

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. _____

**FEDERAL TRADE COMMISSION and
STATE OF FLORIDA,**

Plaintiffs,

v.

CONSUMER ASSISTANCE, LLC, also f/k/a
Back Office Law, LLC, also d/b/a Consumer
Assistance Project, a Florida limited liability
company; **CONSUMER ASSISTANCE
PROJECT, CORP.**, also f/k/a Non-Profit
Guardian Services, Inc. and Back Office Law
Project, Corp., a dissolved Florida corporation;
PALERMO GLOBAL, LLC, a Delaware limited
liability company; and **CHASTITY VALDES**, an
individual,

Defendants.

**PLAINTIFFS' COMPLAINT FOR PERMANENT INJUNCTION AND
OTHER EQUITABLE RELIEF**

Plaintiffs, the Federal Trade Commission ("FTC") and the State of Florida, for their
Complaint allege:

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101-6108, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), to obtain preliminary and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid,

disgorgement of ill-gotten monies, and other equitable relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), the Credit Repair Organizations Act, 15 U.S.C. §§ 1679-1679j, and the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, in connection with their deceptive marketing and sale of student loan debt relief and credit repair services.

2. The State of Florida, by and through its Attorney General, Pamela Jo Bondi, brings this action pursuant to the Florida Deceptive and Unfair Trade Practices Act (FDUTPA), Chapter 501, Part II, Florida Statutes (2015); the Telemarketing Act, 15 U.S.C. §§ 6101-6108; the TSR, 16 C.F.R. Part 310; and the Credit Repair Organizations Act, 15 U.S.C. §§ 1679-1679j, to obtain preliminary and permanent injunctions, rescission or reformation of contracts, consumer restitution, disgorgement of ill-gotten monies, and other equitable relief, and reimbursement of costs and attorneys' fees for Defendants' acts or practices in violation of the FDUTPA. The State of Florida has conducted an investigation, and the head of the enforcing authority, Attorney General Pamela Jo Bondi, has determined that an enforcement action serves the public interest.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a), 53(b), 6102(c) and 1679h(b).

4. This Court has supplemental jurisdiction over the State of Florida's claims pursuant to 28 U.S.C. § 1367.

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

PLAINTIFFS

6. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing acts or practices in or affecting commerce. The FTC also enforces the Credit Repair Organizations Act, 15 U.S.C. §§ 1679-1679j, which prohibits unfair or deceptive advertising and business practices by credit repair organizations.

7. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act, the TSR, and the Credit Repair Organizations Act, and to secure such equitable relief as may be appropriate in each case, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2)(A), 6102(c), and 1679h(b).

8. The State of Florida is the enforcing authority under FDUTPA pursuant to Florida Statutes § 501.203(2) and is authorized to pursue this action to enjoin violations of FDUTPA and to obtain equitable or other appropriate relief including rescission or reformation of contracts, restitution, the refund of monies paid, civil penalties, disgorgement of ill-gotten monies, or other relief as may be appropriate. Fla. Stat. §§ 501.207, 501.2075, and 501.2077. Pursuant to the authority found in the Telemarketing Act at 15 U.S.C. § 6103(a), and the Credit Repair Organizations Act at 15 U.S.C. § 1679h(c), the State of Florida is also authorized to initiate federal district court proceedings to enjoin telemarketing activities that violate the TSR and

activities that violate the Credit Repair Organizations Act, and in each such case, to obtain damages, restitution, and other compensation on behalf of Florida residents.

DEFENDANTS

9. Defendant **Consumer Assistance, LLC** (“Consumer Assistance”), formerly known as Back Office Law, LLC, and also doing business as Consumer Assistance Project, is a Florida limited liability company with its principal place of business at 3111 North University Drive, Suite 406, Coral Springs, Florida 33065. Consumer Assistance transacts or has transacted business in this district and throughout the United States. Consumer Assistance is the successor to the now-dissolved Consumer Assistance Project, Corp. At times material to this Complaint, Consumer Assistance has advertised, marketed, distributed, or sold student loan debt relief and credit repair services to consumers throughout the United States.

10. Defendant **Consumer Assistance Project, Corp.** (“Consumer Assistance Project”), is a dissolved Florida corporation that has transacted business in this district and throughout the United States. Consumer Assistance Project was formed in 2011 as Non-Profit Guardian Services, Inc., changed its name to Back Office Law Project, Corp. in early 2013, changed its name yet again to Consumer Assistance Project in August 2013, and formally dissolved in January 2015, although it has continued to operate under the name of Defendant Consumer Assistance. For at least part of 2013, before transitioning into student loan debt relief and credit repair, Consumer Assistance Project marketed and sold mortgage assistance relief services to consumers. At times material to this Complaint, Consumer Assistance Project has advertised, marketed, distributed, or sold student loan debt relief and credit repair services to consumers throughout the United States.

