

STATE OF ILLINOIS  
IN THE CIRCUIT COURT OF COOK COUNTY  
COUNTY DEPARTMENT - CHANCERY DIVISION

THE PEOPLE OF THE STATE OF  
ILLINOIS,

Plaintiff,

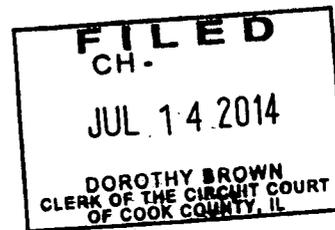
v.

FIRST AMERICAN TAX DEFENSE,  
LLC, a Delaware Limited Liability  
Company not authorized to transact  
business in Illinois;

GUSTAVO MONTES, individually, and  
as the Single Member of FIRST  
AMERICAN TAX DEFENSE, LLC,

Defendants.

Case No. 14CH11483



**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

NOW COMES the Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by Lisa Madigan, Attorney General of the State of Illinois, and brings this action for injunctive and other relief against Defendant FIRST AMERICAN TAX DEFENSE, LLC, a Delaware limited liability company not authorized to transact business in Illinois, and Defendant GUSTAVO MONTES, individually, and as the principal and the Single Member of FIRST AMERICAN TAX DEFENSE, LLC (together hereinafter as "Defendants"), for violations of the Consumer Fraud and Deceptive Business Practices Act (hereinafter the "Consumer Fraud Act"), 815 ILCS 505/1 *et seq.*, the Credit Services Organizations Act, 815 ILCS 605/1 *et seq.*, and the Debt Settlement Consumer Protection Act (hereinafter the "Debt Settlement Act"), 225 ILCS 429/1 *et seq.*

## NATURE OF THE CASE

1. First American Tax Defense, LLC is a tax and student loan debt relief company that advertises a wide-range of student loan relief services, such as the ability to negotiate lower monthly payments, remove wage garnishments, get loans out of default, and secure student loan forgiveness.

2. Yet, in truth and in fact, Defendants do not have the capability to provide the student loan relief services advertised, and do little more than to complete applications to federal borrower assistance programs that are already available to consumers from the United States Department of Education, at no cost.

3. Employing high-pressure sales tactics, Defendants target financially vulnerable consumers with student loan debt in Illinois, and throughout the United States.

## PUBLIC INTEREST

4. The Illinois Attorney General believes this action to be in the public interest of the citizens of the State of Illinois and brings this lawsuit pursuant to the Consumer Fraud Act, the Credit Services Organizations Act, and the Debt Settlement Act. *See* 815 ILCS 505/7(a); 815 ILCS 605/12; 225 ILCS 429/85.

## JURISDICTION AND VENUE

5. This Complaint for Injunctive and Other Relief (hereinafter "Complaint") is brought for and on behalf of THE PEOPLE OF THE STATE OF ILLINOIS, by Lisa Madigan, Attorney General of the State of Illinois, pursuant to the provisions of the Consumer Fraud Act, 815 ILCS 505/1 *et seq.*, the Credit Services Organizations Act, 815 ILCS 605/1 *et seq.*, and the Debt Settlement Act, 225 ILCS 429/1 *et seq.*

6. Venue for this action properly lies in Cook County, Illinois, in that Defendants are located and do business in Cook County. *See* 735 ILCS 5/2-101.

## PARTIES

7. Plaintiff, the Illinois Attorney General, on behalf of THE PEOPLE OF THE STATE OF ILLINOIS, is authorized to enforce the Consumer Fraud Act, the Credit Services Organizations Act, and the Debt Settlement Act. 815 ILCS 505/7(a); 815 ILCS 605/12; 225 ILCS 429/85.

8. Defendant FIRST AMERICAN TAX DEFENSE, LLC (hereinafter "FIRST AMERICAN") is a single-member Delaware limited liability company not authorized to transact business in Illinois, with its principal place of business located at 1550 Northwest Highway, Suite 116, Park Ridge, Illinois.

9. FIRST AMERICAN was formed on July 19, 2012 by Defendant GUSTAVO MONTES.

10. FIRST AMERICAN is a tax and student loan debt relief company that has also offered its services as "First American Student Aid" and "First American Tax." FIRST AMERICAN began providing services relating to student loans on January 10, 2013.

11. At all times material to this Complaint, FIRST AMERICAN has failed to obtain the authority to transact business as foreign limited liability company in Illinois, as required by the Limited Liability Company Act, 805 ILCS 180/45-5, before offering and executing contracts with Illinois consumers.

12. Defendant GUSTAVO MONTES ("Defendant MONTES") resides in Chicago, Illinois, and is being sued individually, and in his professional capacity as the principal and sole member of FIRST AMERICAN. His principal office or place of business is the same as that of FIRST AMERICAN, located at 1550 Northwest Highway, Suite 116, Park Ridge, Illinois. At all times material to this Complaint, Defendant MONTES, individually or in concert with others, formulated, directed, controlled, had the authority to control, or participated in the acts and practices of FIRST AMERICAN, including the acts or practices set forth in this Complaint. Thus, for the purpose of this Complaint, any reference to the acts and practices of FIRST

AMERICAN or said company's officers, owners, directors, employees, or their agents, are attributable as to the individual acts of Defendant MONTES.

13. For purposes of this Complaint, FIRST AMERICAN and Defendant MONTES, their employees, agents, representatives, all persons or entities directly or indirectly under their control, and all persons or entities acting in concert or in active participation with FIRST AMERICAN and Defendant MONTES, shall be collectively referred to as "Defendants."

14. To adhere to the fiction of separate existence between Defendants MONTES and FIRST AMERICAN would serve to sanction fraud and to promote injustice.

### **TRADE AND COMMERCE**

15. The Consumer Fraud Act defines "trade" and "commerce" as follows:

The terms 'trade' and 'commerce' mean the advertising, offering for sale, sale, or distribution of any services and any property, tangible or intangible, real, personal, or mixed, and any other article, commodity, or thing of value wherever situated, and shall include any trade or commerce directly or indirectly affecting the people of this State.

