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CENTRAL DIST. OF CALIF.  
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UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

vs.

WEALTH EDUCATORS, INC., also  
 d/b/a Family 1<sup>st</sup> Preservations; Family  
 1<sup>st</sup> Home Loans; Legal Affiliates &  
 Associates; Legal Educators & Co.;  
 Family 1<sup>st</sup> Home Preservation; Legal  
 Educators USA & Co.; Stargate Mutual  
 & Associates; Providence Financial  
 Advocates; and Providence Financial  
 Audits; and VERONICA SESMA, also  
 d/b/a Sesma Consulting,

Defendants.

No. **CV15-2357** SJO JEMK

COMPLAINT FOR PERMANENT  
 INJUNCTION AND OTHER EQUITABLE  
 RELIEF

**FILED UNDER SEAL**

1 Plaintiff, the Federal Trade Commission (FTC or Commission), for its  
2 Complaint alleges:

3 1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade  
4 Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and the 2009 Omnibus  
5 Appropriations Act, Pub. L. No. 111-8, § 626, 123 Stat. 524, 678 (Mar. 11, 2009)  
6 ("Omnibus Act"), as clarified by the Credit Card Accountability Responsibility and  
7 Disclosure Act of 2009, Pub. L. No. 111-24, § 511, 123 Stat. 1734, 1763-64 (May  
8 22, 2009) ("Credit Card Act"), and amended by the Dodd-Frank Wall Street  
9 Reform and Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, §  
10 1097, 124 Stat. 1376, 2102-03 (July 21, 2010) ("Dodd-Frank Act"), 12 U.S.C. §  
11 5538, to obtain temporary, preliminary, and permanent injunctive relief, rescission  
12 or reformation of contracts, restitution, the refund of monies paid, disgorgement of  
13 ill-gotten monies, and other equitable relief for Defendants' acts or practices in  
14 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Mortgage  
15 Assistance Relief Services Rule ("MARS Rule"), 16 C.F.R. Part 322, recodified as  
16 Mortgage Assistance Relief Services ("Regulation O"), 12 C.F.R. Part 1015, in  
17 connection with the marketing and sale of mortgage assistance relief services.

18 **JURISDICTION AND VENUE**

19 2. This Court has subject matter jurisdiction over this matter pursuant to 28  
20 U.S.C. §§ 1331, 1337(a), and 1345; 15 U.S.C. §§ 45(a), 53(b), and 57b; and  
21 Section 626 of the Omnibus Act, as clarified by Section 511 of the Credit Card  
22 Act, and amended by Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538.3.

23 Venue in the Central District of California is proper under 28 U.S.C. §§  
24 1391(b) and (c), and 15 U.S.C. § 53(b).

25 **PLAINTIFF**

26 4. The FTC is an independent agency of the United States Government created  
27 by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15  
28 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting

1 commerce. In addition, pursuant to 12 U.S.C. § 5538, the FTC also enforces the  
2 MARS Rule, which requires mortgage assistance relief services (“MARS”)  
3 providers to make certain disclosures, prohibits certain representations, and  
4 generally prohibits the collection of an advance fee.

5 5. The FTC is authorized to initiate federal district court proceedings, by its  
6 own attorneys, to enjoin violations of the FTC Act, the MARS Rule; and  
7 Regulation O, and to secure such equitable relief as may be appropriate in each  
8 case, including rescission or reformation of contracts, restitution, the refund of  
9 monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b),  
10 56(a)(2)(A)-(B), and 57b; § 626, 123 Stat. at 678, as clarified by § 511, 123 Stat. at  
11 1763-64, and amended by § 1097, 124 Stat. at 2102-03, 12 U.S.C. § 5538.