11. Defendant **Palermo Global, LLC** is a Delaware limited liability company with its principal place of business in this district. Palermo Global is the sole “manager” of Defendant Consumer Assistance and was the sole officer of Defendant Consumer Assistance Project. Palermo Global transacts or has transacted business in this district and throughout the United States.

12. Defendant **Chastity Valdes** has described herself as the “CEO and Founder” of Defendant Consumer Assistance, and the President, Director, and CEO of Defendant Consumer Assistance Project. She is the sole manager of Defendant Palermo Global. At all times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Consumer Assistance, Consumer Assistance Project, and Palermo Global, including the acts and practices set forth in this Complaint. Defendant Valdes resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

13. Defendants Consumer Assistance, Consumer Assistance Project, and Palermo Global (collectively, “Corporate Defendants”) have operated as a common enterprise while engaging in the unlawful acts and practices alleged below. Corporate Defendants have conducted the business practices described below through interrelated companies that have common ownership, officers, managers, employees, business functions, and office locations, and that have commingled funds.

14. Defendants have accepted consumer payments to Consumer Assistance and Consumer Assistance Project through bank accounts held by those entities, and then transferred

funds to accounts held by Palermo Global, which has then sent some of these payments to other entities controlled by Defendant Valdes. Because the Corporate Defendants have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Defendant Valdes has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendants that constitute the common enterprise.

COMMERCE

15. At all times material to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44, and as “trade or commerce” is defined in Florida Statutes § 501.203(8).

DEFENDANTS’ DECEPTIVE STUDENT LOAN DEBT RELIEF OPERATION

16. Since at least 2013, Defendants have operated an unlawful debt relief enterprise that has preyed on consumers’ anxiety about student loan debt by falsely promising to reduce or eliminate that debt. Defendants’ website has enticed consumers with promises like “GET RID OF YOUR DEBT TODAY!” and “our programs can eliminate as much as 90% of your outstanding balance.” When consumers have called for more information, Defendants have pretended to evaluate them for eligibility, and then told them that they qualify for balance reductions of 50 to 70 percent “at a minimum.” They have then claimed that consumers qualify for certain government programs that will reduce their balances and that they will review their student loans for errors that will invalidate the loans or reduce the balance.

17. In fact, government loan forgiveness programs, for which consumers can apply at no cost, have strict requirements that Defendants’ customers are not likely to meet. Further,

rather than reviewing loans for errors, Defendants send form letters to lenders that do not result in invalidated loans or reduced balances in most instances.

18. Defendants have also falsely represented that they repair consumers' credit. But most or almost all consumers do not have their credit repaired by Defendants. In exchange for the promised debt relief and credit repair, Defendants have charged illegal upfront fees of \$250 and monthly fees of as much as \$303.

Background on Student Loan Debt and Forgiveness Programs

19. Student loan debt is the second largest class of consumer debt; nearly 41 million Americans collectively owe more than \$1.2 trillion. The student loan market continues to show elevated levels of distress relative to other types of consumer debt.

20. To address this mounting level of distressed debt, the U.S. Department of Education (ED) and state government agencies administer a limited number of student loan forgiveness, discharge, and incentive repayment programs. Consumers can apply for forgiveness, discharge, or incentive payment programs on their own at no cost; these programs do not require the assistance of a third-party company or payment of upfront fees.

21. Most consumers, however, do not qualify for these forgiveness, discharge, and incentive repayment programs. None of ED's programs are available for private student loans, and many are only available for certain types of recent federal student loans.

22. For example, under Public Service Loan Forgiveness (PSLF), ED provides full loan forgiveness for consumers holding eligible federal "Direct Loans" (those made by ED as the lender and not merely the guarantor) who have made 120 monthly payments while employed in

public service. This program, however, only applies to certain loan payments made after October 1, 2007. As a result, there have been no loans forgiven yet under PSLF.

23. Other forgiveness, discharge, and incentive repayment programs also have strict eligibility requirements, such as demonstrating a “total and permanent disability” (ED’s “Total and Permanent Disability Discharge”) or demonstrating that the loan was falsely certified because of identity theft (ED’s “False Certification of Student Eligibility Discharge”). Many forgiveness, discharge, and incentive repayment programs require working in certain professions for years, such as ED’s “Teacher Loan Forgiveness,” which can provide up to \$17,500 for teachers who have worked full-time for five years in a low-income elementary or secondary school or educational service agency.