815 ILCS 505/1(f).

16. At all times relevant to this Complaint, Defendants engaged in trade and commerce in the State of Illinois by advertising, soliciting, offering for sale and selling student loan debt settlement and relief services to consumers in Illinois, and in other states.

### **BACKGROUND**

17. Federal student loans, as administered by the United States Department of Education ("USDOE"), include a consolidation option that allows borrowers to combine multiple outstanding loans into a single loan—a "Direct Consolidation Loan"—simplifying the repayment process.

18. Opting for or against consolidating federal student loans requires borrowers to carefully

consider their financial circumstances.

19. Consolidating federal student loans into a Direct Consolidation Loan may, for example, afford borrowers access to alternative repayment plans, conversion from variable-interest to a fixed-rate loan, and options to modify monthly repayment amounts.

20. However, borrowers also forfeit the benefits of original loans, such as interest rate discounts, principal rebates, and loan cancellation benefits, when consolidating. Lower monthly payments may also lead to longer terms of maturity, causing borrowers to ultimately pay more in interest.

21. Consolidating federal student loans also require borrowers to carefully choose from five different repayment plans:

- a. a standard repayment plan, where consumers pay a fixed amount until the loan is paid in full;
- b. a graduated repayment plan, where monthly payments increase every two years;
- c. an extended payment plan, where consumers have 25 years to pay the loan;
- d. an income-contingent repayment plan, where monthly payments are based on yearly income and other factors; and
- e. an income-based repayment plan for borrowers with a financial hardship.

22. Borrowers may apply to consolidate their federal student loans into a Direct Consolidation Loan, by submitting a Direct Consolidation Loan Application and Promissory Note (“Direct Consolidation Loan Application”) to the USDOE.

23. The Application, and assistance to complete the process, is available from the USDOE at no cost.

## **DEFENDANTS’ DECEPTIVE BUSINESS PRACTICES**

### *Defendants’ Student Loan Relief Business Model*

24. FIRST AMERICAN is a for-profit student loan relief company that, since at least January 2013, has advertised, solicited, offered for sale, and sold student loan relief services in Illinois, and throughout the United States.

25. Defendants target financially vulnerable consumers with unsecured student loan debt by advertising the benefits of federal borrower assistance programs as their own.

26. Despite advertising wide-ranging student loan relief services, such as the ability to secure lower student loan payments, remove wage garnishments, negotiate student loan debt forgiveness, and improve credits scores, Defendants do not have such capabilities.

27. Positioning themselves between consumers and the USDOE, Defendants charge high upfront fees, ranging from \$700 to \$1199, to do little more than complete applications to federal borrower assistance programs that are already available to consumers from the USDOE, free of charge.

28. Defendants employ a one-size-fits-all approach, enrolling all Illinois consumers into federal student loan consolidation, failing to give adequate consideration to consumers' individualized financial circumstances.

29. Defendants advertise that they negotiate student loan debt forgiveness, but fail, as "debt settlement provider[s]" in Illinois, to comply with the requirements of the Debt Settlement Act, 225 ILCS 429/1 *et seq.*

30. Defendants advertise that they can improve credit scores, but fail, while operating as a "credit services organization" in Illinois, to comply with the requirements of the Credit Services Act, 815 ILCS 605/1 *et seq.*

31. To induce consumers to pay their high upfront fees, Defendants employ a high-pressure sales pitch to create a false sense of urgency to purchase their services.

32. To create a false sense of security, Defendants falsely claim affiliation with the USDOE or other government entities.

*Defendants' Deceptive Advertising*

33. To solicit business for their student loan relief services, Defendants advertise through television and radio advertisements that air in Illinois; through internet video advertisements viewable in Illinois; and through their websites, located at [www.firstamtax.com](http://www.firstamtax.com) and [firstamtax.tumblr.com](http://firstamtax.tumblr.com).

34. While holding themselves out as offering wide-ranging student loan relief services on their websites and advertisements, Defendants merely perform services to complete Direct Consolidation Loan Applications.

35. Under a section entitled "What we can do for you!" on at [www.firstamtax.com](http://www.firstamtax.com), Defendants offer the following services:

- a. "Help you get out of default";
- b. "Stop wage garnishment";
- c. "Prevent tax liens";
- d. "Reduce student loan payments";
- e. "Consolidate payments into one monthly payment"; and
- f. "Improve your credit score."

36. Despite advertising that they can stop wage garnishments, Defendants do not negotiate the removal or settlement of wage garnishments, and only perform services to complete Direct Consolidation Loan Applications.

37. Despite advertising that they can prevent tax liens, Defendants do not negotiate for an agreement or settlement that would prevent the Internal Revenue Service from imposing a tax

lien, and only perform services to complete Direct Consolidation Loan Applications.

38. Despite advertising that they can improve credit scores, Defendants do no work to repair, modify, or correct a consumer's credit report, and only perform services to complete Direct Consolidation Loan Applications.

39. While representing they can improve credit scores, Defendants have failed to register as a Credit Services Organizations in the State of Illinois, as required by the Credit Services Organizations Act, 815 ILCS 605/9.

40. Despite advertising that they can reduce student loan payments, in practice, Defendants do no work to negotiate a reduction in student loan principal with creditors.

41. Further while advertising that they can reduce student loan payments, Defendants fail to disclose that they have no ability to affect the determination of whether a consumer will get lowered monthly payments when consumers consolidate their federal student loans, as that determination rests with the USDOE.

42. Defendants represent on [www.firstamtax.com](http://www.firstamtax.com) that loans consolidated through their student loan consolidation service have no fees, when in fact outstanding collection fees associated with a defaulted student loan may be added to the principal of the newly consolidated loan, increasing the amount a consumer owes.

43. Defendants represent in television and internet video advertisements that they "can lower your payment in half, immediately," when in practice, Defendants often take several months to file Direct Consolidation Loan Applications.

44. Defendants represent in television and internet video advertisements that "[i]n many cases, we can lower your monthly payments in half, or more," but fail to disclose that lower monthly payments may lead to longer student loan maturity periods, causing consumers to pay

more in interest, and ultimately more towards their student loans.

