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23 **UNITED STATES DISTRICT COURT**
 24 **CENTRAL DISTRICT OF CALIFORNIA**

25 **FEDERAL TRADE COMMISSION,**

26 Plaintiff,

27 v.

28 **SLAC, INC.,** also dba Student Loan Assistance Center and Aspyre, a California corporation;

NAVLOAN, INC., a California corporation;

STUDENT LOAN ASSISTANCE CENTER, LLC, a California limited liability company; and

Case No. 5:20-cv-470

**PLAINTIFF
 FEDERAL TRADE
 COMMISSION'S COMPLAINT
 FOR INJUNCTIVE AND OTHER
 EQUITABLE RELIEF**

1 **ADAM OWENS**, individually and as
2 an officer, director, principal, or
3 manager of SLAC, Inc., Navloan, Inc.,
4 and Student Loan Assistance Center,
5 LLC.

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Defendants.

Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b), 57b, and the Telemarketing and Consumer Fraud and Abuse Act (“Telemarketing Act”), 15 U.S.C. §§ 6101–6108, to obtain 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), 15 U.S.C. § 45(a), 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 services.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345.

1 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2), (c)(1),
2 (c)(2), and (d), and 15 U.S.C. § 53(b).
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5 **PLAINTIFF**
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7 4. The FTC is an independent agency of the United States Government created
8 by statute. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC Act,
9 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
10 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C.
11 §§ 6101–6108. Pursuant to the Telemarketing Act, the FTC promulgated and
12 enforces the TSR, 16 C.F.R. Part 310, which, among other things, prohibits
13 deceptive and abusive telemarketing acts or practices in or affecting commerce.
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16 5. The FTC is authorized to initiate federal district court proceedings, by its
17 own attorneys, to enjoin violations of the FTC Act and the TSR, and to secure such
18 equitable relief as may be appropriate in each case, including rescission or
19 reformation of contracts, restitution, the refund of monies paid, and the
20 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 57b, 6102(c), 6105(b).
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24 **DEFENDANTS**
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26 6. **Defendant SLAC, Inc.** (“SLAC”), also doing business as Student Loan
27 Assistance Center and Aspyre, is a California corporation, incorporated in
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1 September 2014, with its principal place of business at 1761 Third Street, Norco,
2 California, 92860. SLAC transacts or has transacted business in this District and
3 throughout the United States. At all times material to this Complaint, acting alone
4 or in concert with others, SLAC has advertised, marketed, distributed, sold, or
5 provided student loan debt relief services to consumers throughout the United
6 States.
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9 **7. Defendant Student Loan Assistance Center, LLC (“SLAC, LLC”)**, is a
10 California limited liability company, organized in October 2014, with its principal
11 place of business at 1761 Third Street, Norco, California, 92860. SLAC, LLC,
12 manages and owns 100% of the stock in SLAC. Defendant Owens is a member
13 and majority owner of SLAC, LLC. SLAC, LLC, transacts or has transacted
14 business in this District and throughout the United States. At all times material to
15 this Complaint, acting alone or in concert with others, SLAC, LLC, has, directly or
16 through its management and control of SLAC, advertised, marketed, distributed, or
17 sold student loan debt relief services to consumers throughout the United States.
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21 **8. Defendant Navloan, Inc. (“Navloan”)**, is a California corporation,
22 organized in August 2016. Its Articles of Incorporation lists its address as 300
23 Spectrum Center Drive, Suite 400, Irvine, CA 92618, which is also the address of
24 a Regus virtual office location. Navloan is owned by SLAC and transacts or has
25 transacted business in this District and throughout the United States. At times
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1 material to this Complaint, acting alone or in concert with others, Navloan has
2 advertised, marketed, distributed, sold, or provided student loan debt relief services
3 to consumers throughout the United States.
4