24. Similar eligibility restrictions apply to programs administered by state government agencies. For example, the State of Maryland’s “Janet L. Hoffman Loan Assistance Repayment Program” provides loan repayment funds for “Maryland residents who provide public service in Maryland State or local government or nonprofit agencies in Maryland to low income or underserved residents.”

Defendants’ Deceptive Marketing of Student Loan Debt Relief and Credit Repair

25. Against this backdrop, Defendants have lured consumers into purchasing their purported services by engaging in four types of unlawful practices: (1) false promises to reduce or eliminate student loan balances through loan forgiveness programs; (2) false promises to dispute loan validity or balance; (3) false promises to provide credit repair; and (4) deceptive social media reviews. Once Defendants deceive consumers into signing up for their purported




debt relief and credit repair services, Defendants then unlawfully charge consumers illegal advance or upfront fees and have failed to provide legally required disclosures.

False Promises to Reduce or Eliminate Student Loan Balances through Loan Forgiveness Programs

26. One of Defendants' key promises to consumers has been that they will reduce or eliminate consumers' student loan balances through loan forgiveness programs. Defendants have made this claim in online advertising and on inbound telemarketing calls.

27. For example, one of Defendants' websites, www.consumerassistanceproject.org, has prominently displayed the following graphic:

3 Easy Steps To Eliminating Your Student Loan Balance

- 1** 
Talk to one of our **STUDENT LOAN** advisors for a **FREE CONSULTATION**
- 2** 
Answer a few questions about your loan to qualify.
LOAN BALANCE: \$27,545
- 3** 
We will find the best program for your maximum savings!
\$18,340, \$3,627, \$13,961, \$9,753

28. The same website has also claimed that Defendants can reduce student loan debts by “as much as 90%” through loan forgiveness programs:

One of the greatest opportunities for former students struggling with student loan debt are [sic] the reforms instituted for “Student Loan Forgiveness” or “Loan Repayment Programs.” These programs offer to eliminate some or all of your student loans in return for choosing certain careers, military service, and even volunteer work. There are several plans available that you may qualify for and we can help. Many of our programs can eliminate as much as 90% of your outstanding balance, ranging anywhere from a few thousand dollars to over \$100,000 of student loan debt. At the Consumer Assistance Project, we’ll discuss your options and submit all the paperwork. When you participate in one of these programs, portions of your debt are **literally erased from your lender’s books!**

29. The website has also exclaimed, “**GET RID OF YOUR DEBT TODAY!**” and that consumers should “Let Us Help Eliminate Your Debt,” promising consumers that “you have our personal guarantee that we have the right program to suit your needs.”

30. In addition to the website’s claims, Defendants have touted their services in online press releases, including one from September 2013 announcing the name change of “Back Office Law” to “Consumer Assistance Project” and stating:

Due to extensive consumer demand, Consumer Assistance Project’s main focus is on the elimination and reduction of all types of student loan debt. . . . Once a student loan portfolio has been analyzed, a determination is made from over 60 [forgiveness] programs varying by state

31. After seeing these claims on Defendants’ websites, many consumers call in to Defendants’ call center to learn more about Defendants’ programs. On these calls, Defendants’ telemarketers have told consumers that Defendants can reduce or eliminate loan balances. The telemarketers have first purported to evaluate consumers’ eligibility for loan forgiveness, and then told consumers that they qualify. The telemarketers have specifically represented that, if

consumers purchase Defendants' services, they will see reductions in their balances by 50 to 70 percent, "at a minimum." At least one telemarketer has represented that every one of Defendants' customers "has either gotten a significant reduction and/or an elimination" of their balances.

32. In most instances, however, Defendants have failed to obtain loan balance reductions through loan forgiveness programs. Most consumers who have spoken with Defendants' telemarketers are not eligible for debt reduction because they do not meet the stringent requirements of government loan-forgiveness programs. Moreover, those programs generally do not apply to private loans.

False Promises to Dispute Loan Validity or Balance

33. In addition to loan forgiveness, Defendants have also promised to "audit" the loans for errors and dispute their validity. For example, their website has stated:

LOAN DISPUTE AND ELIMINATION... Our expertise in the field of student loan analysis and restructuring has revealed that many student loans may have been mishandled or that proper procedures may not have been followed... Our investigative loan validation process is extreme and intrusive, forcing the parties involved in the handling of your loan to answer tough questions and produce documentation. Often times, their inability to do neither, is a significant step towards huge savings for YOU.