45. Defendants advertise, in television and internet video advertisements, that they will “remove your default status, consolidate your federal student loans, lower your student repayments, and stop wage garnishments, today,” when in truth and in fact, Defendants only perform services to complete Direct Consolidation Loan Applications.

46. Defendants portray themselves to be, in part, “a dedicated group of attorneys.” Yet, as of date of this Complaint, Defendants employ only one attorney, licensed to practice in Illinois since May 29, 2012.

47. In almost all instances, consumers only interact with Defendants’ sales representatives, and not their attorney.

48. Defendants display logos, on [www.firstamtax.com](http://www.firstamtax.com), of prominent news and media agencies and other trusted entities including, but not limited to, ESPN, History Channel, FOX, and Dish Network, along with the phrase, “AS SEEN ON TV.” However, none of these entities have endorsed or reported on Defendants’ services.

49. Defendants, on [firstamtax.tumblr.com](http://firstamtax.tumblr.com), represent that a Direct Consolidation Loan “permits any student to merge their federal student loan or private student loans in [a] single” loan. Private educational loans, however, cannot be consolidated with federally-backed student loans in the Direct Consolidation Loan program.

50. While holding themselves out as offering wide-ranging student relief services on their websites and advertisements, Defendants fail to disclose that Direct Consolidation Loan Applications, and assistance to complete thereof, are provided by the USDOE to consumers at no cost.

51. On their websites and advertisements, Defendants fail to disclose their fees, terms and

conditions, and refund policy for their student loan relief services.

*Defendants' Sales Pitch*

52. Defendants provide consumers, on their websites and advertisements, with a toll free number at 1-888-628-0050, where consumers call and speak with Defendants' sales representatives.

53. When consumers call to inquire about their student loan relief services, Defendants employ a high-pressure sales pitch to induce consumers to purchase their services.

54. Defendants' sales representatives begin by asking consumers about the status of their student loans.

55. Defendants provide sales representatives, in their training manual, with responsive scripts when consumers report their student loan statuses:

- a. when consumers report being delinquent on student loan payments, Defendants instruct sales representatives to represent to consumers that the immediacy of their services can prevent legal action against consumers;
- b. when consumers report having student loans in default status, Defendants instruct sales representatives to represent to consumers that the immediacy of Defendants' services can prevent wage garnishments.

56. Defendants then instruct sales representatives, in their training manual, to represent to consumers that once their income is subject to a wage garnishment, Defendants may no longer be able to help.

57. Defendants then require consumers to disclose their dates-of-birth, social security numbers, and personal pins to the National Student Loan Data System ("NSLDS").

58. The NSLDS is a database maintained by the USDOE that contains personal and financial

information related to a consumer's federal student loans. Access to the NSLDS, as protected by the Privacy Act of 1974, 5 U.S.C. § 552a, is only allowed through specific access granted by the USDOE.

59. While still speaking with consumers over the telephone, Defendants' sales representatives access the NSLDS using consumers' log-in information to determine the level of consumers' federal student loan debt.

60. Defendants instruct sales representatives to access the NSLDS's website, and other USDOE websites, only through Kproxy.com. Kproxy.com is an Anonymous Proxy Service that allows users to mask their identities when visiting a website, and affords users access to websites that may otherwise be restricted.

61. Defendants' training manual then instructs their sales representatives to tell consumers the amount of federal student loans they owe, and represent that their financial situation is dire.

62. To close their sales pitch, Defendants' training manual then instructs sales representatives to tell consumers that they offer a new program "just approved" by Congress called the "Obama Forgiveness Program." Yet, the USDOE does not offer any plan or program entitled the "Obama Forgiveness Program." And Defendants do not provide a service that will, in fact, forgive any amount of student loans.

63. At all times material to this Complaint, Defendants have failed to possess a license as a Debt Settlement Provider in the State of Illinois while advertising that they can secure student loan debt forgiveness under their "Obama Forgiveness Program," as required by the Debt Settlement Act, 225 ILCS 429/15.

64. After consumers agree to purchase their student loan relief services, Defendants require consumers to pay over the telephone, by debit or credit card. Defendants immediately charge

consumers' accounts.

65. Defendants fail to give consumers, in oral and written form, a copy of the "Consumer Notice and Rights Form" provided under Section 115(c) of the Debt Settlement Act, 225 ILCS 429/115(c), prior to accepting payment.

66. Prior to requiring payment and while advertising that they repair credit, Defendants additionally fail to provide consumers a written statement required under the Credit Services Organizations Act, 815 ILCS 605/6, providing information such as a complete and detailed description of the services to be performed, and the total cost to consumers for such services.

67. Defendants fail to disclose during their telephone sales pitch that, despite advertising robust student loan relief services, Defendants only provide services to complete applications for Direct Consolidation Loans.

68. Defendants fail to disclose during their telephone sales pitch, that Direct Loan Consolidation Applications are available at no cost from the USDOE.

69. In some instances, Defendants falsely represent during their telephone sales pitch that they are affiliated with the USDOE or other government entities.

70. Defendants represent to consumers that they will begin their so-called "student loan relief services" immediately, when in practice, Defendants often do not commence work until consumers have paid a substantial portion of their balance.

#### *Defendants' Student Loan Relief Contracts*

71. Only after consumers have paid upfront, over the telephone, do Defendants provide consumers with written agreements detailing their student loan relief services.

72. Defendants first send consumers, by email, their Application Form. *See* Application Form attached hereto as Plaintiff's Exhibit 1. The Application Form only requests personal and

financial information from the consumer.

73. Consumers then complete and return the Application Form to Defendants by mail or fax, attaching their personal and financial documents.

74. Defendants then send consumers, by email, their Service Agreement, accompanied by payment and limited power of attorney authorization forms. *See* Service Agreement, Payment Authorization Form, and Limited Power of Attorney Authorization, attached hereto as Plaintiff's Exhibits 2-4, respectively.

