

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

GREGORY A. ASHE
gashe@ftc.gov
SALLY TIEU (CA Bar No. 346034)
stieu@ftc.gov
FEDERAL TRADE COMMISSION
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
Telephone: (202) 326-3719 (Ashe)
Telephone: (202) 304-7313 (Tieu)
Facsimile: (202) 326-3768

DAVID HANKIN (CA Bar No. 319825)
Local Counsel
dhankin@ftc.gov
FEDERAL TRADE COMMISSION
10990 Wilshire Boulevard, Suite 400
Los Angeles, UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,
Plaintiff,
v.
PANDA BENEFIT SERVICES, LLC,
CLARITY SUPPORT SERVICES,
LLC,

CASE NO.

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

1 relief, including an asset freeze, appointment of a receiver, and immediate access
2 to Defendants’ business premises, pursuant to Sections 13(b) and 19 of the FTC
3 Act, 15 U.S.C. §§ 53(b) and 57b, the Telemarketing and Consumer Fraud and
4 Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108, and
5 Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a).
6

7
8 **SUMMARY OF CASE**

9 2. Defendants have deceived consumers, many of whom are low-income
10 borrowers saddled with thousands of dollars of student debt, into paying hundreds
11 of dollars for services that are made up, not as described, or simply never
12 materialize.
13

14 3. Defendants tell consumers that (1) Defendants will secure forgiveness
15 of their student loan debt; (2) Defendants can obtain for consumers repayment
16 plans that will lower their monthly payment amounts; (3) Defendants are loan
17 servicers who will take over servicing their federal student loans; and (4)
18 Defendants “work with” or are otherwise affiliated with the government, including
19 specifically the U.S. Department of Education (“ED”).
20

21
22 4. But Defendants’ promises are false. Defendants do not seek or deliver
23 loan forgiveness or loan repayment plans. Defendants are not federal loan servicers
24

25 anih12.3 (s)]TJss-8.3 (chl0.004TgEw)8 (it)8.5 (h)1 (e)0.(ne)3.s-8.1 (S)4.5 (.)61n ser1i1 Tw 0.2
26
27

the government, and have not sought or obtained forgiveness of their loans,

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

1 the GLB Act, 15 U.S.C. §§ 6821-27, which prohibits any person from obtaining or
2 attempting to obtain customer information of a financial institution relating to
3 another person by making a false, fictitious, or fraudulent statement or
4 representation to a customer of a financial institution. The FTC also enforces the
5 Impersonation Rule, 16 C.F.R. Part 4eH6.3 (1)]6.1 (wh)onhhpeohits to Finarson fl2.1 (ti)8.5 (

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

1 this Complaint, Clarity, acting alone or in concert with others, has advertised,
2 marketed, distributed, or sold student loan debt relief services to consumers
3 throughout the United States.
4

5 **11. Defendant Pacific Quest Services d/b/a DocPrepPay.Com** (“Pacific
6 Quest”) is a California corporation with a principal place of business at 2030 Main
7 Street, Suite 1300, #825, Irvine, CA 92614. Pacific Quest transacts or has
8

9 transacted business in 004 Tc -dve4.5 (nc)154n0nl7 (ha)3.0nl7 cnci6411sti3(ou)8.3 (t t)82 8.2 (0

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

Rancho Dr. Suite D20 PMB 1043

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

1 16. **Defendant Signature Processing Services, Inc.** (“Signature
2 Processing”) is a Nevada corporation with a principal place of business at 3753
3 Howard Hughes Parkway Suite 200 #1221, Las Vegas, NV 89169. Signature
4 Processing transacts or has transacted business in this district and throughout the
5 United States. At all times relevant to this Complaint, acting alone or in concert
6 with others, Signature Processing has advertised, marketed, distributed, or sold
7 student loan debt relief services to consumers throughout the United States.
8