34. Defendants' press release similarly claimed:

Our debt evaluation and audit process . . . [includes] the option of challenging the validity of the debt due to errors, misguidance, or improper allocation of funds. Our research team fights against wrongful debt and will dispute any loan where its elements or components have placed an unfair burden on the consumer.

35. Defendants' telemarketers have likewise promised that Defendants will investigate loans for a legal basis to challenge their validity. For example, one telemarketer has

represented that Defendants successfully challenge loans on the basis that the checks lenders send to schools are often not properly endorsed. The telemarketer has also claimed that Defendants successfully challenge the loans on the basis that the school credited the loan funds improperly by applying them towards classes outside of consumers' majors.

36. In most instances, however, Defendants have not audited their customers' loans or successfully challenged their validity. At most, Defendants have sent ineffective form letters to the borrowers' loan servicer or have applied for temporary forbearances or deferments that did not reduce consumers' loan principal. Moreover, problems with endorsements or application of student loan funds are not a basis for Defendants' customers to challenge their loans.

Defendants' False Promises to Provide Credit Repair

37. To further entice consumers to sign up for their debt relief services, Defendants have claimed that they also provide services to repair their customers' credit. For instance, their press releases and websites have promised credit repair.

38. Their telemarketers have explained further that after Defendants help consumers obtain debt relief, Defendants will then review their credit reports and dispute any incorrect negative information "at no cost" to consumers, including information regarding student loan debts that Defendants' debt relief services have resolved. One telemarketer has stated that "[a]nything that is or was reporting incorrectly on your credit report will, in fact, be fixed and it will increase your FICO score . . . [so] your credit will not be a hot mess, especially because of the student loan debt."

39. In fact, Defendants have not provided the promised credit repair services to most, if not all, of their customers. As described above, Defendants do not actually resolve debt for

most of their consumers. Thus, they do not even begin to provide credit repair services to most, if not all, of their consumers, let alone achieve any improvements to consumers' credit reports.

40. Furthermore, Defendants' purported credit repair services are not "at no cost" to consumers. Consumers must pay Defendants hefty upfront and monthly fees before Defendants will engage in in any credit repair services for them, and even then, as discussed above, they do not provide the promised services for many consumers.

Defendants' Deceptive Social Media Reviews

41. Defendants have also posted on social media websites "reviews" that purport to be independent. Specifically, Defendant Consumer Assistance's Facebook page, renamed from Consumer Assistance Project in early 2015, has included star-rating reviews, purportedly from consumers. This page, however, includes reviews from Defendants' employees or agents. For example, the Facebook page included a 5-star review from Defendant Chastity Valdes as well as other 5-star reviews from employees and known business associates of Defendants.

Defendants' Unlawful Practices Once Consumers Sign Up for Services

42. In offering debt relief and credit-repair services, Defendants have charged consumers an initial and monthly fee for purported debt relief services before achieving any results. Defendants' have also charged these advance fees before any credit repair services have been fully performed. Defendants' advance fees have typically been \$250 for the initial fee and as much as \$303 for the recurring monthly fee, for as long as 36 months.

43. In addition, Defendants have failed to notify consumers regarding their rights and provide other information, as required by the Credit Repair Organizations Act. They do not provide a full and detailed description of their services, the time frame for such services, or a

specific bold statement informing consumers that they have a three-day right to cancel the contract without penalty.

VIOLATIONS OF THE FTC ACT

44. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

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

**Count I (by Plaintiff FTC)
Deceptive Debt Relief Representations**

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

- a. Consumers who purchase Defendants’ debt relief services generally qualify for reduction or elimination of the balance of their student loan debts;
- b. Consumers who purchase Defendants’ debt relief services generally will have their student loan balances reduced by 50 to 90 percent; and
- c. For consumers who purchase Defendants’ debt relief services, Defendants will investigate, audit, and review the consumers’ student loans to locate errors that generally will entitle the consumers to reduction of their student loan balances.

47. In truth and in fact, in numerous instances such representations were false or not substantiated at the time Defendants made them.

48. Therefore, the making of the representations as set forth in Paragraph 46 of this Complaint constitute deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**Count II (by Plaintiff FTC)
Deceptive Credit Repair Representations**

49. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented, directly or indirectly, expressly or by implication, that Defendants generally will improve consumers' credit reports or profiles.

50. In truth and in fact, in numerous instances such representations were false or not substantiated at the time Defendants made them.

51. Therefore, the making of the representations as set forth in Paragraph 49 of this Complaint constitute deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**Count III (by Plaintiff FTC)
Deceptive Social Media Endorsements**

52. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of student loan debt relief services, Defendants have represented, directly or indirectly, expressly or by implication, that reviews of their services were independent reviews reflecting the views of ordinary consumers.