5 9. **Defendant Adam Owens** (“Owens”) is currently the sole officer and
6 director of SLAC, a principal, if not the sole principal, of Navloan, and, directly or
7 indirectly, a member and majority owner of SLAC, LLC. At all times material to
8 this Complaint, Owens has been an officer, director, or other principal of SLAC
9 and Navloan and a member of SLAC, LLC. At all times material to this
10 Complaint, acting alone or in concert with others, Owens has formulated, directed,
11 controlled, had the authority to control, or participated in the acts and practices of
12 SLAC and SLAC, LLC, including the acts and practices set forth in this Complaint
13 and including the acts and practices that SLAC has done as, through, on behalf of,
14 or while holding itself out to be, Navloan. Owens resides in this District and, in
15 connection with the matters alleged herein, transacts or has transacted business in
16 this District and throughout the United States.
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21 10. Since at least August 2016, SLAC and Navloan have operated as a common
22 enterprise while engaging in the unlawful acts and practices described below.
23

24 SLAC and Navloan have conducted the business practices described below
25 through common officers, managers, employees, and locations. Because SLAC
26 and Navloan have operated as a common enterprise, each of them is jointly and
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1 severally liable for the acts and practices alleged below. Owens has formulated,
2 directed, controlled, had the authority to control, or participated in the acts and
3 practices of SLAC and Navloan that constitute the common enterprise.
4

5 11. By virtue of SLAC, LLC's, ownership of SLAC and SLAC's ownership of
6 Navloan, SLAC, LLC, has had the ability to formulate, direct, control, and
7 participate in the acts and practices of SLAC and Navloan. SLAC, LLC, is jointly
8 and severally liable for the conduct of SLAC and Navloan because it has had and
9 continues to have (a) the authority to control and direct the activities of SLAC and
10 Navloan, including the conduct alleged herein and (b) the authority and
11 responsibility to prevent or correct the unlawful acts or practices alleged in this
12 Complaint.
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17 **COMMERCE**
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19 12. At all times material to this Complaint, Defendants have maintained a
20 substantial course of trade in or affecting commerce, as "commerce" is defined in
21 Section 4 of the FTC Act, 15 U.S.C. § 44.
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1 **DEFENDANTS’ DECEPTIVE STUDENT LOAN DEBT RELIEF**
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3 **SERVICES**

4 13. Since 2014, Defendants have marketed and purported to provide debt relief
5 services to consumers with student loan debt. Defendants purchase leads that
6 result in telemarketing calls with consumers who have student loan debt. During
7 the initial sales call Defendants falsely claim that they can save consumers
8 substantial funds by getting the consumers into an income-driven repayment
9 (“IDR”) plan that will substantially reduce the consumers’ monthly payment for
10 the life of the plan (often 20 or 25 years), after which any remaining balance will
11 be forgiven. In many instances during the sales calls, Defendants give the
12 consumer inaccurate information about how to report family size on applications
13 for student loan debt relief. When preparing an IDR application, Defendants at
14 times state a larger family size on the application than what the consumer told
15 them. Defendants request or receive both an initial fee (commonly \$699) and one
16 or more monthly fees (commonly \$39) before they have changed the terms of the
17 consumer’s loans and before the consumer has made at least one payment pursuant
18 to the new loan terms. In addition, Defendants misrepresent that positive reviews
19 about themselves on the Better Business Bureau (“BBB”) website reflect the
20 independent opinions or experiences of ordinary impartial consumers when, in
21 fact, Defendants offer to pay consumers for positive BBB reviews, fail to advise
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1 reviewing consumers to disclose the offer of payment in their review, and fail to
2 disclose the payment when they respond to reviews on the BBB website.
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4 **Background on Student Loan Forgiveness and Repayment Programs**

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6 14. Student loan debt is the second largest class of consumer debt; more than 44
7 million Americans collectively owe over \$1.5 trillion. The student loan market
8 continues to show elevated levels of distress relative to other types of consumer
9 debt.
10

11
12 15. To address this mounting level of distressed debt, the United States
13 Department of Education (“ED”) and state government agencies administer a
14 limited number of student loan repayment, forgiveness, and discharge programs.
15 Among them, the Teacher Loan Forgiveness Program applies to teachers who have
16 worked full-time for five years in a low-income elementary or secondary school or
17 educational service agency and the Public Service Loan Forgiveness Program
18 (“PSLF”) applies to employees of governmental units or non-profit organizations
19 who make timely monthly payments for a period of ten years while employed in
20 the public sector.
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23
24 16. The federal government also offers loan forgiveness through IDR programs.
25 These programs enable borrowers to reduce their monthly payments for a year,
26 based on income and family size. Each year, borrowers must re-submit income
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1 and family size information and have their payments re-calculated. Payments can
2 fluctuate with changes in a borrower's income or family. If a borrower qualifies
3 for a reduced payment for a sufficiently long time—20 or 25 years depending on
4 the program—the remaining loan balance, if any, is forgiven. IDR programs,
5 however, are relatively new and no borrowers have been in them long enough to
6 have any part of their loans forgiven.
7