9 17. **Defendant Eduardo Avalos Martinez** (“E. Martinez”) has held
10 himself out as a member and officer of Clarity, PBS, and Select. He has used the
11 name “Ed Martinez” in service provider and official documents in connection with
12 the business activities alleged in this Complaint. E. Martinez has held signatory
13 authority for a PBS bank account and served as its point of contact for remote
14 office services. He has also had bank signatory authority for a bank account owned
15 by Clarity. E. Martinez has served as a customer point of contact for Select’s
16 payroll services and was an authorized user for Select’s Chase Business Signature
17 bank card. At all times relevant to this Complaint, acting alone or in concert with
18 others, he has formulated, directed, controlled, had the authority to control, or
19 participated in the acts and practices described in this Complaint. He resides in this
20 District and, in connection with the matters alleged herein, transacts or has
21 transacted business in this District and throughout the United States.
22
23
24
25
26
27

1 18. **Defendant Emiliano Salinas** (“E. Salinas”) has held himself out as a
2 member and the President and Chief Executive Officer of PBS, an officer of
3 Prosperity Loan, and a Vice President of Select. Salinas has held signatory
4 authority for bank accounts owned by PBS and Prosperity Loan; has served as the
5 point of contact for PBS, Prosperity Loan, and Select for essential services like
6 payroll processors, merchant processing, virtual office space and
7 telecommunications; and has served as PBS’s authorized representative to the
8 California Employment Development Department. E. Salinas is believed to reside
9 in a single family home that has been used as a business address for Pacific Quest,
10 Prosperity Loan, and PBS. At all times relevant to this Complaint, acting alone or
11 in concert with others, E. Salinas has formulated, directed, controlled, had the
12 authority to control, or participated in the acts and practices described in this
13 Complaint. Defendant E. Salinas resides in this District and, in connection with the
14 matters alleged herein, transacts or has transacted business in this District and
15 throughout the United States.

16
17 19. **Defendant Christopher Michael Hanson** (“Hanson”) has held
18 himself out as an officer and member of Clarity. He has served as the point of
19 contact for a payment processor used by Pacific Quest, and has served as Clarity’s
20 point of contact for web hosting and payroll services. He has held signatory
21 authority on Clarity’s bank account and applied for a Paycheck Protection Program
22
23
24
25
26
27

1 on a student loan, and nearly a quarter of borrowers default within their first five
2 years of repayment.

3 24. The federal government administers several student loan forgiveness
4 and discharge programs. These include income-driven repayment (“IDR”)
5 programs, which allow eligible borrowers to limit their monthly payments based
6 on a percentage of their discretionary monthly income and offer forgiveness after a
7 borrower has made payments for 20 or 25 years; and public service loan
8 forgiveness (“PSLF”), which provides loan forgiveness to borrowers who make
9 payments for ten years while employed at qualifying government or nonprofit
10 organizations. ED also administers other loan forgiveness programs for qualifying
11 borrowers, including those who can establish a permanent and total disability;
12 borrowers whose school closed while they were enrolled; and borrowers whose
13 school violated certain state or federal laws, among others.

14 25. Consumers can apply for these and other programs through ED or
15 their student loan servicers at no cost. These programs do not require the assistance
16 of a third-party company or payment of application fees.

17 26. In addition to federal loan repayment and forgiveness programs, the
18 original coronavirus relief bill, the Coronavirus Aid, Relief, and Economic
19
20
21
22
23
24
25
26
27

Defendants' Misrepresentations to Consumers

34. To persuade consumers into signing up and paying for Defendants' purported student loan debt relief services, Defendants, often acting through their telemarketers, make at least four types of claims:

a) Consumers who pay for Defendants' program are guaranteed to receive loan forgiveness;

b) Consumers who pay for Defendants' program will be enrolled in a loan repayment program that will significantly reduce their loan payments;

c) Defendants will assume responsibility for the servicing of consumers' student loans; and

d) Defendants are affiliated with the federal government, including, specifically, ED.

35. *First*, Defendants have represented to numerous consumers that if consumers sign up for Defendants' debt relief program, Defendants will secure forgiveness of their student loans.

