

DEBT SETTLEMENT WATCH

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Debt Settlement Watch is a publication of the Maryland Consumer Rights Coalition. Debt Settlement Watch reports upon issues and events concerning the debt settlement industry. MCRC advocates for strong regulation and reform of the industry.

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MARYLAND NEWS

DEBT SETTLEMENT FIRM REPORTS

As required by Maryland statute, the Commissioner of Financial Regulation's office has collected 2011 and 2012 data from 18 debt settlement firms on Maryland consumers enrolled in debt-relief programs. The reports require customer-level and company-level data. Data from the reports will be aggregated to provide an overview of the industry in Maryland.

NATIONAL NEWS

CFPB/DOJ FILE TWIN CHARGES

In the first suit of its kind, the Consumer Financial Protection Bureau (CFPB) and the Department of Justice (DOJ) filed charges against two debt-relief firms for fraud and deception. On May 7, 2013, the agencies announced that they were jointly pursuing the New York-based debt relief firm Mission Settlement Agency. The CFPB filed civil complaints while the DOJ filed criminal charges for mail and wire fraud against the firm for defrauding more than 1,200 individuals of more than \$2.2 million between 2009 and May 2013. According to the charges filed, Mission Settlement misled consumers about its fees and falsely claimed to be affiliated with the federal government.

Separately, the CFPB charged Mission Settlement and the New Jersey-based Premier Consultant Group for charging upfront fees in violation of the federal telemarketing rule that prohibits such fees.

The CFPB is required to report suspicious activity to the DOJ as part of its mandate under the Dodd-Frank Wall St. reform law. These charges are the CFPB's first criminal referral. (<http://thehill.com/blogs/regwatch/business/298263-consumer-bureau-doj-team-up-against-fraudulent-debt-relief-firm#ixzz2SdLD5Jpl>)

DEBT RELIEF FIRMS TARGET STUDENT LOANS

A report published by the National Consumer Law Center (NCLC) in June found that private student debt relief firms were charging beleaguered students exorbitant fees to help them apply to free government programs. The federal government has a number of programs to help college graduates manage high levels of debt by, for example, consolidating their loans at a lower interest rate or pegging the repayment amount to a graduate's income. NCLC's study shows that debt relief firms often failed to inform consumers that the programs they were charging students high fees to apply to were, in fact, government programs individuals can apply to free of charge. The firms charged upfront fees of up to \$1,600 as well as monthly fees of \$20 to \$50 to apply to these free programs. (<http://bucks.blogs.nytimes.com/2013/06/24/debt-relief-firms-charging-for-programs-that-are-free/>)

AFCC FALL CONVENTION APPROACHES

The American Fair Credit Council (AFCC- the debt settlement trade association) held their summer conference in late July. The fall conference will be October 6-8 in Las Vegas, Nevada at the Venetian Hotel, described as 'the world's largest five diamond resort and casino.' The site includes industry responses and press statements regarding CFPB enforcement actions as well as news articles related to

developments in the industry. AFCC also has a list of accredited members that abide by their code of conduct. Read more about the association here: <http://www.americanfaircreditcouncil.org>

COURT RULINGS

CONNECTICUT

A federal jury took less than one hour to find the owner of a debt-relief firm guilty of six counts of mail fraud and seven counts of 'fictitious obligations.' The owner, Deowraj Buddha, operated a debt settlement firm that promised to help consumers reduce their debts. Buddha instead provided clients with fake bonds that he said would cover their debts. According to prosecutors, many of Buddha's clients were immigrants who were unfamiliar with U.S. financial practices and spoke English as a second language. Buddha had at least 115 clients who contracted with him to help them reduce their debts. Buddha will be sentenced on Sept. 17, 2013. He could receive the maximum sentence of 30 years for each count of mail fraud and 25 years for each of the other counts. (<http://www.courant.com/news/connecticut/hc-buddhu-trial-0626-20130625,0,6593762.story>)

STATE NEWS

NORTH CAROLINA -- TROUBLE FOR WORLD LAW GROUP

North Carolina Attorney General Roy Cooper filed suit asking World Law Group to stop collecting illegal upfront fees for its debt-relief services. World Law Group is barred from taking upfront fees or entering into contracts with consumers while the case goes forward. Since 2010, more than 813 North Carolina consumers have paid World Law Group more than \$4.1 million to settle their debts. Of that amount, less than 13% (\$527,000) has gone to pay down consumer debts. <http://www.ncpoliticalnews.com/?p=1956>

MAINE REACHES 6-FIGURE SETTLEMENT WITH LEGAL HELPERS

The debt-settlement firm Legal Helpers Debt Resolution LLC settled with Maine Attorney General William Schneider for violating Maine's debt settlement statute. The firm will pay \$250,000 to be equitably distributed among Maine consumers.

WISCONSIN REACHES SETTLEMENT

Wisconsin's consumers trying to reduce their debts paid \$8 million to a California company to help settle less than \$4 million in debt, with the company pocketing the difference. In April, that company, Morgan Drexen was ordered to pay \$4.25 million in restitution for fees the state Department of Financial Institutions found the company illegally charged the state's consumers since 2007 and \$1.89 million in penalty fees for 1,890 violations of the state's debt adjustment laws. According to the DFI's order, the company had not been licensed to "adjust" any financial debt in the state.

Read more: http://host.madison.com/news/local/large-fine-sought-for-debt-adjusting-company/article_7bf49e18-74fd-591f-9418-5e80f7b7b1aa.html#ixzz2amkZdBUz