

1 DAVID C. SHONKA
Acting General Counsel
2 K. MICHELLE GRAJALES
mgrajales@ftc.gov
3 LISA ANNE ROTHFARB
lrothfarb@ftc.gov
4 FEDERAL TRADE COMMISSION
5 600 Pennsylvania Ave., NW
6 Mail Stop, CC-102320
7 Washington, DC 20530
8 (202) 326-2131

FILED
CLERK, U.S. DISTRICT COURT
9/27/17
CENTRAL DISTRICT OF CALIFORNIA
BY: [Signature] EK DEPUTY

9 JOHN D. JACOBS, Cal. Bar No. 134154
jjacobs@ftc.gov
10 FEDERAL TRADE COMMISSION
11 1000 Wilshire Blvd, Suite 2000
12 Los Angeles, CA 90024
13 Tel: (310) 804-4343 Ext. 1 (ax) (310) 824-4380
Attorneys for Plaintiff

14 LODGED
15 9/25/17
16
CENTRAL DISTRICT OF CALIFORNIA
BY: ER DEPUTY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Civ. No. LA17CV07044-SJO(JCx)

18 FEDERAL TRADE COMMISSION

19 Plaintiff,

COMPLAINT FOR
INJUNCTION AND
EQUITABLE RELIEF

21 vs.

FILED UNDER SEAL

22 AI DOCPRED.FINC., a corporation;
23 STREAM LINED MARKETING, a
24 corporation, also d/b/a Streamlined Marketing
25 Students and Digital Project America;
26 BLOOM LAW GROUP PC, a
27 professional liability corporation;
28 Home Shield Network, LLC;
Home USA; and
HOMAN ARDALAN, individually and

as an officer of A1 DOCPREP INC., }

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

1 with their deceptive marketing and sale of student loan debt relief and mortgage
2 assistance relief services.

3
4 **JURISDICTION AND VENUE**

5 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
6 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a), 53(b), 6102(c), 6105(b), and
7
8 Section 626 of the Omnibus Act, as clarified by Section 511 of the Credit Card
9 Act, and amended by Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538.

10 3. Venue is proper in this district under 28 U.S.C. § 1391(b)(1), (b)(2),
11 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).

12
13 **PLAINTIFF**

14 4. The FTC is an independent agency of the United States Government
15 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC
16 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
17 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§
18 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces
19 the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing
20 acts or practices in or affecting commerce. Pursuant to 12 U.S.C. § 5538, the FTC
21 also enforces the MARS Rule (Regulation O), which requires mortgage assistance
22 relief services (“MARS”) providers to make certain disclosures, prohibits certain
23 representations, and generally prohibits the collection of an advance fee.
24
25
26
27
28

1 5. The FTC is authorized to initiate federal district court proceedings, by
2 its own attorneys, to enjoin violations of the FTC Act, the TSR, and the MARS
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 interrelated network of companies that have common ownership or managers, and
2 that have commingled funds. For example, Ardalan controls funds in each of the
3 corporate defendants' bank accounts, and bank records show consistent, substantial
4 payments from both A1 and Bloom Law Group accounts to Stream Lined's
5 corporate account. Because these Corporate Defendants have operated as a
6 common enterprise, each of them is jointly and severally liable for the acts and
7 practices alleged below. Defendant Ardalan has formulated, directed, controlled,
8 had the authority to control, or participated in the acts and practices of the
9 Corporate Defendants that constitute the common enterprise.
10
11
12

13 COMMERCE

14
15 11. At all times material 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

19 DEFENDANTS' DECEPTIVE STUDENT LOAN DEBT RELIEF AND 20 MORTGAGE ASSISTANCE RELIEF OPERATION

21
22 12. Since at least May 2016, Defendants have operated an unlawful debt
23 relief enterprise that preys on consumers with student loan debt. Defendants have
24 lured consumers with text messages and telephone calls that falsely purport to be
25 from the U.S. Department of Education ("ED") offering time-limited participation
26 in forgiveness programs. Defendants promise to reduce consumers' monthly
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Background on Student Loan Forgiveness and Repayment Programs

1
2 15. Student loan debt is the second largest class of consumer debt; more
3 than 42 million Americans collectively owe nearly \$1.3 trillion. The student loan
4 market shows elevated levels of distress relative to other types of consumer debt.
5

6 16. To address this mounting level of distressed debt, ED and state
7 government agencies administer a limited number of student loan forgiveness and
8 discharge programs. Most consumers, however, are not eligible for these programs
9 because of strict eligibility requirements. For example, one program requires the
10 consumer to demonstrate a total and permanent disability; another applies only to
11 consumers whose school closed while the consumer was still enrolled. A third
12 program, the Borrower Defense to Repayment (“BDR”), may provide a loan
13 discharge if the school, through an act or omission, violated state law directly
14 related to the borrower’s federal student loan or to the educational services for
15 which the loan was provided.
16
17
18
19