53. In truth and in fact, in numerous instances the reviews for those services were not independent reviews reflecting the views of ordinary consumers. Instead, the reviews were created by employees or other individuals closely associated with Defendants.

54. Therefore, the representation set forth in Paragraph 52 of this Complaint constitutes a deceptive act or practice, in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count IV (by Plaintiff FTC)
Deceptive Failure to Disclose – Material Connections with Social Media Endorsers

55. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of student loan debt relief services, Defendants have represented, directly or indirectly, expressly or by implication, that reviews of Defendants' services reflected endorsements from people who had used those services.

56. In numerous instances in which Defendants have made such representations, Defendants have failed to disclose that those reviews were written by employees or other individuals closely associated with Defendants. This information would be material to consumers in deciding to purchase Defendants' student loan debt relief services.

57. Defendants' failure to disclose the material information described in Paragraph 56, in light of the representation set forth in Paragraph 55, is 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

58. Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15 U.S.C. §§ 6101-6108.

The FTC adopted the original TSR in 1995, extensively amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part 310.

59. Defendants are “seller[s]” or “telemarketer[s]” engaged in “telemarketing” as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A “seller” means any person who, in connection with a telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services to a customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff). “Telemarketing” means a plan, program, or campaign which is conducted to induce the purchase of goods or services or a charitable contribution, by use of one or more telephones and which involves more than one interstate telephone call. 16 C.F.R. § 310.2(gg).

60. Defendants are sellers or telemarketers of “debt relief services” as defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a “debt relief service” means any program or service represented, directly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt between a person and one or more unsecured creditors, including, but not limited to, a reduction in the balance, interest rate, or fees owed by a person to an unsecured creditor or debt collector. 16 C.F.R. § 310.2(o).

61. The TSR prohibits sellers and telemarketers from requesting or receiving payment of any fees or consideration for any debt relief service until and unless:

- a. The seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement,

debt management plan, or other such valid contractual agreement executed by the customer; and

b. The customer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor; and to the extent that debts enrolled in a service are renegotiated, settled, reduced, or otherwise altered individually, the fee or consideration either:

- i. Bears the same proportional relationship to the total fee for renegotiating, settling, reducing, or altering the terms of the entire debt balance as the individual debt amount bears to the entire debt amount. The individual debt amount and the entire debt amount are those owed at the time the debt was enrolled in the service; or
- ii. Is a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. The percentage charged cannot change from one individual debt to another. The amount saved is the difference between the amount owed at the time the debt was enrolled in the service and the amount actually paid to satisfy the debt. 16 C.F.R. § 310.4(a)(5)(i).

62. The TSR prohibits sellers and telemarketers from misrepresenting directly or by implication, any material aspect of any debt relief service, including, but not limited to, the amount of money or the percentage of the debt amount that a customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).

63. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR constitutes an unfair or deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

64. Florida Statutes § 501.203(3) establishes that a violation of FDUTPA may be based upon any of the following: (a) any rules promulgated pursuant to the FTC Act; (b) the standards of unfairness and deception set forth and interpreted by the FTC or the federal courts; or (c) any law, statute, rule, regulation or ordinance which proscribes unfair methods of competition, or unfair, deceptive, or unconscionable acts or practices. Therefore, Defendants' failures to comply with the TSR, as set forth below, constitute per se violations of FDUTPA.

VIOLATIONS OF THE TELEMARKETING SALES RULE

Count V (by Plaintiffs FTC and State of Florida) Advance Fee for Debt Relief Services

65. In numerous instances, in connection with the telemarketing of student loan debt relief services, Defendants have requested or received payment of a fee or consideration for debt relief services before:

- a. Defendants have renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement, debt management plan, or other such valid contractual agreement executed by the customer; and
- b. The customer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor.

66. Defendants' acts or practices, as described in Paragraph 65 of this Complaint, are abusive telemarketing acts or practices that violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

**Count VI (by Plaintiffs FTC and State of Florida)
Misrepresentations**

67. In numerous instances, in connection with the telemarketing of student loan debt relief services, Defendants have misrepresented, directly or indirectly, expressly or by implication, material aspects of their debt relief services, including, but not limited to, that:

- a. Consumers who purchase Defendants' debt relief services generally qualify for reduction or elimination of the balance of their student loan debts;
- b. Consumers who purchase Defendants' debt relief services generally will have their student loan balances reduced by 50 to 90 percent; and
- c. For consumers who purchase Defendants' purported debt relief services, Defendants will investigate, audit, and review the consumers' student loans to locate errors that generally will entitle the consumers to reduction of their student loan balances.