36. Defendants frequently tell consumers that the repayment program will include a schedule of several monthly payments of approximately \$290, sometimes followed by monthly payments of a lower amount for a period of months or years. All of these payments are to be made to Defendants.

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

1 42. Defendants have also guaranteed consumers would receive
2 forgiveness under President Biden’s proposed plan to forgive \$10,000 or \$20,000
3 of student debt. Those guarantees were also false, and the Supreme Court blocked
4 that plan.
5

6 43. *Second*, Defendants often tell consumers that Defendants will reduce
7 their student loan payments.
8

9 44. Defendants advertise that consumers who enroll in Defendants’
10 program, and pay Defendants an up-front fee, will see their monthly loan payment
11 reduced—including to a zero-dollar payment. In many instances, Defendants have
12 told consumers that these reduced payments are possible because someone else—
13 either the government or a third party—will be paying the balance of the payment.
14

15 45. Like Defendants’ promises of loan forgiveness, these representations
16 are false. In many instances, Defendants do not apply for or obtain a modified
17 payment plan for consumers who pay for Defendants’ services, and do not enroll
18 them in federal repayment plans that might reduce their payments. In some
19 instances, Defendants submit an application without using the income and
20 employment information provided by consumers to Defendants.
21

22 46. Further, there are no federal repayment programs that reduce a
23 borrower’s monthly payment because a third party is covering part of the monthly
24 payment. Federal income-driven repayment programs reduce a borrower’s monthly
25
26
27

1 payment obligation based on the borrower's income and family size. These
2 programs do not reduce a borrower's payment obligation because a third party is
3 paying part of the amount the borrower would owe on a standard ten-year payment
4 plan.

5
6 47. Thus, in numerous instances, Defendants have failed to reduce
7 consumers' student loan payments.

8
9 48. *Third*, Defendants have represented to numerous consumers that they
10 will be purchasing, taking over, or handling servicing of consumers' loans.
11 Defendants have also told consumers that the up-front payments reflect the fee to
12 "buy" consumers' loans from their federal servicer.

13
14 49. Defendants are not federal loan servicers and despite their
15 representations to consumers, have not taken over servicing of or purchased
16 consumers' student loans. And, since Defeno4 s ensend 502d2eg,rvicei(502d2)8.a-42 (m)4.3.7 (

Defendants' Unlawful Enrollment Practices

1
2 52. As part of the enrollment process, Defendants instruct consumers to
3 log in to their Federal Student Aid (FSA) accounts, download their account data,
4 and email it to Defendants. Once they receive that document, Defendants have
5 access to consumers' home addresses, email addresses, phone numbers, and
6 student loan data. Defendants also instruct consumers to provide their social
7 security numbers and income during the call.
8

9
10 53. Defendants then email consumers an electronic contract with a
11 payment authorization form that the consumer is requested to sign electronically,
12 which allows Defendants to take automatic payments from consumers' debit cards
13 and bank accounts. Defendants require consumers to provide debit card or bank
14 account information (including account and routing number) to pay for their
15 services.
16
17

18 54. Once in possession of consumers' private and sensitive financial
19 information, but before securing promised debt relief, Defendants typically collect
20 approximately six "initial" monthly payments of approximately \$290, sometimes
21 followed by monthly payments in a reduced amount.
22

23 55. Defendants have collected or attempted to collect hundreds of dollars
24 per consumer for their purported services. Defendants often mislead consumers
25
26
27

1 into believing the majority of

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

1 participate in Defendants’ program, Defendants continued to charge or attempt to
2 charge them anyway.