#### 12 DEFENDANTS

13 6. Defendant Wealth Educators, Inc., (“Wealth Educators”), is a California  
14 corporation. Its business offices are located at 3200 Wilshire Blvd., Suite 808, Los  
15 Angeles, California 90036. Wealth Educators has also done business as Family 1<sup>st</sup>  
16 Preservations, Family 1<sup>st</sup> Home Loans, Legal Affiliates and Associates, Legal  
17 Educators & Co., Family 1<sup>st</sup> Home Preservation, Legal Educators USA & Co.,  
18 Stargate Mutual & Associates, Providence Financial Advocates, and Providence  
19 Financial Audits. Wealth Educators d/b/a Legal Educators & Co., is the subscriber  
20 for the telephone service used by Veronica Sesma, Legal Educators USA & Co.,  
21 Stargate Mutual & Associates, Providence Financial Advocates, and Providence  
22 Financial Audits to market and sell mortgage assistance relief services to  
23 consumers. Wealth Educators has established bank accounts for Family 1<sup>st</sup>  
24 Preservations, Family 1<sup>st</sup> Home Loans, Legal Educators & Co., Stargate Mutual &  
25 Associates and Providence Financial Advocates into which consumer payments  
26 have been deposited. At all times material to this Complaint, acting alone or in  
27 concert with others, Wealth Educators has advertised, marketed, provided, offered  
28 to provide, or arranged for others to provide mortgage assistance relief services

1 (“MARS”), as defined in 16 C.F.R. § 322.2, recodified as Regulation O, 12 C.F.R.  
2 § 1015.2. Wealth Educators transacts or has transacted business in this district and  
3 throughout the United States.

4 7. Defendant Veronica Sesma (“Sesma”) is the sole owner and officer of  
5 Wealth Educators. Sesma has also done business as Sesma Consulting. Sesma is  
6 the domain registrant for the following websites used by Defendants to market and  
7 sell mortgage assistance relief services to consumers: legalaffiliatescorp.org;  
8 family1sthps.com; legaleducatorsco.org; legaleducatorsusa.org;  
9 thelegaleducators.com; smassociates.org; pfadvocates.com; and pfaudits.com. She  
10 is the sole signer on each of the Defendants’ bank accounts, into which consumer  
11 funds are deposited. At all times material to this Complaint, acting alone or in  
12 concert with others, she has formulated, directed, controlled, had the authority to  
13 control, or participated in the practices of Wealth Educators. Defendant Sesma  
14 resides in and transacts or has transacted business in this District and throughout  
15 the United States.

#### 16 COMMERCE

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

#### 20 DEFENDANTS’ BUSINESS PRACTICES

21 9. From at least October 2012 to the present, Defendants have engaged in a  
22 course of conduct to advertise, market, sell, provide, offer to provide, or arrange  
23 for others to provide MARS, including mortgage loan modification services.

24 10. Defendants have marketed their services primarily via outbound  
25 telemarketing calls to consumers. Defendants also have marketed their services on  
26 the Internet, including through use of the following websites: family1sthps.com;  
27 legaleducatorsco.org; legaleducatorsusa.org; thelegaleducators.com;  
28 smassociates.org; pfadvocates.com; and pfaudits.com.



1 11. Many of the Defendants' customers are financially distressed homeowners.  
2 Defendants promise consumers that they will lower the consumer's monthly  
3 mortgage payment, mortgage interest rate, or obtain loan forbearance, a loan  
4 modification, or other loan restructuring.

5 12. Defendants purport to be a legal firm and to provide the consumer with legal  
6 assistance through a network of affiliated legal service providers, including  
7 forensic loan audits and other services that will identify errors in their mortgage  
8 loan documents, ferret out predatory lending practices, gather information that  
9 Defendants will use to defend against foreclosure, and win concessions from  
10 lenders.

11 13. Defendants charge an initial up-front fee ranging from \$1000 to \$5000, prior  
12 to completing any of the promised MARS. Defendants accept payment by  
13 personal check, cashier's check, money order, electronic fund transfer,  
14 MoneyGram, and Western Union. Defendants represent that if they are unable to  
15 secure the promised MARS they will fully refund all fees paid by the consumers.

16 14. In numerous instances, Defendants have failed to obtain any relief for their  
17 customers, and have not provided the promised refund.

18 **The Sales Pitch**

19 15. Defendants initiate contact with consumers through unsolicited outbound  
20 telemarketing calls and inbound telephone calls from consumers responding to  
21 claims on Defendants' websites.

22 16. Defendants' websites have included the following claims:

23 AMERICA'S LEADING HOME PRESERVATION LEGAL

24 SERVICES. We act on behalf of homeowners to work with your

25 lender and avoid the lengthy and costly process of foreclosure and the

26 stressful act of eviction that follows. . . . Everyday, we're helping

27 distressed homeowners, and we can help you, get a "fresh start" by:

28 Presenting a solution to your lender and negotiating favorable terms

1 for all concerned, Protecting your credit and your home from further  
2 degradation, Minimizing your debt obligations, and expediting the  
3 process to a successful resolution. . . . Our staff consists of  
4 professionals experienced in underwriting, servicing, and loan  
5 originations. We have a national network of 100+ legal aids working  
6 with local programs and organizations...to validate compliance with  
7 federal, state, and local regulations, and include an evaluations (sic) of  
8 the guidelines of Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA,  
9 and various private investors.