8
9 17. The application for IDR programs provides this information about “family
10 size”:
11

12 **Family size** always includes you and your children (including
13 unborn children who will be born during the year for which you
14 certify your family size), if the children will receive more than half
15 their support from you.
16

17 For the PAYE, IBR, and ICR Plans, family size always includes
18 your spouse. For the REPAYE plan, family size includes your spouse
19 unless your spouse's income is excluded from the calculation of your
20 payment amount.
21

22 For all plans, family size also includes other people only if they
23 live with you now, receive more than half their support from you now,
24 and will continue to receive this support for the year that you certify
25 your family size. Support includes money, gifts, loans, housing, food,
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1 clothes, car, medical and dental care, and payment of college costs.

2 Your family size may be different from the number of exemptions you
3 claim for tax purposes.
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5 <https://static.studentloans.gov/images/idrPreview.pdf> at 5, last visited May
6 29, 2019.
7

8 18. Because a borrower's income is likely to fluctuate over the life of the loan,
9 monthly payments under the IDR programs can vary considerably from year to
10 year. If a borrower's income were to increase over the repayment period, for
11 example, the monthly payment amount could correspondingly increase to the point
12 where those payments would pay off the loan before any amount could be forgiven
13 at the end of the IDR program.
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16 19. Consumers can apply for PSLF, IDR, and other loan repayment and
17 forgiveness or discharge programs through ED or their student loan servicers at no
18 cost; these programs do not require payment of application fees.
19

20 20. ED will grant forbearance while processing applications for an alternative
21 repayment plan, and in some cases of hardship. During forbearance, consumers
22 are not required to make payments but unpaid interest is added to the principal
23 balance.
24

25 21. ED also allows consumers with multiple federal loans to consolidate them
26 into one "Direct Consolidation Loan" with a fixed interest rate and single monthly
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1 payment. ED does not charge for consolidation and offers a dedicated helpline and
2 webpage to assist borrowers with the process.
3

4 **Defendants’ Deceptive Marketing of Student Loan Debt Relief Services**

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6 22. Since 2014, Defendants have marketed and sold student loan debt relief
7 services that promise to alter the terms of consumers’ debt through payment
8 reduction and loan forgiveness. Defendants have promoted their services using
9 Internet sites (www.goslac.com, www.navloan.com,
10 <http://usstudentloanforgiveness.com/enroll/>, and <http://studentdebtfree.org>), leads
11 purchased through lead generators, and their own advertising. Purchased leads
12 include live phone calls forwarded to Defendants as well as calls placed by
13 Defendants to consumers whose names and telephone numbers were purchased
14 from lead generators. Defendants seek to purchase leads of consumers who are
15 interested in student loan debt relief. At times, Defendants have advertised on
16 radio, on television, and through text messages. In text messages, for example,
17 Defendants claim they can get consumers permanently reduced monthly payments
18 and at least some principal forgiveness:
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- 24 • “You have been Pre-Qualified for Payment Reduction/Student Loan
25 Forgiveness.”
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- 1 • “SLAC Alert: Your Student Loans are now Pre-Qualified for Loan
- 2 Forgiveness.”
- 3
- 4 • “You Have Been Pre Approved Student Loan Forgiveness.” [sic].