3 **Ongoing Conduct**

4
5 61. Based on the facts and violations of law alleged in this Complaint, the
6 FTC has reason to believe that Defendants are violating or are about to violate laws
7 enforced by the FTC.
8

9 **VIOLATIONS OF THE FTC ACT**

10 62. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
11 deceptive acts or practices in or affecting commerce.”
12

13 63. Misrepresentations or deceptive omissions of material fact constitute
14 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.
15

16 **Count I** 17 **Deceptive Representations**

18 64. In numerous instances in connection with the advertising, marketing,
19 promotion, offering for sale, or sale of student loan debt relief services, Defendants
20 represent, directly or indirectly, expressly or by implication, that:

- 21 a) Consumers who pay for Defendants’ program are guaranteed to
22 receive loan forgiveness;
23
24 b) Consumers who pay for Defendants’ program will have their
25 loan repayment amounts reduced;
26
27 c) Defendants will assume responsibility for the servicing of

1 consumers' student loans; and

2 d) Defendants are affiliated with the federal government, including
3 specifically ED.
4

5 65. In fact, in numerous instances in which Defendants have made the
6 representations set forth in Paragraph 64, such representations were false or
7 unsubstantiated at the time Defendants made them.
8

9 66. Plaintiff's motion for summary judgment is granted. (Case No. 1:13-cv-00001-UNA Document 1-1 Filed 02/28/13 Page 13 of 16)

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

1 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).

2 “Telemarketing” means a plan, program, or campaign which is conducted to
3 induce the purchase of goods or services or a charitable contribution, by use of one
4 or more telephones and which involves more than one interstate telephone call. 16
5 C.F.R. § 310.2(gg).
6

7 69. Defendants are sellers or telemarketers of “debt relief services” as
8 defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a “debt relief service”
9 means any program or service represented, directly or by implication, to
10 renegotiate, settle, or in any way alter the terms of payment or other terms of the
11 debt between a person and one or more unsecured creditors, including, but not
12 limited to, a reduction in the balance, interest rate, or fees owed by a person to an
13 unsecured creditor or debt collector. 16 C.F.R. § 310.2(o).
14
15

16 70. The TSR prohibits sellers and telemarketers from misrepresenting
17 directly or by implication any material aspect of any debt relief service, including,
18 but not limited to, the amount of money or the percentage of the debt amount that a
19 customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).
20
21

22 71. The TSR prohibits sellers and telemarketers from requesting or
23 receiving payment of any fees or consideration for any debt relief service unless
24 and until:
25
26
27

1 a) The seller or telemarketer has renegotiated, settled, reduced, or
2 otherwise altered the terms of at least one debt pursuant to a
3 settlement agreement, debt management plan, or other such valid
4 contractual agreement executed by the customer; and

5
6 b) The customer has made at least one payment pursuant to that
7 settlement agreement, debt management plan, or other valid
8 contractual agreement between the customer and creditor; and

9
10 c) To the extent that debts enrolled in a service are renegotiated,
11 settled, reduced, or otherwise altered individually, the fee or
12 consideration either:

13
14 (1) Bears the same proportional relationship to the total fee for
15 renegotiating, settling, reducing, or altering the terms of the
16 entire debt balance as the individual debt amount bears to the
17 entire debt amount. The individual debt amount and entire debt
18 amount are those owed at the time the debt was enrolled in the
19 service; or

20
21
22 (2) Is a percentage of the amount saved as a result of the
23 renegotiation, settlement, reduction, or alteration. The
24 percentage charged cannot change from one individual debt to
25 another. The amount saved is the difference between the
26
27

1 amount owed at the time the debt was enrolled in the service
2 and the amount actually paid to satisfy the debt. 16 C.F.R. §
3 310.4(a)(5)(i).
4

5 72. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C.
6 § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation
7 of the TSR constitutes an unfair or deceptive act or practice in or affecting
8 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Section
9 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides that the FTC may
10 commence a civil action against “any person, partnership, or corporation” who
11 “violates any rule . . . respecting unfair or deceptive acts or practices.” Section
12 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any action commenced
13 under Section 19(a)(1), the court “shall have jurisdiction to grant such relief as the
14 court finds necessary to redress injury to consumers, including but not limited to
15 recission or reformation of contracts, the refund of money or return of property.”
16
17
18

19
20 **Count II**
21 **Material Debt Relief Misrepresentation**

22 73. In numerous instances, Defendants have, in connection with the
23 telemarketing of student loan debt relief services, misrepresented, directly or
24 indirectly, expressly or by implication, material aspects of their debt relief services,
25 including, but not limited to, that:
26
27

1 b) The customer has made at least one payment pursuant to that
2 settlement agreement, debt management plan, or other valid
3 contractual agreement between the customer and the creditor.
4

5 76. Therefore, Defendants’ acts or practices as set forth in Paragraph 75
6 violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. § 310.4(a)(5)(i).