10 17. In numerous instances, Defendants have told consumers that they can secure  
11 for them a loan modification through a government-sponsored program, or  
12 otherwise obtain a loan modification that will lower their monthly mortgage  
13 payment and reduce their mortgage interest rate for an initial up-front fee of \$1000  
14 to \$5000, and that in most cases the process will be completed within three to four  
15 months.

16 18. In numerous instances, Defendants have quoted a specific dollar amount that  
17 the mortgage payment will be reduced each month, or promised a mortgage  
18 interest rate substantially lower than the rate the consumer is currently paying.  
19 Defendants also say that they are successful in obtaining a restructure or  
20 modification of the consumer's mortgage in the majority of cases. In numerous  
21 instances, Defendants have stated a specific percentage, such as 98%, success rate  
22 in obtaining a loan modification. In some instances, Defendants represent to  
23 consumers that they have a working relationship with the consumer's lender.

24 19. In numerous instances, Defendants tell consumers, many of whom have  
25 made timely mortgage payments, that in order to obtain the promised MARS,  
26 consumers should stop making mortgage payments to their lenders. Defendants  
27 have also told consumers not to communicate with their lenders during the loan  
28 restructure process.

1 20. In numerous instances, Defendants tell consumers that if they are unable to  
2 obtain the promised loan modification, Defendants will fully refund the fee the  
3 consumer paid.

4 **Payment Structure and Enrollment**

5 21. Defendants send consumers who agree to pay for their services a packet of  
6 written materials via email and in some instances regular mail. Consumers are told  
7 they must complete the forms in the packet and return the completed forms with  
8 the requested financial documents and the agreed upon fee. The materials include:  
9 (1) a cover letter from an apparently fictitious CEO, Perry Simmons, explaining  
10 that Defendants will be providing a loan audit, urging the consumer to return the  
11 requested materials so that they can determine if the consumer qualifies for  
12 Defendants' loan restructuring services, and advising the consumer that a legal  
13 assistant is available to speak with them about their file; and (2) "Clients Rights  
14 and Responsibilities," advising the consumer to forward all correspondence from  
15 the lender to Defendants and stating that the process in most instances is completed  
16 within 135 days after it is assigned to a negotiator; and (3) the "Client Retention  
17 Agreement," which states:

18 This is a written agreement ("Agreement") that California law  
19 requires attorneys to have with their clients. The offices of [name of  
20 company], a Professional Corporation, (hereinafter referred to as  
21 "Attorney" and/or "Firm"), will provide services to [name of  
22 consumer] set forth below:

23 The Firm's responsibility shall be to vigorously protect your property,  
24 to resolve the dispute you have with your financial lender, and to  
25 conduct a loan compliance audit for you as you have directed or will  
26 direct against various financial institutions for violating their legal  
27 obligations toward you that you represent is evidenced by documents  
28 in your files justifying legal action.

1 Scope of Representation – Such representation to resolve your case  
2 shall be limited to the following:

3 I. Review your loan docs to ensure they comply with all Federal  
4 Laws and Regulations.

5 II. Force the lender to adjust the current terms, eliminate or reduce  
6 any delinquent or missed payments.

7 III. Reduction of current loan balance, reduced rate.

8 IV. Loan to be converted to a longer term. Fixed Rate.

9 V. Reduction of any current or future interest rate changes.

10 VI. Negotiate short sale when necessary.

11 VII. Negotiate Deed in Lieu when necessary.

12 22. The materials sent to consumers also include: (1) a “Cease and Desist  
13 Letter” advising the lender not to communicate with the consumers pursuant to the  
14 Fair Debt Collection Practices Act; (2) a “Qualified Written Request” under  
15 Section 6 of the Real Estate Settlement Procedures Act; (3) an Authorization Form  
16 permitting Defendants to communicate on the consumer’s behalf with the lender;  
17 (4) a document checklist for the consumer’s financial records; (5) a Making Home  
18 Affordable Request application; and (6) a Financial Hardship Package. The  
19 consumer must complete and sign all forms and return the requested financial  
20 records and hardship letter along with their payment to the Defendants.