20 17. Other forgiveness programs require working in certain professions for
21 a period of years. Teacher Loan Forgiveness applies to teachers who have worked
22 full-time for five years in a low-income elementary or secondary school or
23 educational service agency. Public Service Loan Forgiveness (“PSLF”) applies to
24 employees of governmental units or non-profit organizations who make timely
25 monthly payments for a period of ten years while employed in the public sector.
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 35. Defendants have charged consumers fees for purported debt relief
2 services before achieving any results, and, in many instances, have failed to
3 achieve any results at all on behalf of the consumers. Defendants' total advance
4 fees have typically been in the range of \$900-\$1,500. Defendants' telemarketers
5 typically have obtained consumers' payment information on the initial phone call.
6

7
8 36. In many instances, Defendants have e-mailed consumers a link to a
9 contract to sign electronically. Defendants typically have pressured consumers
10 into quickly electronically signing the contract while the telemarketer is still on the
11 phone. Buried in the contract document is language at odds with the statements in
12 Defendants' advertisements and telephone communications with consumers:
13

14 "Client understands and acknowledges the fact that A1DocPrep is only a document
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 lender,” nor does the website state “Even if you accept this offer and use our
2 service, your lender may not agree to change your loan.”

3 40. Defendants have conducted outbound telephone calls to consumers
4 using the business names of “Home Shield Network,” “Keep Your Home USA,”
5 or “Legal Network Group.”
6

7 41. Defendants have typically referred consumers to one of several
8 purported law firms, including Bloom Law Group, using statements such as “they
9 are really good at getting clients loan modifications,” and “they have a 98%
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 45. In numerous instances, Defendants’ representatives from “Home
2 Shield Network” or other purported public assistance programs have instructed
3 consumers they must pay a fee by cashier’s check, typically \$900, to Bloom Law
4 Group before Bloom Law Group will send any retainer agreement or paperwork to
5 the consumer. During these consumer-specific commercial communications,
6 Defendants have not provided any of the following disclosures: (1) “You may stop
7 doing business with us at any time. You may accept or reject the offer of mortgage
8 assistance we obtain from your lender [or servicer]. If you reject the offer, you do
9 not have to pay us [insert amount or method of calculating amount] for our
10 services;” (2) “[Company] is not associated with the government, and our service
11 is not approved by the government or your lender;” (3) “Even if you accept this
12 offer and use our service, your lender may not agree to change your loan;” and (4)
13 “If you stop payia2i (502-2.2(r)14.8(serviceraseo)-12.96.72)-2.4(ag)14. N perr(thedo))Teo hr
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 service is not approved by the government or your lender,” nor does the website
2 state “Even if you accept this offer and use our service, your lender may not agree
3 to change your loan.”
4

5 47. Defendants typically have had a purported paralegal from Bloom Law
6 Group contact consumers and email them a “Litigation Preparation Program
7 Package” containing several documents, including an “Attorney-Client Pro Bono
8 Legal Agreement.”
9

10 48. Despite the “pro bono” attorney client legal agreement, over the next
11 several months, the “Home Shield Network,” “Keep Your Home USA,” or “Legal
12 Network Group” representative that originally referred the consumer to Bloom
13 Law Group has typically contacted the consumer and claimed it was time for the
14 consumer to make an additional payment to Bloom Law Group. Defendants
15 typically collect a total of approximately \$4,500 in fees, spread over several
16 monthly payments.
17
18
19

20 49. In numerous instances, Defendants have requested or received
21 payment of fees before the consumer has executed a written agreement with the
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

50. In numerous instances, consumers who enrolled with Bloom Law Group have never spoken or met with an attorney. All correspondence from the Bloom Law Group is typically signed by the same purported attorney, who is not barred in or licensed to practice in most consumers' various states of residence.

51. In numerous instances, Defendants have failed to obtain a loan modification, principal reduction, or other relief to stop foreclosure or make consumers' mortgage payments affordable. In some instances, Defendants have changed the contact in(r1(rCl(Tc -08.5(ndt c60.9(o46.3(s)1396(um)8.9(ers w56.6(i)-9.1(hf t60.9

Defendntes Ue 00wf 11 Cef to CBo nsumers 8rin 2

oolt 2 an <</MCID61 >>BDC /TT1 1 Tf 0.0043 Tc 0 Tw 92.62 -2.282 T
o67.2(u67.2ned)11(ela57.8e(m)18.8(rke(ti)584(gt c1-1.8(a-1.8la57.8(l)-1.2(d
640.6(ual efi)10.2e5(ndtac(ce)9.2(s (c)728oo)-24((c)728ho)-24(ef t60.2elec)8



1 54. Misrepresentations or deceptive omissions of material fact constitute
2 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

3 **VIOLATIONS OF THE FTC ACT**

4
5 **Count I**

6 **Deceptive Student Loan Debt Relief Representations**

7
8 55. In numerous instances, in connection with the advertising, marketing,
9 promotion, offering for sale, or sale of student loan debt relief services, Defendants
10 have represented, directly or indirectly, expressly or by implication that:

- 11 a. Defendants are part of or affiliated with the government,
12 government loan programs, or the Department of Education; and
- 13 b. Consumers who purchase Defendants’ debt relief services
14 generally will have their monthly payments reduced or their loan
15 balances forgiven in whole or in part.
16
17
18

19 56. In truth and in fact, in numerous instances in which Defendants have
20 made the representations set forth in Paragraph 55 of this Complaint, such
21 representations were false or not substantiated at the time Defendants made them.
22

23 57. Therefore, Defendants’ representations as set forth in Paragraph 55 of
24 this Complaint are false or misleading and constitute deceptive acts or practices in
25 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
26
27
28

Count II

Deceptive Mortgage Assistance Relief Representations

58. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of mortgage assistance relief services, Defendants have represented, directly or indirectly, expressly or by implication that:

- a. Defendants are part of or affiliated with the government, or government programs; and
- b. Defendants would generally obtain a loan modification for consumers that would make their payments substantially more affordable or help them avoid foreclosure.

59. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 58 of this Complaint, such representations were false or not substantiated at the time Defendants made them.

60. Therefore, the making of the representations as set forth in Paragraph 58 of this Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THE TELEMARKETING SALES RULE

61. Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

communicate with his or her lender or servicer. 12 C.F.R. § 1015.3(a), formerly codified as 16 C.F.R. § 322.3(a).

84. The MARS Rule prohibits any mortgage assistance relief service provider from misrepresenting, expressly or by implication, any material aspect of any mortgage assistance relief service, including but not limited to:

- a. the likrv2 TD(-2.299 To/LBody MCI)-1.7.1(i)d (t)1JTrhnn.1.97 reW 0 Tdy 2r ser

1 86. The MARS Rule prohibits any mortgage assistance relief service
2 provider from failing to place a statement in every consumer-specific commercial
3 communication (i) confirming that the consumer may stop doing business with the
4 provider or reject an offer of mortgage assistance without having to pay for the
5 services, (ii) disclosing that the provider is not associated with the government and
6 its service is not approved by the government or any lender, and (iii) in certain
7 cases, a statement disclosing that the lender may not agree to modify a loan, even if
8 the consumer uses the provider's service, and (iv) in certain cases, a statement
9 disclosing that if they stop paying their mortgage, consumers may lose their home
10 or damage their credit. 12 C.F.R. §§ 1015.4(b)(1)-(3) and (c); formerly codified as
11 16 C.F.R. §§ 322.4(b)(1)-(3) and (c).

12 87. Pursuant to the Omnibus Act, § 626, 123 Stat. 678, as clarified by the
13 Credit Card Act, § 511, 123 Stat. 1763-64 and amended by the Dodd-Frank Act,
14 § 1097, 124 Stat. 2102-03, 12 U.S.C. § 5538, and pursuant to Section 18(d)(3) of
15 the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the MARS Rule (Regulation O)
16 constitutes an unfair or deceptive act or practice in or affecting commerce, in
17 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE MARS RULE

Count VIII

Advance Payment for MARS

88. In numerous instances, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants ask for or receive payment before consumers have executed a written agreement between the consumer and the loan holder or servicer that incorporates the offer obtained by Defendants, in violation of the MARS Rule (Regulation O), 12 C.F.R. § 1015.5(a).

Count IX

Prohibited Representations

89. In numerous instances, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants, in violation of the MARS Rule (Regulation O), 12 C.F.R. § 1015.3(a), have represented, expressly or by

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 in violation of the MARS Rule (Regulation O), 12 C.F.R. § 1015.3(b)(1)-(4), have
2 misrepresented, expressly or by implication, material aspects of their services,
3 including, but not limited to:
4

- 5 a. Defendants' likelihood of obtaining mortgage loan
6 modifications for consumers that will make their payments
7 substantially more affordable; and
8
- 9 b. Defendants are affiliated with, endorsed or approved by, or
10 otherwise associated with:
 - 11 i. the United States government,
 - 12 ii. any governmental homeowner assistance plan,
 - 13 iii. any Federal, State, or local government agency, unit, or
14 department,
 - 15 iv. any non-profit housing counselor agency or program,
 - 16 v. the maker, holder, or servicer of the consumer's dwelling
17 loan, or
 - 18 vi. any other individual, entity, or program.

Count XI

Failure to Disclose

91. In numerous instances, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants have failed to make the following disclosures:

- a. in all general commercial communications –
 - i. “[Name of Company] is not associated with the government, and our service is not approved by the government or your lender,” in violation of the MARS Rule (Regulation O), 12 C.F.R. § 1015.4(a)(1); and
 - ii. “Even if you accept this offer and use our service, your lender may not agree to change your loan,” in violation of the MARS Rule (Regulation O), 12 C.F.R. § 1015.4(a)(2);
- b. in all consumer-specific commercial communications –
 - i. “You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us [insert amount or method for

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including but not limited to a temporary and preliminary injunction, asset freeze, appointment of a receiver, an evidence preservation order, and expedited discovery.

B. Enter a permanent injunction to prevent future violations of the FTC Act, the TSR, and the MARS Rule by Defendants;

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants’ violations of the FTC Act, the TSR, and the MARS Rule, including but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

D. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Bar

Respect

DAVID

U.S. District Court

M. Michelle Grayson

Michelle Grayson

Lisa Anne Ke...

John D. ...

Atty. ...

FEDERAL