5 Defendants also market their services by means of a referral bonus, paid when an
6 existing customer refers someone to them and the person referred purchases
7 Defendants’ services.
8

9 23. During a telephone call that results from the leads or advertising,
10 Defendants, sometimes referring to themselves as “enrollment advisors” and
11 following a sales script, gather personal information on the consumer, including
12 income, federal student loan details, and family size. This process includes
13 accessing the consumer’s ED file through an ED website. In some instances,
14 Defendants change the username and password a consumer needs to access his or
15 her ED information.
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19 24. Defendants use the personal information to estimate the consumer’s monthly
20 payment if his or her federal loans are consolidated and the consumer is entered
21 into an IDR plan. In many instances, the IDR payment is lower than what the
22 consumer is currently paying. Even though the IDR payment is based on income
23 and family size, which often change from year to year, Defendants represent that
24 an IDR plan obtained through their debt relief services will enable consumers to
25 pay the same monthly payment for the life of the plan, and emphasize that is all the
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1 consumer will pay. For example, according to a late 2017 script Defendants tell
2 consumers:

3
4 With the new [IDR] plan you will only be paying \$____ for ____ months,
5 and that's it.

6 Defendants compare payments consumers would make using their services to
7 obtain an IDR plan to the consumer's current payment, reinforcing that the
8 consumer's payment under the IDR plan will not change for the duration of
9 Defendants' program:
10

11
12 After that, instead of paying \$____ for ____years. [The current plan]

13 It's only going to be \$____ (+39) for ____years.
14

15 Defendants conclude by promising that consumers who use their services will have
16 a portion of their loan written-off:

17 And the remaining balance of \$____ will be forgiven.
18

19 In fact, because the IDR payment amount is only for one year and may increase if
20 the consumer's income increases or family size decreases, the loan could be fully
21 repaid before the IDR plan ends, resulting in no part of the loan being forgiven.
22

23 25. On numerous occasions, Defendants have given consumers inaccurate
24 information about how to report their family size. In some instances, Defendants
25 have represented to consumers that they can include in their family anyone they
26 have helped financially, such as by giving money or paying a bill, or helped in
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1 non-financial ways, such as with babysitting or household chores. In a recorded
2 call, one of Defendants' sales representatives, when describing how to count
3 family size, stated:
4

5 You've got to show two more dependents. ... Now, how do you do that?

6 Well, how do you do that? ... Okay, I'm going to pay—you know, I'm
7 going to contribute \$5 more into your cell phone bill. You see what I'm
8 saying? ... It could be a brother, it could be—okay, you know what, you
9 know Jen— you know, your friend, Jennifer, whoever it might be, you know
10 what, I'm going to watch over your kids on the weekend, you know, for
11 twice a week, twice a year. You see what I'm saying.
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15 Defendants have also represented to consumers that the family size for student loan
16 purposes is the number of persons who live in the consumer's home. In fact, ED
17 regulations measure family size by counting the consumer; the consumer's
18 children, if the children receive more than half of their support from the consumer;
19 the consumer's spouse (in most instances); and other persons who both live with
20 the consumer and receive at least half of their support from the consumer.
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23 26. On numerous occasions, Defendants have, when submitting student loan
24 consolidation and modification applications on behalf of a consumer, reported
25 more persons in the consumer's family than the consumer told Defendants.
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1 27. Once a consumer agrees to purchase Defendants' services, Defendants
2 obtain payment information immediately (typically credit card information) in
3 order to collect their fees. Defendants tell the consumer that ED will need at least
4 60–120 days to process the consolidation and repayment plan applications before
5 sending the consumer new payment information. Nevertheless, Defendants collect
6 their fees upfront, before the consumer's loan is modified and before the consumer
7 has made a payment pursuant to the modified terms. Defendants typically charge
8 an initial fee of \$699 and monthly fees of \$39. The initial fee may be paid in four
9 monthly installments, but the first installment must be paid within one week. The
10 first monthly fee is charged to a consumer within 60 days of the contract date, and
11 the remaining monthly fees are charged approximately every 30 days thereafter.
12 Because SLAC and Navloan are not providing any specific additional services to a
13 consumer while ED is processing his or her applications for consolidation and an
14 IDR plan or after the applications are approved and the consumer is waiting for the
15 next year's recertification, the remaining monthly fees essentially serve as a
16 prepayment for the Defendants' recertification of the consumer for the IDR plan
17 the following year.