21 23. Defendants require and accept payment of between \$1000 and \$5000 prior  
22 to the consumer executing a written agreement with the lender or servicer that  
23 incorporates an offer for MARS. Often, Defendants permit consumers to split the  
24 advance payment by sending two checks, one post-dated for the following month.  
25 In some instances, Defendants tell consumers that the fee covers the cost of  
26 negotiations with the lender and processing paperwork or closing the new loan,  
27 they tell others that the fee covers legal representation by the Defendants.



1 24. The materials sent to consumers also guarantee a “100% refund of service  
2 fee” if the consumer does not receive one of the following: “Loan Modification,  
3 Forbearance, Reinstatement, Repayment Plan, Loan Restructure, Short Sale  
4 Agreement Packaging and Monitoring, Deed in Lieu of Foreclosure, Negotiating  
5 the Principal Balance/Delinquent Debt, Prolong the Foreclosure Process, Negotiate  
6 lease back from the bank, Negotiate a “Cash For Keys,” Postponement of at least  
7 ONE Trustee sale,” resulting from Defendants’ services.

8 **Post-Enrollment**

9 25. In numerous instances, Defendants remain in contact with the consumer  
10 until the second payment check has cleared the bank. Thereafter, in numerous  
11 instances, when consumers attempt to contact Defendants for status updates,  
12 Defendants often fail to answer or return consumers’ telephone calls or emails.  
13 When consumers are able to reach Defendants, Defendants’ typically string the  
14 consumer along requiring them to resend documents or telling them that their files  
15 are being handled and everything is going smoothly.

16 26. Defendants prevent consumers from contacting them or seeking refunds by  
17 changing the name under which they operate approximately every six months.  
18 When they change their business name they also change their website, and in some  
19 instances phone numbers and mailing addresses. Defendants have changed their  
20 business name at least four times in the past two years without notifying  
21 consumers. Defendants have marketed and sold MARS under the names Family  
22 1<sup>st</sup> Home Preservations, Legal Educators USA & Co., Stargate Mutual &  
23 Associates; Providence Financial Advocates; and currently are using the name  
24 Providence Financial Audits.

25 27. After consumers have agreed to work with Defendants and paid the  
26 requested advance fees, in numerous instances Defendants have failed to obtain a  
27 loan modification, principal reduction, or other promised MARS. In many  
28 instances, when consumers have contacted their lender, they have discovered that

1 Defendants never contacted the lender, or taken any steps to initiate modification  
2 proceedings.

3 28. Consumers are unable to obtain refunds when Defendants fail to provide the  
4 promised MARS. Consumers who have paid Defendants' fees have suffered  
5 significant economic injury, including, paying thousands of dollars to Defendants  
6 and receiving little or no service in return; falling behind or further behind on  
7 mortgage payments; incurring penalties; and even going into foreclosure.

8 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

9 29. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or  
10 deceptive acts and practices in or affecting commerce."

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

13 **COUNT I**

14 **(Deceptive Representations Regarding Loan Modification Services)**

15 31. In numerous instances, in connection with the advertising, marketing,  
16 promoting, offering for sale, or sale of mortgage assistance relief services,  
17 Defendants have represented, directly or indirectly, expressly or by implication:

18 a. that Defendants typically will obtain mortgage loan modifications for  
19 consumers that will make their payments substantially more affordable, will  
20 substantially lower their interest rates, or will help them avoid foreclosure; and

21 b. that Defendants will provide legal services, including forensic audits.

22 32. In truth and in fact:

23 a. Defendants typically do not obtain mortgage loan modifications for  
24 consumers that will make their payments substantially more affordable, will  
25 substantially lower their interest rates, or help them avoid foreclosure; and

26 b. Defendants do not provide legal services, including forensic audits.

1 33. Therefore, Defendants' representations as set forth in Paragraph 31 are false  
2 and misleading and constitute deceptive acts or practices in violation of Section  
3 5(a) of the FTC Act, 15 U.S.C. § 45(a).

4 **COUNT II**

5 **(Deceptive Representations Regarding Refunds)**

6 34. In numerous instances, in connection with the advertising, marketing,  
7 promoting, offering for sale, or sale of mortgage assistance relief services,  
8 Defendants have represented, directly or indirectly, expressly or by implication,  
9 that they will refund the consumer's fee if Defendants fail to obtain the promised  
10 mortgage loan modification.