68. Defendants' acts and practices, as described in Paragraph 67 of this Complaint, are deceptive telemarketing acts or practices that violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).

THE CREDIT REPAIR ORGANIZATIONS ACT

69. The Credit Repair Organizations Act took effect on April 1, 1997, and has remained in full force and effect since that date.

70. Defendants are “credit repair organizations,” as defined by the Credit Repair Organizations Act:

[A]ny person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that such person can or will sell, provide, or perform) any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of . . . improving any consumer’s credit record, credit history, or credit rating 15 U.S.C. § 1679a(3).

71. The purposes of the Credit Repair Organizations Act, according to Congress, are:

(1) to ensure that prospective buyers of the services of credit repair organizations are provided with the information necessary to make an informed decision regarding the purchase of such services; and (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations. 15 U.S.C. § 1679(b).

72. The Credit Repair Organizations Act prohibits all persons from making or using any untrue or misleading representation of the services of the credit repair organization. 15 U.S.C. § 1679b(a)(3).

73. The Credit Repair Organizations Act prohibits credit repair organizations from charging or receiving any money or other valuable consideration for the performance of any service that the credit repair organization has agreed to perform before such service is fully performed. 15 U.S.C. § 1679b(b).

74. The Credit Repair Organizations Act requires credit repair organizations to provide consumers with a written statement containing prescribed language concerning

“Consumer Credit File Rights Under State and Federal Law” before any contract or agreement is executed. 15 U.S.C. § 1679c(a).

75. The Credit Repair Organizations Act requires credit repair organizations to include certain terms and conditions in any contract or agreement for services, including:

- a. A full and detailed description of the services to be performed for the consumer, including all guarantees of performance and an estimate of either the date by which the performance of the services (to be performed by the credit repair organization or any other person) will be complete or the length of the period necessary to perform such services, 15 U.S.C. § 1679d(b)(2); and
- b. A conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer’s signature on the contract, which reads as follows: **“You may cancel this contract without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right.”** 15 U.S.C. § 1679d(b)(4).

76. The Credit Repair Organizations Act requires credit repair organizations to provide consumers with a “Notice of Cancellation” form, in duplicate, containing prescribed language concerning consumers’ three-day right to cancel that consumers can use to cancel the contract. 15 U.S.C. § 1679e(b).

77. Pursuant to Section 410(b)(1) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b)(1), any violation of any requirement or prohibition of the Credit Repair Organizations Act constitutes an unfair or deceptive act or practice in commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Pursuant to Section 410(b)(2) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b)(2), all functions and powers of the Commission under the FTC Act are available to the Commission to enforce compliance with the Credit Repair Organizations Act in the same manner as if the violation had been a violation of any Commission trade regulation rule.

78. Florida Statutes § 501.203(3) establishes that a violation of FDUTPA may be based upon any of the following: (a) any rules promulgated pursuant to the FTC Act; (b) the standards of unfairness and deception set forth and interpreted by the FTC or the federal courts; or (c) any law, statute, rule, regulation, or ordinance which proscribes unfair methods of competition, or unfair, deceptive, or unconscionable acts or practices. Therefore, Defendants' failures to comply with the Credit Repair Organizations Act, as set forth below, constitute per se violations of FDUTPA.

VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT

Count VII (by Plaintiffs FTC and State of Florida) Misleading Representations About Credit Repair Services

79. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have made representations to induce consumers to purchase their credit repair

services, including, but not limited to, the representation that Defendants generally will improve consumers' credit reports or profiles. These representations are untrue or misleading because Defendants do not generally improve consumers' credit reports or profiles.

80. Defendants have thereby violated Section 404(a)(3) of the Credit Repair Organizations Act. 15 U.S.C. § 1679b(a)(3).

**Count VIII (by Plaintiffs FTC and State of Florida)
Advance Fee for Credit Repair Services**

81. In numerous instances, in connection with the operation of a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have charged or received money or other valuable consideration for the performance of credit repair services that Defendants have agreed to perform before such services were fully performed.

82. Defendants have thereby violated Section 404(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679b(b).

**Count IX (by Plaintiffs FTC and State of Florida)
Failure to Make Required Disclosures**

83. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to provide a written statement of "Consumer Credit File Rights Under State and Federal Law," in the form and manner required by the Credit Repair Organizations Act, to consumers before any contract or agreement was executed.