7 **VIOLATIONS OF THE GRAMM-LEACH-BLILEY ACT**
8

9 77. Section 521 of the GLB Act, 15 U.S.C. § 6821, became effective on
10 November 12, 1999, and remains in full force and effect. Section 521(a) of the
11 GLB Act, 15 U.S.C. § 6821(a), prohibits any person from “obtain[ing] or
12 attempt[ing] to obtain . . . customer information of a financial institution relating to
13 another person . . . by making a false, fictitious, or fraudulent statement or
14 representation to a customer of a financial institution.”
15

16 78. The GLB Act defines “customer” to mean “with respect to a financial
17 institution, any person (or authorized representative of a person) to whom the
18 financial institution provides a product or service, including that of acting as a
19 fiduciary.” 15 U.S.C. § 6827(1). The GLB Act defines “customer information of a
20 financial institution” as “any information maintained by or for a financial
21 institution which is derived from the relationship between the financial institution
22 and a customer of a financial institution and is identified with the customer.” 15
23 U.S.C. § 6827(2). The GLB Act defines “financial institution” to include “any
24 and a customer of a financial institution and is identified with the customer.” 15
25 U.S.C. § 6827(2). The GLB Act defines “financial institution” to include “any
26 and a customer of a financial institution and is identified with the customer.” 15
27

1 institution engaged in the business of providing financial services to customers
2 who maintain a credit, deposit, trust, or other financial account or relationship with
3 the institution.” 15 U.S.C. § 6827(4)(A).
4

5 79. Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a), empowers the
6 FTC to enforce Section 521 of the GLB Act “in the same manner and with the
7 same power and authority as the [FTC] has under the Fair Debt Collection
8 Practices Act [FDCPA] . . . to enforce compliance with such Act.” Pursuant to
9 Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), a violation of the FDCPA is
10 deemed an unfair or deceptive act or practice in violation of the FTC Act. Section
11 814(a) of the FDCPA further provides that all of the functions and powers of the
12 FTC under the FTC Act are available to the FTC to enforce compliance by any
13 person with the FDCPA, including (e)0.6 ()di4 (he).3 (y)g8.8 (t)8.5 (he)3.6 ()-8p.3 (we)3.5 (r)3.6 (t)

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

**VIOLATIONS OF THE TRADE REGULATION RULE ON
IMPERSONATION OF GOVERNMENT AND BUSINESSES**

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

82. The Im

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

1 **PRAYER FOR RELIEF**

2 Wherefore, Plaintiff requests that the Court:

3 A. Enter a permanent injunction to prevent future violations of the FTC
4 Act, the TSR, the GLB Act, and the Impersonation Rule;

5
6 B. Grant preliminary injunctive and ancillary relief as may be necessary
7 to avert the likelihood of consumer injury during the pendency of this action and to
8 preserve the possibility of effective final relief, including temporary and
9 preliminary injunctions, an order freezing assets, immediate access to Corporate
10 Defendants' premises, and appointment of a receiver;

11
12
13 C.
14
15
16
17
18
19
20
21
22
23
24
25
26
27

1 Dated: June 24, 2024

Respectfully submitted,

2
3
4 GREGORY A. ASHE
5 (*pro hac vice* application pending)
6 gashe@ftc.gov
7 SALLY TIEU (CA Bar No. 346034)
8 stieu@ftc.gov
9 FEDERAL TRADE COMMISSION
10 600 Pennsylvania Avenue, N.W.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27