11 35. In truth and in fact, in numerous instances, Defendants do not refund the  
12 consumer's fee when Defendants fail to obtain the promised mortgage loan  
13 modification.

14 36. Therefore, Defendants' representation as set forth in Paragraph 35 is false  
15 and misleading and constitutes a deceptive act or practice in violation of Section  
16 5(a) of the FTC Act, 15 U.S.C. § 45(a).

17 **VIOLATIONS OF THE MARS RULE AND REGULATION O**

18 37. In 2009, Congress directed the FTC to prescribe rules prohibiting unfair or  
19 deceptive acts or practices with respect to mortgage loans. Omnibus Act § 626,  
20 123 Stat. at 678, as clarified by Credit Card Act, § 511, 123 Stat. at 1763-64.  
21 Pursuant to that direction, the FTC promulgated the MARS Rule, 16 C.F.R. Part  
22 322, all but one provision of which became effective on December 29, 2010. The  
23 remaining provision, Section 322.5, became effective on January 31, 2011.  
24 Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538, transferred rulemaking  
25 authority over the MARS Rule to the Consumer Financial Protection Bureau,  
26 which recodified the Rule as 12 C.F.R. Part 1015, effective December 30, 2011,  
27 and designated it "Regulation O." The FTC retains authority to enforce the MARS  
28 Rule pursuant to Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538.

1 38. The MARS Rule and Regulation O define “mortgage assistance relief  
2 provider” as “any person that provides, offers to provide, or arranges for others to  
3 provide, any mortgage assistance relief service” other than the dwelling loan  
4 holder, the servicer of a dwelling loan, or any agent or contractor of such  
5 individual or entity. 16 C.F.R. § 322.2(j), recodified as Regulation O, 12 C.F.R. §  
6 1015.2(j).

7 39. The MARS Rule and Regulation O prohibit any mortgage assistance relief  
8 service provider from requesting or receiving payment of any fee or other  
9 consideration until the consumer has executed a written agreement between the  
10 consumer and the consumer’s dwelling loan holder or servicer incorporating the  
11 offer of mortgage assistance relief the provider obtained from the consumer’s  
12 dwelling loan holder or servicer. 16 C.F.R. § 322.5(a), recodified as Regulation O,  
13 12 C.F.R. § 1015.5(a).

14 40. The MARS Rule and Regulation O prohibit any mortgage assistance relief  
15 service provider from representing, expressly or by implication, in connection with  
16 the advertising, marketing, promotion, offering for sale, sale, or performance of  
17 any mortgage assistance relief service, that a consumer cannot or should not  
18 contact or communicate with his or her lender or servicer. 16 C.F.R. § 322.3(a),  
19 recodified as Regulation O, 12 C.F.R. § 1015.3(a).

20 41. The MARS Rule and Regulation O prohibit any mortgage assistance relief  
21 service provider from misrepresenting, expressly or by implication, any material  
22 aspect of any mortgage assistance relief service, including but not limited to:

23 a. the likelihood of negotiating, obtaining, or arranging any represented  
24 service or result. 16 C.F.R. §322.3(b)(1), recodified as Regulation O, 12 C.F.R. §  
25 1015.3(b)(1);

26 b. the amount of time it will take the mortgage assistance relief service  
27 provider to accomplish any represented service or result. 16 C.F.R. § 322.3(b)(2),  
28 recodified as Regulation O, 12 C.F.R. § 1015.3(b)(2);



1 c. the terms or conditions of any refund, cancellation, exchange, or  
2 repurchase policy for a mortgage assistance relief service, including, but not  
3 limited to, the likelihood of obtaining a full or partial refund, or the circumstances  
4 in which a full or partial refund will be granted, for a mortgage assistance relief  
5 service. 16 C.F.R. § 322.3(b)(6), recodified as Regulation O, 12 C.F.R. §  
6 1015(b)(6); or

7 d. that the consumer will receive legal representation. 16 C.F.R.  
8 § 322.3(b)(8), recodified as Regulation O, 12 C.F.R. § 1015.3(b)(8).