84. Defendants have thereby violated Section 405(a) of the Credit Repair Organizations Act. 15 U.S.C. § 1679c(a).

Count X (by Plaintiffs FTC and State of Florida)
Failure to Include Required Terms and Conditions in Contracts

85. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to include in their consumer contracts the following required terms and conditions:

- a. A full and detailed description of the services to be performed for the consumer, including all guarantees of performance and an estimate of either the date by which the performance of the services (to be performed by the credit repair organization or any other person) will be complete or the length of the period necessary to perform such services; and
- b. The specific conspicuous statement in bold face type regarding the consumers' right to cancel the contracts without penalty or obligation at any time before the third business day after the date on which the consumers signed the contracts.

86. Defendants have thereby violated Section 406(b)(2) & (4) of the Credit Repair Organizations Act. 15 U.S.C. § 1679d(b)(2) & (4).

Count XI (by Plaintiffs FTC and State of Florida)
Failure to Provide Cancellation Form

87. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to provide with their consumer contracts a form with

the heading “Notice of Cancellation,” in the form and manner required by the Credit Repair Organizations Act, to consumers.

88. Defendants have thereby violated Section 407(b) of the Credit Repair Organizations Act. 15 U.S.C. § 1679e(b).

**VIOLATIONS OF THE FLORIDA DECEPTIVE AND
UNFAIR TRADE PRACTICES ACT**

**Count XII (by Plaintiff State of Florida)
Deceptive Debt Relief and Credit Repair Representations**

89. As set forth in Paragraphs 1 through 43 above, which allegations are incorporated as if set forth herein, Defendants have committed acts and practices that are deceptive or unfair in violation of the FDUTPA.

90. Florida Statutes § 501.204(1) declares “unfair or deceptive acts or practices in the conduct of any trade or commerce are hereby declared unlawful.”

91. In the course of Defendants’ trade or commerce, Defendants have committed acts or practices that are deceptive or unfair in violation of the FDUTPA including making false or misleading representations, directly or indirectly, expressly or by implication, in connection with the marketing, promotion, offering for sale, or sale of student loan debt relief services and credit repair services, including, but not limited to, that:

- a. Consumers who purchase Defendants’ debt relief services generally qualify for reduction or elimination of the balance of their student loan debts;
- b. Consumers who purchase Defendants’ debt relief services generally will have their student loan balances reduced by 50 to 90 percent;

- c. For consumers who purchase Defendants' purported debt relief services, Defendants will investigate, audit, and review the consumers' student loans to locate errors that generally will entitle the consumers to reduction of their student loan balances; and
- d. For consumers who retain their services, that Defendants will improve consumers' credit reports or profiles.

92. In truth and in fact, in numerous instances, such representations were false or unsubstantiated at the time the representations were made.

93. Defendant Chastity Valdes is personally liable for the unlawful acts and practices of Defendants Consumer Assistance, Consumer Assistance Project, and Palermo Global, as she has had the authority and power to control or direct the conduct at issue herein and/or actually participated in and directed the conduct at issue.

94. The acts and practices of Defendants as set forth herein are misleading or deceptive and likely to mislead a consumer acting reasonably, and consumers within the State of Florida and elsewhere were actually misled by the acts and practices of Defendants recited herein.

Count XIII (by Plaintiff State of Florida)
Unlawful Advance Fees for Credit Counseling Services and Debt Management Services

95. Plaintiff State of Florida Office of the Attorney General re-alleges Paragraphs 1 through 43 and incorporates them herein by reference.

96. Florida Statute § 817.801(2) defines "credit counseling services" as "confidential money management, debt reduction, and financial educational services."

97. Florida Statute § 817.801(4)(a) defines “debt management services” as “services provided to a debtor by a credit counseling organization for a fee to: effect the adjustment, compromise, or discharge of any unsecured account, note, or other indebtedness of the debtor...”

98. Defendants have represented to consumers on their website they could eliminate consumers’ student loan balances, that they are “A Leading Organization for Student Loan Forgiveness & Reduction,” “#1 Student Loan Relief Service,” and can provide “saving up to 90% off your total loan balance, no matter if your loans are federal, private, or a combination of both.” Further, Defendants have urged consumers on their website to “Get Rid of Your Debt Today!” and represented that they could qualify consumers for 0% interest, provide disability debt forgiveness, provide savings from 5% to 90%, and provide repayment plans for only \$5/month.