75. Defendants require consumers to sign the Service Agreement and accompanying authorization forms electronically.

76. Defendants' Application Form, Service Agreement, and authorization forms fail to include many of the elements required by the Debt Settlement Act, 225 ILCS 429/120, such as a statement of the proposed savings goals for the consumer, a written individualized financial analysis, or contents of the "Consumer Notice and Rights Form" provided under Section 115(c) of the Debt Settlement Act, 225 ILCS 429/115(c).

77. Defendants also fail to provide consumers with a form containing the elements required by Section 135 of the Debt Settlement Act, 225 ILCS 429/135, that clearly and conspicuously discloses how consumers can cancel the contract, including applicable addresses, telephone numbers, facsimile numbers, and electronic mail addresses consumers can use to cancel.

78. Defendants' Application Form, Service Agreement, and authorization forms further fail to include the elements required by the Credit Services Organization Act, 815 ILCS 605/7, such as:

- a. a statement that "You, the buyer, may cancel this contract at any time before midnight of the third day after the date of the transaction. See the

attached notice of cancellation form for an explanation of this right"; and

- b. two easily detachable copies of the "Notice of Cancellation," as required by 815 ILCS 605/7(b).

79. Defendants represent in their Service Agreement that they "will advise Client in his/her efforts to negotiate to remove wage garnishment(s) and/or tax offset(s)," while in practice, Defendants have no ability to negotiate the removal of wage garnishments obtained by independent debt collectors or law firms on behalf of private creditors.

80. Defendants represent in their Service Agreement that they "negotiat[e] arrangements to resolve the Client's Federal student loan debt(s)/credit situation," while in practice, Defendants only perform work to complete Direct Consolidation Loan Applications, and in no way "negotiate" anything.

#### *Defendants' Upfront Service Fees*

81. Defendants charge \$700 to \$1199 in upfront fees for their "student loan relief" services.

82. When consumers are unable to pay the fee upfront in full, Defendants allow consumers to pay by installments. Consumers who pay by installments are still required make the first payment during Defendants' telephone sales pitch.

83. When consumers pay Defendants by installments, in most cases Defendants do no work until all or most of the require fee is paid.

84. Defendants' refund policy, as stated in the Service Agreement, provides that "[i]f First American Tax Defense is unable to assist the Client in reaching a new Federal consolidation loan, the Client will not be charged for the remainder of his/her Service Fee." However, Defendants further provide that "[a]ll payments received by First American Tax Defense as per the Payment Schedule will be retained by First American Tax Defense whether or not the Client

completes the payment.”

*Defendants' Service Performance*

85. Despite advertising robust student loan relief services, Defendants work only to complete Direct Consolidation Loan Applications to file with the USDOE.

86. In most instances, Defendants require consumers to pay in full, or to pay a substantial portion of their balances, before they will commence any work.

87. As a result, consumers may remain in Defendants' program for months before Direct Consolidation Loan Applications are filed with the USDOE.

88. Consumers are likely able to complete Direct Consolidation Loan Applications on their own, which requires only two pages of completed fields, in much shorter time frames.

89. Prior to completing Direct Consolidation Loan Applications, Defendants fail to explain or disclose the benefits and risks associated with consolidating federal student loans.

90. Prior to completing Direct Consolidation Loan Applications, Defendants fail to adequately analyze consumers' individual financial circumstances.

91. In many instances, Defendants file applications to the USDOE to consolidate loans that are in default status. Yet, Defendants fail to disclose to consumers that collection or late fees for a defaulted loan become part of the new Direct Consolidation Loan, resulting in an increased amount of student loan debt principal.

92. While only advertising the benefits of its student loan relief services, Defendants fail to discuss with consumers the risks associated with choosing a particular repayment plan under the Direct Consolidation Loan process.

93. Prior to completing Direct Consolidation Loan Applications, Defendants fail to disclose, provide, or discuss the USDOE's terms and conditions for Direct Consolidation Loans with

consumers.

94. Prior to submitting a Direct Consolidation Loan Application to the USDOE on a consumer's behalf, Defendants fail to provide a copy of the Application, or afford the consumer an opportunity to review the Application.

95. When signing a Direct Consolidation Loan Application on behalf of a consumer, Defendants print only the consumer's name. Although Defendants obtain a limited power of attorney to sign on the consumer's behalf, Defendants do not indicate on any form filed with the USDOE that the form was completed by Defendants on behalf of the consumer.

96. After submitting Direct Consolidation Loan Applications to the USDOE, Defendants fail to notify consumers when the Applications are filed.

97. Defendants then later fail to notify consumers when the USDOE completes review of a Direct Consolidation Loan Application and renders a decision.

98. FIRST AMERICAN has an "F" rating on the Better Business Bureau of Chicago.

99. At all times material to this Complaint, Defendants have failed to register "First American Student Aid" and "First American Tax" as their duly registered assumed business names with the Illinois Secretary of State, as required by the Limited Liability Company Act, 805 ILCS 180/1-20, and by the Consumer Fraud Act, 805 ILCS 505/2Q.

#### **CONSUMER ILLUSTRATIONS**

100. Consumers have filed complaints against Defendants with the Office of the Illinois Attorney General, the Better Business Bureau ("BBB"), the Federal Trade Commission ("FTC"), and with various other government entities. Therefore, any examples of specific consumer experiences provided are simply illustrations and should not be construed as the only instance in which a consumer was harmed, or could potentially be harmed by Defendants. Plaintiff reserves the right to prove that consumers other than those who have complained to the

Office of the Illinois Attorney General, the BBB, of the FTC have been injured because of Defendants unlawful practices.

*Rick Cibelli*

101. Rick Cibelli resides in Peoria, Illinois, located in Peoria County.

102. Mr. Cibelli learned about Defendants' services when he heard a radio advertisement in April 2013 promoting their "Obama Forgiveness Program."

103. In the radio advertisement, Defendants touted their ability to lower consumers' student loan payments in half, or eliminate payments altogether.

104. On April 24, 2013, Mr. Cibelli contacted Defendants by telephone, at (888) 628-0050, to inquire about lowering his student loan monthly payments. Mr. Cibelli had previously consolidated his federal student loans.

105. Mr. Cibelli spoke with Defendants' sales representative over the telephone, and told the representative that he wanted Defendants to negotiate a lower monthly payment with the USDOE.