9 42. The MARS Rule and Regulation O prohibit any mortgage assistance relief  
10 service provider from failing to place a statement in every general commercial  
11 communication disclosing that (i) the provider is not associated with the  
12 government, and that their service is not approved by the government or the  
13 consumer's lender, and (ii) the lender may not agree to modify a loan, even if the  
14 consumer uses the provider's service. 16 C.F.R. § 322.4(a)(1)-(2), recodified as  
15 Regulation O, 12 C.F.R. 1015.4(a)(1)-(2).

16 43. The MARS Rule and Regulation O prohibit any mortgage assistance relief  
17 service provider from failing to place a statement in every consumer-specific  
18 commercial communication (i) confirming that the consumer may stop doing  
19 business with the provider or reject an offer of mortgage assistance without having  
20 to pay for the services, (ii) disclosing that the provider is not associated with the  
21 government or any lender, and (iii) in certain cases, a statement disclosing that the  
22 lender may not agree to modify a loan, even if the consumer uses the provider's  
23 service, and (iv) in certain cases, a statement disclosing that if they stop paying  
24 their mortgage, consumers may lose their home or damage their credit. 16 C.F.R.  
25 § 322.4(b)(1)-(3) and (c), recodified as Regulation O, 12 C.F.R. 1015.4(b)(1)-(3)  
26 and (c).

27 44. Pursuant to Section 626 of the Omnibus Act, as clarified by Section 511 of  
28 the Credit Card Act, and amended by Section 1097 of the Dodd-Frank Act, 12

1 U.S.C. § 5538, and pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. §  
2 57a(d)(3), a violation of the MARS Rule and Regulation O constitutes an unfair or  
3 deceptive act or practice in or affecting commerce, in violation of Section 5(a) of  
4 the FTC Act, 15 U.S.C. § 45(a).

5 **COUNT III**

6 **(Collection of Advance Payments)**

7 45. In numerous instances, in the course of providing, offering to provide, or  
8 arranging for others to provide MARS, Defendants ask for or receive payment  
9 before consumers have executed a written agreement between the consumer and  
10 the loan holder or servicer that incorporates the offer obtained by Defendants, in  
11 violation of MARS Rule, 16 C.F.R. § 322.5(a), recodified as Regulation O, 12  
12 C.F.R. § 1015.5(a).

13 **COUNT IV**

14 **(Advising Consumer Not to Communicate With Lender)**

15 46. In numerous instances, in the course of providing, offering to provide, or  
16 arranging for others to provide mortgage assistance relief services, Defendants, in  
17 violation of the MARS Rule, 16 C.F.R. § 322.3(a), recodified as Regulation O, 12  
18 C.F.R. § 1015.3(a), have represented expressly or by implication, that a consumer  
19 cannot or should not contact or communicate with his or her lender or servicer.

20 **COUNT V**

21 **(Material Misrepresentations)**

22 47. In numerous instances, in the course of providing, offering to provide, or  
23 arranging for others to provide mortgage assistance relief services, Defendants, in  
24 violation of the MARS Rule, 16 C.F.R. § 322.3(b)(1)-(3), (6) and (8), recodified as  
25 Regulation O, 12 C.F.R. § 1015.3(b)(1)-(3), (6) and (8), have misrepresented,  
26 expressly or by implication, material aspects of their services, including but not  
27 limited to:  
28

1 a. Defendants' likelihood of obtaining a modification of mortgage loans  
2 for consumers that will make their payments substantially more affordable;

3 b. the amount of time it will take Defendants to accomplish any  
4 represented service or result;

5 c. Defendants are affiliated with, endorsed or approved by, or otherwise  
6 associated with the government, or the maker, holder, or servicer of the consumer's  
7 dwelling loan;

8 d. the terms or conditions of any refund, cancellation, exchange, or  
9 repurchase policy for a mortgage assistance relief service, including, but not  
10 limited to, the likelihood of obtaining a full or partial refund, or the circumstances  
11 in which a full or partial refund will be granted, for a mortgage assistance relief  
12 service; and

13 e. that the consumer will receive legal representation.

14 **COUNT VI**

15 **(Failure to Disclose)**

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

19 a. in all general commercial communications:

20 1. "[Name of company] is not associated with the government,  
21 and our service is not approved by the government or your lender," in  
22 violation of the MARS Rule, 16 C.F.R. § 322.4(a)(1), and  
23 Regulation O, 12 C.F.R. §1015.4(a)(1); and

24 2. "Even if you accept this offer and use our service, your lender  
25 may not agree to change your loan," in violation of MARS Rule,  
26 16 C.F.R. § 322.4(a)(2), recodified as Regulation O, 12 C.F.R.  
27 § 1015.4(a)(2).