99. Moreover, Defendants’ Membership Agreement, which Defendants have required consumers to electronically sign, lists Defendants’ services as:

Investigation of student loan debt accuracy. Consolidation, reduction, forgiveness and or elimination of student loans. Program assessments, application submissions and appeals for government and non-government programs that allow cease, forgiveness and or reduction or elimination of student loan debt. Requests of records and data to institutions and loan providers regarding accuracy and disbursement history. Member communication with an Attorney (20 minutes a month) regarding any legal matters. Member communication with a CPA (20 minutes a month) regarding any tax or financial matters. Access to 2,500 (two thousand five hundred) customizable legal forms. Access legal professional drafts and revise the legal forms of choice. Access to credit repair services (after completion of program) a \$2000 (Two thousand dollar) Value. Additional Services: Access to monthly E-books that provide financial training. Access to Financial Education Seminars. Access to video resume services.

100. Defendants are therefore engaged in credit counseling services and/or debt management services as defined by Florida Statute § 817.801(2) and (4)(a).

101. Florida law limits the fees that a person may charge while engaging in debt management services or credit counseling services. Pursuant to Florida Statute § 817.802(1), “[i]t is unlawful for any person, while engaging in debt management services or credit counseling services, to charge or accept from a debtor residing in this state, directly or indirectly, a fee or contribution greater than \$50 for the initial setup or initial consultation. Subsequently, the person may not charge or accept a fee or contribution from a debtor residing in this state greater than \$120 per year for additional consultations”

102. Defendants routinely have charged Florida consumers unlawful fees and costs in violation of Florida Statute § 817.802(1). Typically, Defendants have charged consumers an initial fee of \$250 and monthly recurring payments between \$198 and \$303 per month for as many as 36 months.

103. A violation of Florida Statute § 817.802(1) is an unfair or deceptive trade practice. Pursuant to Florida Statute § 817.806(1), “any person who violates any provision of this part commits an unfair or deceptive trade practice as defined in part II of chapter 501. Violators shall be subject to the penalties and remedies provided therein. Further, any consumer injured by a violation of this part may bring an action for recovery of damages. Judgment shall be entered for actual damages, but in no case less than the amount paid by the consumer to the credit counseling agency, plus reasonable attorney’s fees and costs.”

104. Defendant Chastity Valdes is personally liable for the unlawful acts and practices of Defendants Consumer Assistance, Consumer Assistance Project, and Palermo Global, as she

has had the authority and power to control or direct the conduct at issue herein and/or actually participated in and directed the conduct at issue.

CONSUMER INJURY

105. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act, the TSR, the Credit Repair Organizations Act, and FDUTPA. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

106. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

107. Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), authorize this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the TSR and the Credit Repair Organizations Act, including the rescission or reformation of contracts, and the refund of money.

108. Pursuant to 28 U.S.C § 1367, this Court has supplemental jurisdiction to allow Plaintiff State of Florida to enforce its state law claims against Defendants in this Court for

violations of the FDUTPA. Florida Statutes §§ 501.207, 501.2075, and 501.2077 authorize this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violation of the FDUTPA, including injunctive relief, rescission or reformation of contracts, the refund of monies paid, and the disgorgement of ill-gotten monies.

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. §§ 53(b), Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), and the Court's own equitable powers; and Plaintiff State of Florida, pursuant to Florida Statutes §§ 501.207 and 501.2105, and as authorized by the Court's own equitable powers, request that the Court:

A. Award Plaintiffs 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 temporary and preliminary injunctions;

B. Enter a permanent injunction to prevent future violations of the FTC Act, the TSR, the Credit Repair Organizations Act, and FDUTPA 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, the Credit Repair Organizations Act, and FDUTPA, 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 Plaintiffs the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Respectfully submitted,

DAVID C. SHONKA
Acting General Counsel, FTC

PAMELA JO BONDI
Attorney General for the State of Florida

Dated: April 29, 2016



ADAM M. WESOLOWSKI
Florida Special Bar No. A5502173
MATTHEW WILSHIRE
Florida Special Bar No. A5502174
Federal Trade Commission
600 Pennsylvania Ave, N.W., CC-10232
202-326-3068 (Wesolowski)
202-326-2976 (Wilshire)
awesolowski@ftc.gov
mwilshire@ftc.gov

Attorneys for Plaintiff
FEDERAL TRADE COMMISSION



RYANN FLACK
Florida Bar No. 0018442
VIVIANA ESCOBAR
Florida Bar No. 106610
Office of the Attorney General
Consumer Protection Division
444 Brickell Ave., Suite 650
Miami, FL 33131
Flack tel: (305) 377-5850 ext. 562
Ryann.Flack@myfloridalegal.com
Escobar tel: (305) 377-5850 ext. 560
Viviana.Escobar@myfloridalegal.com

Attorneys for Plaintiff
STATE OF FLORIDA