106. Defendants' sales representative told Mr. Cibelli during the sales pitch that Defendants were affiliated with the USDOE, when in fact Defendants were not.

107. To lower his student loan payments, Defendants' sales representative told Mr. Cibelli that they could enroll him into the "Obama Forgiveness Program."

108. The sales representative told Mr. Cibelli that Defendants would lower his monthly payment in half.

109. The sales representative then told Mr. Cibelli that Defendants would "take over [his loans] immediately."

110. Defendants' sales representative required Mr. Cibelli to pay \$700 for their student loan relief services, upfront, before they would perform any work.

111. Mr. Cibelli told the sales representative that he could not afford to pay upfront the full \$700 fee.

112. Defendants' sales representative then agreed to allow Mr. Cibelli to pay the \$700 fee in four monthly installment payments.

113. Defendants' sales representative required Mr. Cibelli to make the first payment while still on the telephone. Mr. Cibelli provided the sales representative with his credit card information, and Defendants charged \$175 to Mr. Cibelli's credit account that same day, April 24, 2013.

114. Defendants' sales representative then told Mr. Cibelli that Defendants would later send him their Service Agreement, accompanied by payment and power of attorney authorizations for him to sign.

115. While on the telephone with Mr. Cibelli and before accepting payment, Defendants' sales representative failed to disclose the terms and conditions of their student loan relief services, including their refund policy, before taking payment from Mr. Cibelli.

116. While on the telephone with Mr. Cibelli and before accepting payment, Defendants failed to disclose that federal student loans that have been consolidated cannot be consolidated again through the Direct Loan Consolidation program, unless combined with federal student loans that have yet to be consolidated. Mr. Cibelli did not have any new federal student loans eligible for consolidation.

117. Later that same day on April 24, 2014, Mr. Cibelli contacted the USDOE to verify Defendants' claims of affiliation with the USDOE.

118. A USDOE representative told Mr. Cibelli that Defendants were not affiliated in any way with the USDOE or the federal government.

119. The USDOE representative also informed Mr. Cibelli that there was no such federal student loan relief program called the "Obama Forgiveness Program."

120. The next day on April 25, 2014, Mr. Cibelli called Defendants to cancel his transaction and to request a refund.

121. Mr. Cibelli told Defendants' employee that he had learned from the USDOE that Defendants were not affiliated with the USDOE, or the federal government.

122. Defendants' employee responded that they work at "the behest" of the USDOE.

123. Defendants' employee also represented that he could not cancel Mr. Cibelli's transaction, nor process his refund, at that time.

124. On May 5, 2013, Mr. Cibelli filed a complaint against Defendants with the BBB of Chicago.

125. On May 19, 2013, Mr. Cibelli filed a complaint against Defendants with the Illinois Attorney General's Office.

126. Despite these complaints and Mr. Cibelli's request for a refund, FIRST AMERICAN failed to issue Mr. Cibelli's refund when requested, though he was able to successfully dispute the charge with his credit card company.

*Brett Rodhouse*

127. Brett Rodhouse lives in Chicago, Illinois, which is located in Cook County.

128. After falling behind in payments on his federal and private student loans, Mr. Rodhouse's student loan servicers had obtained wage garnishments against him for both his federal and private student loans.

129. On or around May 21, 2013, Mr. Rodhouse called Defendants to inquire about their services for removing wage garnishments, and to lower his monthly student loan payments.

130. Defendants' sales representative told Mr. Rodhouse that Defendants could remove his wage garnishment within ninety days, but failed to disclose that they only perform work to complete Direct Consolidation Loan Applications.

131. Defendants' sales representative further told Mr. Rodhouse that they could lower his student loan payments to as low as \$80 a month, but failed to disclose that Defendants only perform work to complete Direct Consolidation Loan Applications, and that any reduction in Mr. Rodhouse's student loan payment comes only at the USDOE's determination when the USDOE approves a Direct Consolidation Loan Application.

132. Defendants' sales representative required that Mr. Rodhouse pay an upfront fee of \$1000 before Defendants would perform any work to remove his wage garnishments and lower his student loan payments.

133. Mr. Rodhouse told the sales representative that he could not afford to pay the entire fee upfront.

134. Defendants' sales representative then agreed to allow Mr. Rodhouse to pay in six installments of \$165 for Defendants to remove his wage garnishment and to lower his student loan payments.

135. Defendants required the first payment over the phone. Mr. Rodhouse provided Defendants with his credit card information, and Defendants charged \$165 to Mr. Rodhouse's credit card account that same day, May 21, 2013.

136. Defendants' sales representative then told Mr. Rodhouse, while still on the telephone, that "if anyone contacts you [regarding your student loans] tell them that First American is representing you."

137. The next day on May 22, 2013, Defendants sent Mr. Rodhouse an email containing the Application, Service Agreement, and payment and power of attorney authorizations for him to review and sign.

138. Mr. Rodhouse signed the Service Agreement and payment and power of attorney authorizations electronically the next day on May 23, 2013.

139. On May 24, 2013, Defendants' employee emailed Mr. Rodhouse requesting that he complete and return the Application.

140. Mr. Rodhouse then completed and returned the Application to Defendants within a week.

141. Defendants' standard form Application, Service Agreement, and payment and power of attorney authorizations implemented with Mr. Rodhouse did not contain many of the elements required by the Debt Settlement Act, 225 ILCS 429, and by the Credit Services Organizations Act, 815 ILCS 605/7, as listed in Paragraph 76-78.

142. On July 9, 2013, Mr. Rodhouse emailed Defendants inquiring about the status of work completed, and whether Defendants needed any further documentation from Mr. Rodhouse.

143. Defendants' employee responded that "At this time, we don't need anything else. I will contact you in case there is need for any new documents."

144. On July 12, 2013, Mr. Rodhouse emailed Defendants and inquired specifically about the status of removing the wage garnishments on his income.

145. Defendants' employee responded that "60-90 days is the usual time frame to stop garnishment. Please be patient. These things take time and [cannot] be rushed. We will be collecting payments [from Mr. Rodhouse] for the next few months, until DOE takes charge of it."