28 b. in all consumer-specific commercial communications:

- 1 1. "You may stop doing business with us at any time. You may  
2 accept or reject the offer of mortgage assistance from your lender [or  
3 servicer]. If you reject the offer, you do not have to pay us, [insert  
4 amount or method for calculating the amount] for our services," in  
5 violation of the MARS Rule, 16 C.F.R. § 322.4(b) (1), recodified as  
6 Regulation O, 12 C.F.R. § 1015.4(b) (1);
- 7 2. "[Name of company] is not associated with the government,  
8 and our service is not approved by the government or your lender," in  
9 violation of the MARS Rule, 16 C.F.R. § 322.4(b) (2), recodified as  
10 Regulation O, 12 C.F.R. 1015.4(b) (2);
- 11 3. "Even if you accept this offer and use our service, your lender  
12 may not agree to change your loan," in violation of MARS Rule,  
13 16 C.F.R. § 322.4(b) (3), recodified as Regulation O, 12 C.F.R.  
14 § 1015.4(b)(3); and
- 15 4. "If you stop paying your mortgage, you could lose your home  
16 and damage your credit," in violation of MARS Rule, 16 C.F.R.  
17 § 322.4(c), recodified as Regulation O, 12 C.F.R. § 1015.4 (c).

18 **CONSUMER INJURY**

19 49. Consumers have suffered and will continue to suffer substantial injury as a  
20 result of Defendants' violations of the FTC Act, the MARS Rule, and  
21 Regulation O. In addition, Defendants have been unjustly enriched as a result of  
22 their unlawful acts or practices. Absent injunctive relief by this Court, Defendants  
23 are likely to continue to injure consumers, reap unjust enrichment, and harm the  
24 public interest.

25 **THE COURT'S POWER TO GRANT RELIEF**

26 50. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to  
27 grant injunctive and such other relief as the Court may deem appropriate to halt  
28 and redress violations of any provision of law enforced by the FTC. The Court, in



1 the exercise of its equitable jurisdiction, may award ancillary relief, including  
2 rescission or reformation of contracts, restitution, the refund of monies paid, and  
3 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any  
4 provision of law enforced by the FTC.

5 51. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 626 of the  
6 Omnibus Act authorize this Court to grant such relief as the Court finds necessary  
7 to redress injury to consumers resulting from Defendants' violations of the MARS  
8 Rule including the rescission or reformation of contracts and the refund of money.

9 **PRAYER FOR RELIEF**

10 Wherefore, Plaintiff Federal Trade Commission, pursuant to Sections 13(b)  
11 and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, the Omnibus Act, and the  
12 Court's own equitable powers, requests that the Court:

13 A. Award Plaintiff such preliminary injunctive and ancillary relief as  
14 may be necessary to avert the likelihood of consumer injury during the pendency  
15 of this action, and to preserve the possibility of effective final relief, including, but  
16 not limited to, preliminary injunctions;

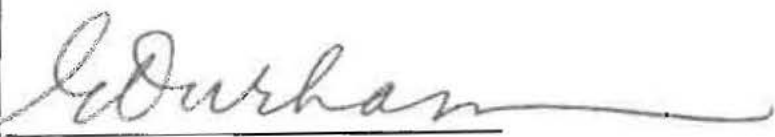
17 B. Enter a permanent injunction to prevent future violations of the FTC  
18 Act and Regulation O by Defendants;

19 C. Award such relief as the Court finds necessary to redress injury to  
20 consumers resulting from Defendants' violations of the FTC Act and the MARS  
21 Rule and Regulation O, including, but not limited to, rescission or reformation of  
22 contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten  
23 monies; and  
24  
25  
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28

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

3  
4 Dated: *March 23*, 2015

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6 Respectfully submitted,  
7 JONATHAN E. NEUCHTERLEIN  
8 General Counsel  
9 CHARLES A. HARWOOD  
10 Regional Director

11 

12 ELEANOR DURHAM  
13 MAXINE R. STANSELL  
14 Attorneys for Plaintiff  
15 FEDERAL TRADE COMMISSION

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