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24 28. Beginning as early as November 2015, Defendants offered consumers
25 who contracted with them twenty dollars (\$20) to write a positive review
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1 about Defendants' services on the BBB's website. Early offers emphasized
2 the value of BBB reviews and promised a gift card:
3

4 Now that you have had the chance to experience the
5 service SLAC INC. provides, we would like to hear from you on
6 our BBB page. Unfortunately, the BBB is used by many
7 customers as a tool to negatively respond or give feedback to
8 companies for those who have had counteractive experiences,
9 [sic] especially as this student loan industry matures from its
10 infancy stage. However, with many clients, including
11 yourselves, we hoped [sic] to have reached every expectation
12 [sic] in providing a positive experience, and it is our hope that
13 you can testify to that existence by taking a moment to write a
14 positive review. SLAC INC. knows that it is our customers who
15 make our business.
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20 We greatly appreciate your positive remarks and in leaving a
21 good review it will encourage those who desperately need the
22 assistance, just as you did, to make the decision in choosing SLAC
23 INC. to provide the service in assisting them with the application
24 process in order to get submitted correctly in an expedited time frame,
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1 inevitably getting the millions of student loan consumers the relief
2 that he or she has the right to receive. [sic]

3
4 Please take the few moments [sic] and follow the
5 instructions below.

6 Click the link;

7
8 [http://www.bbb.org/central-california-inland-
9 empire/business-reviews/loan-servicing/slac-in-norco-ca-
10 89074167/add-review/choose](http://www.bbb.org/central-california-inland-empire/business-reviews/loan-servicing/slac-in-norco-ca-89074167/add-review/choose)

11
12 Choose:

13 **Submit a Customer Review**

14
15 On behalf of the SLAC INC. TEAM, we thank you for
16 taking the time in extending your kind words, which is a
17 reflection of our company, to those who inquire and are curious
18 about the experience they may have if choosing SLAC INC. to
19 provide the service in assisting in federal student loan
20 consolidation and/or loan forgiveness! [sic]

21
22
23 Furthermore, SLAC INC. will send you a \$20 Visa gift
24 card once your review has been submitted and reviewed. Also,
25 SLAC INC. thrives on its referral program. Refer a client to us,
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1 once they pay their fee and we enroll them into a federal
2 program we will send you an additional \$50 Visa gift card!

3
4 Exhibit 1 (attached). At other times, Defendants offered payment by check:

5 Additionally, if you leave a positive review on the BBB and then
6 contact us so that we can verify, we can provide you with a **\$20**
7 **check!**
8

9 Exhibit 2 (attached, emphasis in the original). The email offering a \$20 check to
10 consumers who provide a positive BBB review also includes a link to the BBB's
11 webpage for filing a review and instructs consumers to click on the link or copy
12 and paste it into their browser.
13

14
15 29. When offering payment to consumers in return for a positive BBB review,
16 Defendants do not tell consumers to disclose in their reviews that they had been
17 offered an incentive to provide the review.
18

19 30. After Defendants examine a consumer's BBB review and find it satisfactory,
20 they pay the consumer \$20.
21

22 31. The BBB requires customers seeking to review companies to certify that
23 they "have not been offered any incentive or payment originating from the
24 business to write the review."
25

26 32. In numerous instances, consumers of Defendants' services post positive
27 reviews on the BBB website to qualify for a \$20 payment. These reviews appear
28

1 to be independent comments reflecting the opinions and experiences of ordinary
2 consumers who had used SLAC's services. Defendants sometimes post comments
3 on the BBB website in response to consumers' positive reviews. When posting
4 comments in response to a compensated consumer's positive review, Defendants
5 do not disclose that the reviewer to whom they are responding was promised
6 payment in exchange for a positive review.
7

8
9 33. Defendants post on their website that they are accredited by the BBB.
10 Defendants also instruct their employees to respond to consumers' questions about
11 Defendants' legitimacy by referring the consumers to the BBB website. In some
12 instances, Defendants refer specifically to their positive reviews on the BBB
13 website as evidence of their legitimacy.
14

15
16 34. Because of Defendants' offer of payment for positive reviews, consumers
17 who view the BBB report on Defendants before making a purchasing decision see
18 numerous positive reviews that never should have been posted on the BBB website
19 because they are incentivized by Defendants.
20

21 35. Based on the facts and violations of law alleged in this Complaint, the FTC
22 has reason to believe that Defendants are violating or are about to violate laws
23 enforced by the Commission.
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VIOLATIONS OF THE FTC ACT

1
2 36. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
3
4 deceptive acts or practices in or affecting commerce.”