146. Defendants then failed to remove Mr. Rodhouse's wage garnishments in the timeframe promised, or explain why the garnishments could not be removed.

147. Yet, Defendants continued to charge Mr. Rodhouse's credit card account in the amount of \$165 each month.

148. Mr. Rodhouse attempted to contact Defendants by telephone and email on numerous occasions in August and September of 2013, but Defendants failed to respond.

149. On or around September 27, 2013, Mr. Rodhouse filed a complaint against Defendants with the Illinois Secretary of State's Securities Department. The complaint was later provided to the Illinois Attorney General's Office.

150. On October 8, 2013, Defendants emailed Mr. Rodhouse to request more information.

151. Mr. Rodhouse provided the information requested by Defendants that same day.

152. Defendants then failed to perform any work or further contact Mr. Rodhouse.

153. Mr. Rodhouse later attempted to contact Defendants on numerous occasions, but they failed to respond.

154. In or around early December 2013, Mr. Rodhouse called Defendants and demanded a refund for work not performed.

155. Defendants failed to issue a credit back to Mr. Rodhouse's account.

156. Only after mediation efforts by the Illinois Attorney General's Office did Defendants issue Mr. Rodhouse his refund of \$800, the amount Mr. Rodhouse had paid thus far, on December 30, 2013.

157. Defendants ultimately failed to reduce Mr. Rodhouse's student loan payments or remove his wage garnishments, as promised.

*Juanell Stennis*

158. Juanell Stennis lives in Mattson, Illinois, which is located in Cook County.

159. In or around August of 2013, Ms. Stennis learned about Defendants' services through a radio advertisement airing in Illinois where they represented that Defendants could secure student loan forgiveness.

160. On or around August 15, 2013, Ms. Stennis called Defendants to inquire about their services to secure loan forgiveness. At that time, Ms. Stennis was unemployed and behind on payments to her federal student loans, but she was not yet in default.

161. Defendants' sales representative told Ms. Stennis, over the telephone, that the government has a new program where the balance of her federal student loans would be forgiven in ten years.

162. Defendants only represented that Ms. Stennis would be enrolled in such a program, failing to provide any details about the forgiveness program, nor tell Ms. Stennis that Defendants would only file an application with the USDOE to consolidate her student loans.

163. Defendants' sales representative told Ms. Stennis, during their telephone sales pitch, that "you can stop the phone calls [regarding student loan repayments] today by making the first payment."

164. Defendants' sales representative demanded an upfront fee of \$800 before they would perform any work to secure forgiveness of Ms. Stennis' student loans.

165. Ms. Stennis told the employee that she was unemployed and could not pay the entire upfront fee.

166. Defendants' sales representative then agreed to allow Ms. Stennis to pay six installments at varying increments for Defendants to secure forgiveness of her student loans.

167. Defendants' sales representative told Ms. Stennis that the \$800 fee would have to be paid in full before they would perform any work.

168. Defendants required the first payment over the telephone. Ms. Stennis provided Defendants with her credit card information, and Defendants charged \$50 to Ms. Stennis' credit account that same day, August 15, 2013.

169. Defendants' sales representative then told Ms. Stennis that she should not have to make any further payments on her student loans. Ms. Stennis believed she would not have to make any further payments until she heard back from Defendants about their efforts to secure forgiveness of her student loans.

170. Ms. Stennis did not, at any time, request that Defendants complete a Direct Consolidation Loan Application on her behalf or otherwise consolidate her federal student loans.

171. Later that same day on August 15, 2013, after Defendants accepted payment from Ms. Stennis, Defendants emailed Ms. Stennis the Application, Service Agreement, and payment and power of attorney authorizations for her to review and sign.

172. Defendants' standard form Application, Service Agreement, and payment and power of attorney authorizations implemented with Ms. Stennis did not contain the elements

required by the Debt Settlement Act, 225 ILCS 429, and by the Credit Services Organizations Act, 815 ILCS 605/7, as listed in Paragraph 76-78.

173. Mr. Stennis signed the Service Agreement, and payment and power of attorney authorizations the next day on August 16, 2013.

174. Ms. Stennis completed and returned the Application to Defendants on or around August 21, 2013.

175. During the next several months, Ms. Stennis attempted to contact Defendants by telephone to inquire about the status of their efforts to secure forgiveness of her student loans, but Defendants failed to respond.

176. Defendants continued to charge Ms. Stennis' credit card account in \$100 or \$150 increments, each month.

177. Prior to completing Ms. Stennis' Direct Consolidation Loan Application, Defendants failed to discuss the merits of federal student loan consolidation with Ms. Stennis.

178. Defendants failed to provide a copy, or otherwise afford Ms. Stennis an opportunity to review the Direct Consolidation Loan Application, before Defendants filed the Application with the USDOE.

179. On or around November 1, 2013, Defendants filed a Direct Loan Application on Ms. Stennis' behalf with the USDOE to consolidate her federal student loans.

180. Yet, Defendants failed to inform Ms. Stennis as to when Defendants filed a Direct Consolidation Loan Application on her behalf.

181. Defendants also failed to contact Ms. Stennis after the USDOE successfully consolidated her federal student loans.

182. Only after contacting the USDOE in or around January 2014, did Ms. Stennis learn that her federal student loans were in fact consolidated by the USDOE.

183. Although consolidation of her federal student loans may have provided temporary relief in the form of lower monthly payments, Defendants failed to disclose, discuss, or otherwise inform Ms. Stennis that she may ultimately pay more in interest on her student loans as they may be subject to a longer maturity term.

