAC, for information as to how and when to submit the required
14 annual re-certification;
- 15 (5) that EAC will no longer report to any information about the
16 consumer's EAC account to any Consumer Reporting Agency, and
17 that for each Consumer Reporting Agency to which EAC has
18 previously reported information about the consumer's account with
19 EAC, EAC has requested that the CRA delete the account from the
20 consumer's credit report; and
- 21 (6) the name and contact information for each CRA to which EAC
22 submitted the request to delete the consumer's account from the
23 consumer's credit reporting file, and the date on which the request
24 was sent.

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26 EAC shall for one year from the date of this Order, keep (a) all contact information
27 for each consumer as to whom EAC is required to send the required notice and (b)
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1 the template for the notice that EAC sent to consumers. EAC shall provide the
2 contact information and template to Plaintiffs upon request.

3 **VI.**

4 **MONETARY JUDGMENT AND PARTIAL SUSPENSION**

5 A. IT IS FURTHER ORDERED that Judgment in the amount of Three
6 Million Eight Hundred One Thousand Two Hundred Forty-Four Dollars
7 (\$3,801,244) is entered in favor of Plaintiffs against Defendant Equitable
8 Acceptance Corporation as equitable monetary relief.

9 B. EAC is ordered to pay to Plaintiffs One Hundred Thirty-Six Thousand
10 Two Hundred Dollars (\$136,200), which, as EAC stipulates, its undersigned
11 counsel holds in escrow for no purpose other than payment to the Commission.
12 Such payment must be made within 7 days of entry of this Order by electronic fund
13 transfer in accordance with instructions previously provided by a representative of
14 the Commission. Upon such payment the remainder of the judgment is suspended,
15 subject to the Subsections below.

16 C. Plaintiffs' agreement to the suspension of the judgment is expressly
17 premised upon the truthfulness, accuracy and completeness of EAC's sworn
18 financial statements and related documents (collectively, "EAC Financial
19 Representations") submitted to the Commission and the MN AG. These
20 documents include:

- 21 1. the Financial Statement of Corporate Defendant Equitable Acceptance
22 Corporation, signed by Daryl Soeder, on February 18, 2019, including
23 the attachments; and
- 24 2. all documents that are listed in a letter dated May 2, 2019 sent by FTC
25 counsel John Jacobs to EAC counsel James Chareq with the subject
26 line "Equitable Acceptance Corp. / FTC Matter 1723041."

27 D. The suspension of the judgment will be lifted if, upon motion by
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¶

1 misstated the value of any asset, or made any other material misstatement or
2 omission in the EAC Financial Representations identified above.

3 E. If the suspension of the judgment is lifted, the judgment becomes
4 immediately due in the amount specified in Subsection A. above (which the parties
5 stipulate only for purposes of this Section represents the consumer injury alleged in
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1 *Provided*, however, that customer information need not be disposed of, and
2 may be disclosed, to the extent requested by a government agency or required by
3 law, regulation, or court order.

4 **IX.**

5 **ORDER ACKNOWLEDGMENTS**

6 **IT IS FURTHER ORDERED** that EAC obtain acknowledgments of receipt
7 of this Order:

8 A. EAC within 7 days of entry of this Order, must submit to Plaintiffs an
9 acknowledgment of receipt of this Order sworn under penalty of perjury.

10 B. For five 5 years after entry of this Order, EAC for any business that it
11 is the majority owner or controls directly or indirectly must deliver a copy of this
12 Order to: (1) all principals, officers, directors, and LLC managers and members;
13 (2) all employees, agents, and representatives who participate in conduct related to
14 the subject matter of the Order; (3) all Dealers with whom EAC is engaged in a
15 business relationship; and (4) any business entity resulting from any change in
16 structure as set forth in the Section titled Compliance Reporting. Delivery must
17 occur within 7 days of entry of this Order for current personnel. For all others,
18 delivery must occur before they assume their responsibilities.

19 C. From each Person to which EAC delivered a copy of this Order, EAC
20 must obtain, within 30 days, a signed and dated acknowledgment of receipt of this
21 Order.

22 **X.**

23 **COMPLIANCE REPORTING**

24 **IT IS FURTHER ORDERED** that EAC make timely submissions to
25 Plaintiffs:

26 A. One year after entry of this Order, EAC must submit a compliance
27 report, sworn under penalty of perjury:
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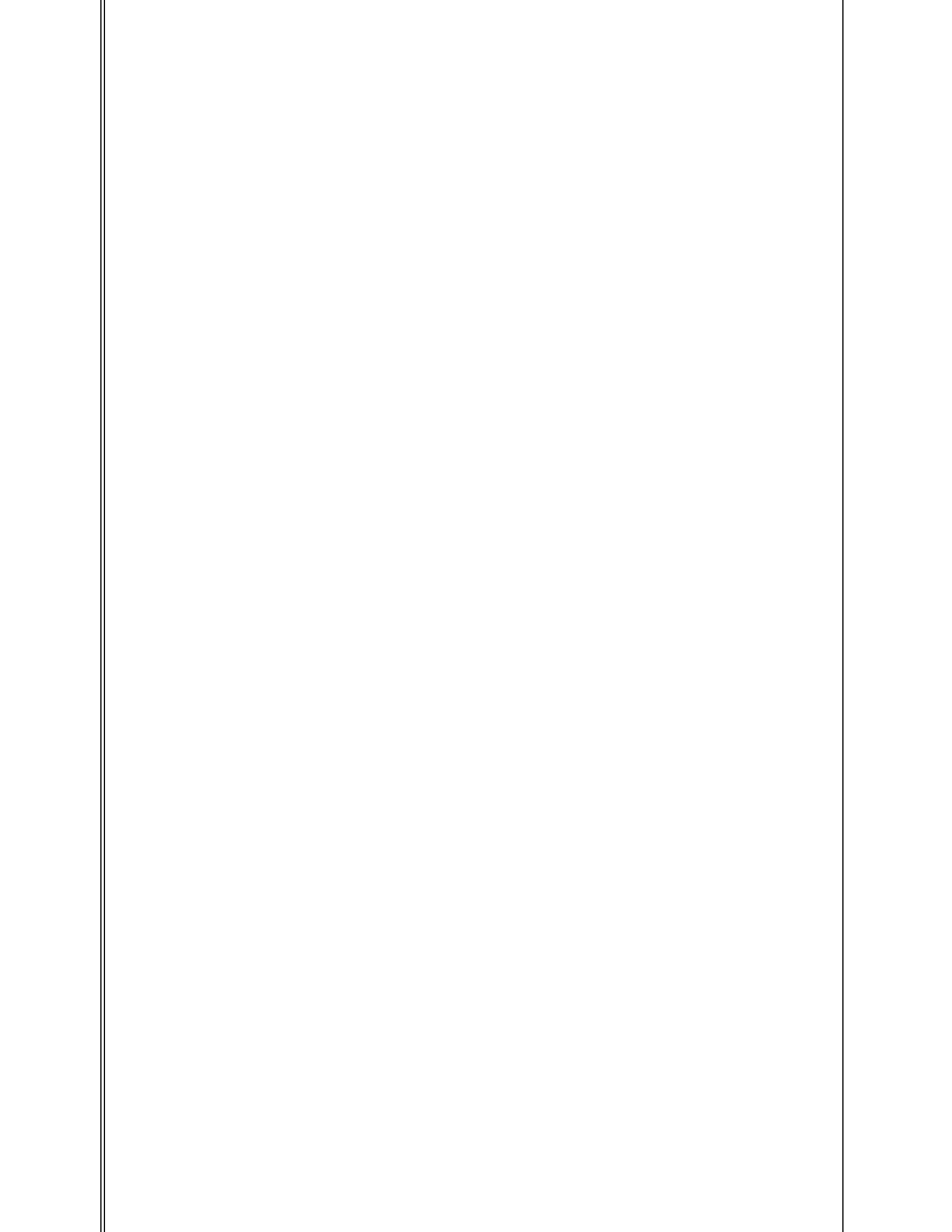
1 1. EAC must: (a) identify the primary physical, postal, and email address
2 and telephone number, as designated points of contact, which representatives of
3 Plaintiffs may use to communicate with EAC; (b) identify all of EAC's businesses
4 by all of their names, telephone numbers, and physical, postal, email, and Internet
5 addresses; (c) describe the activities of each business, including the goods and
6 services offered, the means of advertising, marketing, and sales, and the
7 involvement of any other defendant in this proceeding; (d) describe in detail
8 whether and how EAC is in compliance with each Section of this Order; and (e)
9 provide a copy of each Order Acknowledgment obtained pursuant to this Order,
10 unless previously submitted to Plaintiffs.

11 B. For 20 years after entry of this Order, EAC must submit a compliance
12 notice, sworn under penalty of perjury, within 14 days of any change in the
13 following:

14 1. EAC must report any change in: (a) any designated point of contact;
15 or (b) the structure of EAC or any entity that EAC has any ownership interest in or
16 controls directly or indirectly that may affect compliance obligations arising under
17 this Order, including: creation, merger, sale, or dissolution of the entity or any
18 subsidiary, parent, or affiliate that engages in any acts or practices subject to this
19 Order.

20 C. EAC must submit to the Plaintiffs notice of the filing of any
21 bankruptcy petition, insolvency proceeding, or similar proceeding by or against
22 EAC within 14 days of its filing.

23 D. Any submission to Plaintiffs required by this Order to be sworn under
24 penalty of perjury must be true and accurate and comply with 28



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