5 37. Misrepresentations or deceptive omissions of material fact constitute
6
7 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.
8

9
10 **COUNT I**

11 **Misrepresentations of Lower Payments and Forgiven Balances**

12 38. In numerous instances, in connection with the advertising, marketing,
13
14 promotion, offering for sale, sale, or provision of student loan debt relief services,
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16 Defendants represent, directly or indirectly, expressly or by implication, that
17
18 Defendants will enroll a consumer in a student loan repayment or forgiveness
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20 program that will reduce the consumer’s monthly payments to a fixed amount for
21
22 the duration of the consumer’s program and result in a portion of the consumer’s
23
24 student loans being forgiven.

25 39. In truth and in fact, in numerous instances in which Defendants make the
26
27 representations set forth in Paragraph 38, such representations were false or not
28
substantiated at the time Defendants made them.

1 40. Therefore, the making of the representations as set forth in Paragraph 38
2 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
3
4 15 U.S.C. § 45(a).

5
6 **COUNT II**

7
8 **Inaccurate Instruction on Reporting Family Size**

9 41. In numerous instances, in connection with the advertising, marketing,
10 promotion, offering for sale, sale, or provision of student loan debt relief services,
11 Defendants represent, directly or indirectly, expressly or by implication, that
12 Defendants will instruct consumers how to accurately report their family size for
13 purposes of ED student loan modification applications.
14

15
16 42. In truth and in fact, in many instances Defendants do not instruct consumers
17 how to accurately report their family size for purposes of ED student loan
18 modification applications.
19

20 43. Therefore, Defendants' representations as set forth in Paragraph 41 are false
21 and misleading and constitute deceptive acts or practices in violation of Section
22
23 5(a) of the FTC Act. 15 U.S.C. § 45(a).

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COUNT III

Inaccurate Reporting of Family Size

44. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, sale, or provision of student loan debt relief services, Defendants have represented, directly or indirectly, expressly or by implication, that Defendants will, on applications to ED for student loan modification programs, accurately state the family size reported to Defendants by consumers.

45. In truth and in fact, in many instances Defendants do not, on applications to ED for student loan modification programs, accurately state the family size reported to Defendants by consumers.

46. Therefore, Defendants' representations as set forth in paragraph 44 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act. 15 U.S.C. § 45(a).

COUNT IV

False Claims of Independent Reviews

47. Through the means described in Paragraphs 28 to 34, Defendants represent, directly or indirectly, expressly or by implication, that consumer reviews of SLAC on the BBB website reflect the independent opinions or experiences of ordinary impartial consumers.

1 48. In truth and in fact, in numerous instances the consumer reviews on the BBB
2 website do not reflect the independent opinions or experiences of ordinary
3 impartial consumers. In numerous instances, consumers are offered or receive
4 compensation, including promises of twenty-dollar (\$20) checks or gift cards, to
5 post positive reviews on the BBB website. Therefore, the representation in
6 Paragraph 47 is false and misleading and constitutes a deceptive act or practice in
7 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
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12 **COUNT V**

13 **Failure to Disclose Material Connections**

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15 49. Through the means described in Paragraphs 28 to 34, Defendants represent,
16 directly or indirectly, expressly or by implication, that consumer reviews of SLAC
17 on the BBB website reflect the opinions or experiences of Defendants' consumers.
18

19 50. In numerous instances in which Defendants make the representation set forth
20 in Paragraph 49, Defendants fail to disclose, or disclose adequately, that some of
21 the positive reviews are from consumers who received compensation or promises
22 of compensation, including promises of twenty-dollar (\$20) checks or gift cards, to
23 post positive reviews on the BBB's website. This fact would be material to
24 consumers in evaluating the reviews in connection with a purchase or use decision.
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1 51. Defendants’ failure to disclose or disclose adequately the material
2 information described in Paragraph 50, in light of the representation set forth in
3 Paragraph 49, constitutes a deceptive act or practice in violation of Section 5(a) of
4 the FTC Act, 15 U.S.C. § 45(a).
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8 **THE TELEMARKETING SALES RULE**