184. Defendants ultimately failed to secure forgiveness of Ms. Stennis' student loans, as promised.

### **VIOLATIONS OF LAW**

#### **COUNT I: CONSUMER FRAUD ACT**

185. The People re-allege and incorporate by reference the allegations of Paragraphs 1 to 184.

186. While engaged in trade or commerce, Defendants made the following material misrepresentations or omissions with the intent that consumers would rely upon them, in violation of Section 2 of the Consumer Fraud Act, 815 ILCS 505/2, by:

- a. representing that Defendants will stop or negotiate the removal of wage garnishments, without the ability to do so;
- b. representing that Defendants will prevent tax liens, without the ability to do so;
- c. representing that Defendants will reduce a consumer's student loan payment when, in truth and in fact, Defendants only complete Direct Consolidation Loan Applications that, by the USDOE's determination, may or may not result in a lower monthly student loan payment, and lead consumers to pay more in interest due to a longer loan maturity term;

- d. representing that Defendants will immediately perform work after a consumer pays upfront fees, when in fact Defendants do not commence any work until they have collected a substantial portion of the service fee;
- e. failing to disclose to consumers that Direct Loan Application are available from the USDOE at no cost;
- f. failing to provide refunds when requested, after failing to perform the work promised;
- g. representing, expressly or by implication, that Defendants engage in the “negotiation” of student loan relief, when in fact the Defendants perform no such work;
- h. representing, expressly or by implication, that Defendants have been endorsed, or have been reported on, by various media agencies, when they have not;
- i. representing, expressly or by implication, that Defendants can secure lower student loan payments, while failing to disclose to consumers that lower monthly student loan payments may lead consumers to pay more in interest due to a longer loan maturity term;
- j. representing, expressly or by implication, that Defendants are affiliated with the USDOE or other government entities, when they are not;
- k. failing to disclose to Illinois consumers that Defendants are not licensed and authorized to perform “Debt settlement” services, as defined by the Debt Settlement Act, 225 ILCS 429/10;

- l. representing that Defendants will improve credit scores, when in fact Defendants have no ability to do so;
- m. doing business as “First American Student Aid” and “First American Tax” in Illinois, and then failing to register the assumed business names with the Illinois Secretary of State, as required by the Limited Liability Company Act, 805 ILCS 180/1-20, and by the Consumer Fraud Act, 805 ILCS 505/2Q;
- n. holding themselves out as having the authority to transact business in Illinois, while failing to obtain the authority to transact business as a foreign limited liability company, as required by the Limited Liability Company Act, 805 ILCS 180/45-5;
- o. representing that a “team” of attorneys will work on a consumer’s file, when in truth and in fact, Defendants employ only one attorney;
- p. representing that Defendants can secure student loan forgiveness without ability to do so;
- q. representing that Defendants will enroll consumers into the “Obama Forgiveness Program,” when in truth and in fact, neither Defendants nor the USDOE maintain such a program.

**REMEDIES: COUNT 1**

187. When the Office of the Illinois Attorney General files an action under the Consumer Fraud Act, the following remedies are available to the Court:

(a) Whenever the Attorney General or a State's Attorney has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by this Act to be unlawful, and that proceedings would be in the public interest, he or she may bring an action in the name of the People of the State against such

person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to: injunction; revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of a receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

(b) In addition to the remedies provided herein, the Attorney General or State's Attorney may request and the Court may impose a civil penalty in a sum not to exceed \$50,000 against any person found by the Court to have engaged in any method, act or practice declared unlawful under this Act. In the event the court finds the method, act or practice to have been entered into with the intent to defraud, the court has the authority to impose a civil penalty in a sum not to exceed \$50,000 per violation.

(c) In addition to any other civil penalty provided in this Section, if a person is found by the court to have engaged in any method, act, or practice declared unlawful under this Act, and the violation was committed against a person 65 years of age or older, the court may impose an additional civil penalty not to exceed \$10,000 for each violation.

815 ILCS 505/7.

188. Section 10 of the Consumer Fraud Act, 815 ILCS 505/10, provides that “[i]n any action brought under the provisions of this Act, the Attorney General is entitled to recover costs of the use of this State.”

**PRAYER FOR RELIEF: COUNT 1**

WHEREFORE, the Plaintiff prays that this Honorable Court enter an Order:

- A. Finding that Defendants engaged in trade or commerce within the meaning of Section 1(f) of the Consumer Fraud Act;
- B. Finding that, in the conduct of trade or commerce, Defendants engaged in unfair and/or deceptive acts or practices within the meaning of Section 2 of the Consumer Fraud Act, 815 ILCS 5050/2, by the unlawful acts and practices alleged herein;

C. Preliminarily and permanently enjoining Defendants from engaging in the deceptive and unfair acts and practices alleged herein, or enjoining Defendants from operating in the State of Illinois;

D. Revoking, forfeiting or suspending any and all licenses, charters, franchises, certificates or other evidence of authority of Defendants to do business in the State of Illinois;

E. Declaring that all contracts entered into between Defendants and consumers by the use of methods and practices described herein are unlawful and rescinded, and requiring that full restitution be made to all affected consumers;

F. Ordering Defendants to pay a civil penalty of \$50,000 if the Court finds that Defendants engaged in methods, acts or practices declared unlawful by the Act without the intent to defraud;

G. Ordering Defendants to pay an additional civil penalty of \$50,000 for each violation of the Consumer Fraud Act found to have been committed with the intent to defraud;

H. Ordering Defendants to pay an additional civil penalty of \$10,000 for each violation of the Consumer Fraud Act found to have been committed against a senior citizen;

I. Requiring Defendants to pay all costs for the prosecution and investigation of this action;  
and

J. Providing such equitable and other relief as justice may require.

#### **COUNT II: CREDIT SERVICES ORGANIZATIONS ACT**

189. The People re-allege and incorporate by reference the allegations of Paragraphs 1 to 184.

190. The Credit Services Organizations Act defines a "Credit Services Organization" as a "person who, with respect to the extension of credit by others and in return for the payment of money or other valuable consideration, provides, or represents that the person can or will

provide . . . services . . . [to] improv[e] a buyer's credit record, history, or rating.” 815 ILCS 605/3(i).

191. Defendants, at all times relevant hereto, operated as a “Credit Services Organization” in Illinois in that Defendants advertise that, under their student loan debt relief services, they can “Improve your credit score.”