9 52. In 1994, Congress directed the FTC to prescribe rules prohibiting abusive
10 and deceptive telemarketing acts or practices pursuant to the Telemarketing Act,
11 15 U.S.C. §§ 6101–6108. The FTC adopted the original TSR in 1995, extensively
12 amended it in 2003, and amended certain provisions thereafter. 16 C.F.R.
13
14 Part 310.
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16 53. Defendants are “seller[s]” or “telemarketer[s]” engaged in “telemarketing”
17 as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A “seller” means
18 “any person who, in connection with a telemarketing transaction, provides, offers
19 to provide, or arranges for others to provide goods or services to a customer in
20 exchange for consideration.” 16 C.F.R. § 310.2(dd). A “telemarketer” means “any
21 person who, in connection with telemarketing, initiates or receives telephone calls
22 to or from a customer or donor.” 16 C.F.R. § 310.2(ff). “Telemarketing” means “a
23 plan, program, or campaign which is conducted to induce the purchase of goods or
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1 services or a charitable contribution, by use of one or more telephones and which
2 involves more than one interstate telephone call.” 16 C.F.R. § 310.2(gg).

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

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13 55. The TSR prohibits sellers and telemarketers from “[r]equesting or receiving
14 payment of any fee or consideration for any debt relief service until and unless:

- 15
16 (A) The seller or telemarketer has renegotiated, settled, reduced, or
17 otherwise altered the terms of at least one debt pursuant to a
18 settlement agreement, debt management plan, or other such valid
19 contractual agreement executed by the customer; and
20
21 (B) The customer has made at least one payment pursuant to that
22 settlement agreement, debt management plan, or other valid
23 contractual agreement between the customer and the creditor or debt
24 collector; and
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1 (C) To the extent that debts enrolled in a service are renegotiated, settled,
2 reduced, or otherwise altered individually, the fee or consideration
3 either:
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5 (1) Bears the same proportional relationship to the total fee for
6 renegotiating, settling, reducing, or altering the terms of the
7 entire debt balance as the individual debt amount bears to the
8 entire debt amount. The individual debt amount and the entire
9 debt amount are those owed at the time the debt was enrolled in
10 the service; or
11

12 (2) Is a percentage of the amount saved as a result of the
13 renegotiation, settlement, reduction, or alteration. The
14 percentage charged cannot change from one individual debt to
15 another. The amount saved is the difference between the
16 amount owed at the time the debt was enrolled in the service
17 and the amount actually paid to satisfy the debt.”
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21 16 C.F.R. § 310.4(a)(5)(i).
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23 56. The TSR prohibits sellers and telemarketers from misrepresenting, directly
24 or by implication, any material aspect of any debt relief service including, but not
25 limited to, that consumers who purchase Defendants’ debt relief services generally
26 will have their monthly payments permanently reduced or their loan balances
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1 forgiven in whole or in part; the accuracy of information provided to consumers
2 about how to calculate their family size when applying for ED student loan
3 modification programs; and that Defendants will accurately report on an
4 application to ED for a student loan modification program the family size reported
5 to Defendants by the consumer. 16 C.F.R. § 310.3(a)(2)(x).
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7

8 57. The TSR prohibits sellers and telemarketers from making false or
9 misleading statements to induce consumers to pay for goods or services including,
10 but not limited to, that consumer reviews of SLAC's services on the BBB website
11 reflect the independent opinions or experiences of ordinary impartial consumers
12 and that consumers who posted reviews of SLAC services on the BBB website did
13 not receive compensation from SLAC to post a positive review. 16 C.F.R.
14 § 310.3(a)(4).
15
16

17 58. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and
18 Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR
19 constitutes an unfair or deceptive act or practice in or affecting commerce, in
20 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
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1 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

2 **COUNT VI**

3 **Advance Fees for Debt Relief Services**

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5 59. In numerous instances, in connection with the telemarketing of student loan
6 debt relief services, Defendants request or receive payment of a fee or
7 consideration for debt relief services before:
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- 9 a. Defendants renegotiate, settle, reduce, or otherwise alter the terms of
10 at least one debt pursuant to a settlement agreement, debt management
11 plan, or other such valid contractual agreement executed by the
12 consumer; and
13
14 b. The consumer makes at least one payment pursuant to that settlement
15 agreement, debt management plan, or other valid contractual
16 agreement between the consumer and the creditor.
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19 60. Therefore, Defendants' acts or practices as set forth in Paragraph 59 are
20 abusive telemarketing acts or practices that violate Section 310.4(a)(5)(i) of the
21 TSR, 16 C.F.R. § 310.4(a)(5)(i).
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COUNT VII

Misrepresentation of Debt Relief Services in Violation of the TSR

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

- a. Defendants will enroll a consumer in a student loan repayment or forgiveness program that will reduce a consumer’s monthly payments to a fixed amount for the duration of the consumer’s program and result in a substantial portion of the consumer’s student loans being forgiven;
- b. Defendants will instruct consumers about how to accurately report their family size for purposes of ED student loan modification applications; and
- c. Defendants will, on applications to ED for student loan modification programs, accurately state the family size reported to Defendants by consumers.

62. Therefore, Defendants’ acts or practices as set forth in Paragraph 61 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).

COUNT VIII

False or Misleading Statements When Telemarketing

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5 63. In numerous instances, in connection with telemarketing goods or services,
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7 a. Defendants falsely state, directly or indirectly, expressly or by
8 implication, material aspects of their services, including but not
9 limited to that positive consumer reviews of SLAC on the BBB
10 website reflect the independent opinions or experiences of ordinary
11 impartial consumers; and
12
13 b. Defendants state, directly or indirectly, expressly or by implication,
14 that consumer reviews of SLAC on the BBB website reflect the
15 opinions or experiences of Defendants' consumers; in making this
16 statement, Defendants fail to disclose, or disclose adequately, the
17 material fact that some of the positive reviews are from consumers
18 who received compensation or promises of compensation, including
19 promises of twenty dollar (\$20) checks or gift cards, to post positive
20 reviews on the BBB's website, thereby rendering Defendants'
21 statement misleading.
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1 64. Defendants' acts or practices, as described in Paragraph 63, are deceptive
2 telemarketing acts or practices that violate Section 310.3(a)(4) of the TSR,
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4 16 C.F.R. § 310.3(a)(4).
5

6 **CONSUMER INJURY**

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8 65. Consumers are suffering, have suffered and will continue to suffer
9 substantial injury as a result of Defendants' violations of the FTC Act and the TSR.
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11 In addition, Defendants have been unjustly enriched as a result of their unlawful
12 acts or practices. Absent injunctive relief by this Court, Defendants are likely to
13 continue to injure consumers, reap unjust enrichment, and harm the public interest.
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16 **THIS COURT'S POWER TO GRANT RELIEF**

17 66. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to
18 grant injunctive and such other relief as the Court may deem appropriate to halt
19 and redress violations of any provision of law enforced by the FTC. The Court, in
20 the exercise of its equitable jurisdiction, may award ancillary relief, including
21 rescission or reformation of contracts, restitution, the refund of monies paid, and
22 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any
23 provision of law enforced by the FTC.
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1 67. Section 19 of the FTC Act, 15 U.S.C. § 57b and Section 6(b) of the
2 Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief
3 as the Court finds necessary to redress injury to consumers resulting from
4 Defendants' violations of the TSR, including the rescission or reformation of
5 contracts, and the refund of money.
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9 **PRAYER FOR RELIEF**

10 Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act,
11 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C.
12 § 6105(b), and the Court's own equitable powers, requests that the Court:
13

14 A. Enter a permanent injunction to prevent future violations of the FTC
15 Act and the TSR by Defendants;
16


17 B. Award such relief as the Court finds necessary to redress injury to
18 consumers resulting from Defendants' violations of the FTC Act and the TSR,
19 including rescission or reformation of contracts, restitution, the refund of monies
20 paid, and the disgorgement of ill-gotten monies; and
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1 C. 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.
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4

5 Respectfully submitted,
6

7 **Alden F. Abbott**
8 General Counsel

9 **JON MILLER STEIGER**
10 Director, East Central Region

11 
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16 FEDERAL TRADE COMMISSION
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