192. In the course of advertising that they can improve consumers’ credit scores, Defendants have violated the Credit Services Organizations Act by:

- a. failing to register as a Credit Services Organization as required by 815 ILCS 605/9, before acting as a Credit Services Organization in Illinois;
- b. representing that Defendants can improve consumers’ credit scores without ability to do so, in violation of 815 ILCS 605/5(4);
- c. failing to provide to Illinois consumers, in writing and prior to accepting payment, the statements required by 815 ILCS 605/6:
  - i. a complete and accurate statement of the consumer's right to review any file on the consumer maintained by a consumer reporting agency, as provided under the Fair Credit Reporting Act (15 U.S.C. Section 1681 et seq.);
  - ii. a statement that the consumer may review his or her consumer reporting agency file at no charge if a request therefor is made to such agency within 30 days after receipt by the consumer of notice that credit has been denied and if such request is not made within the allotted time, the approximate charge to the consumer for such review;

- iii. a complete and accurate statement of the consumer's right to dispute the completeness or accuracy of any item contained in any file on the buyer maintained by a consumer reporting agency;
  - iv. a complete and detailed description of the services to be performed by Defendants and the total cost to the consumer for such services;
  - v. a statement notifying the consumer that: (i) credit reporting agencies have no obligation to remove information from credit reports unless the information is erroneous, cannot be verified or is more than 7 years old; and (ii) credit reporting agencies have no obligation to remove information concerning bankruptcies unless such information is more than 10 years old;
  - vi. a statement asserting the consumer's right to proceed against the surety bond required under Section 10 of the Credit Services Organizations Act, 815 ILCS 605/10;
  - vii. the name and business address of any such surety company together with the name and the number of the account.
- d. failing to incorporate in its Application or Service Agreement to Illinois consumers the elements required by 815 ILCS 605/7:
- viii. a complete and accurate statement of the consumer's right to review any file on the consumer maintained by a consumer reporting agency, as provided under the Fair Credit Reporting Act (15 U.S.C. Section 1681 et seq.);
  - ix. a statement that the consumer may review his or her consumer

reporting agency file at no charge if a request therefor is made to such agency within 30 days after receipt by the consumer of notice that credit has been denied and if such request is not made within the allotted time, the approximate charge to the consumer for such review;

- x. a complete and accurate statement of the consumer's right to dispute the completeness or accuracy of any item contained in any file on the buyer maintained by a consumer reporting agency;
- xi. a complete and detailed description of the services to be performed by Defendants and the total cost to the consumer for such services;
- xii. a statement notifying the consumer that: (i) credit reporting agencies have no obligation to remove information from credit reports unless the information is erroneous, cannot be verified or is more than 7 years old; and (ii) credit reporting agencies have no obligation to remove information concerning bankruptcies unless such information is more than 10 years old;
- xiii. a statement asserting the consumer's right to proceed against the surety bond required under Section 10 of the Credit Services Organizations Act, 815 ILCS 605/10;
- xiv. the name and business address of any such surety company together with the name and the number of the account.

**REMEDIES: COUNT 2**

193. The Credit Services Organizations Act provides that:

The Attorney General, the State's Attorney of any county, or a buyer may bring an action in a circuit court to enjoin a violation of this Act. In addition to any injunction, the Attorney General or any State's Attorney or any county, in the name of the People of the State of Illinois, may seek to recover damages pursuant to this Act.

815 ILCS 605/12.

194. The Credits Services Organizations Act provides that a “violation of this Act shall also constitute a violation of the Consumer Fraud and Deceptive Business Practices Act.” 815 ILCS 605/15.

195. Section 8 of the Credit Services Organizations Act provides that “Any contract for services which does not comply with applicable provisions of this article shall be void and unenforceable as contrary to public policy.” 815 ILCS 605/8.

**PRAYER FOR RELIEF: COUNT 2**

Wherefore, the Plaintiff prays that this Honorable Court enter an Order:

A. Finding that Defendants operate as a “Credit Services Organizations” within the meaning of Section 3 of the Credit Services Organizations Act;

B. Finding that Defendants violated the Credit Services Organizations Act, 815 ILCS 605, by the unlawful acts and practices alleged herein;

C. Finding that Defendants violated Section 2 of the Consumer Fraud Act, 815 ILCS 505/2, by virtue of Defendants’ violations of the Credit Services Organizations Act;

D. Preliminarily and permanently enjoining Defendants from engaging in the deceptive and unfair acts and practices alleged herein, or enjoining Defendants from operating in the State of Illinois;

K. Declaring that all contracts entered into between Defendants and consumers by the use of methods and practices described herein are void and unenforceable, and requiring that full restitution be made to all affected consumers;

L. Revoking, forfeiting or suspending any and all licenses, charters, franchises, certificates or other evidence of authority of Defendants to do business in the State of Illinois;

E. Ordering Defendants to pay a civil penalty of \$50,000 if the Court finds that Defendants have engaged in methods, acts or practices declared unlawful by the Act without the intent to defraud;

F. Ordering Defendants to pay an additional civil penalty of \$50,000 for each violation found to have been committed with the intent to defraud;

G. Ordering Defendants to pay an additional civil penalty of \$10,000 for each violation found to have been committed against a senior citizen;

H. Requiring Defendants to pay all costs for the prosecution and investigation of this action;

I. Requiring Defendants to pay the statutory damages provided under the Credit Services Organizations Act, 815 ILCS 605/12; and

J. Providing such equitable and other relief as justice may require.

**COUNT III: DEBT SETTLEMENT ACT**

196. The People re-allege and incorporate by reference the allegations of Paragraphs 1 to 184.

197. The Debt Settlement Act defines “debt settlement service[s],” in part, to mean “offering to provide advice or service, or acting as an intermediary between or on behalf of a consumer and one or more of a consumer's creditors, where the primary purpose of the advice, service, or action is to obtain a settlement, adjustment, or satisfaction of the consumer's unsecured debt to a creditor in an amount less than the full amount of the principal amount of the debt or in an amount less than the current outstanding balance of the debt.” 225 ILCS 429/10.

198. Defendants, at all times relevant hereto, offered “debt settlement service[s]” in Illinois, in that Defendants, while acting as an intermediary between consumers and the USDOE,

advertised that Defendants could secure student loan debt forgiveness, or otherwise enroll consumers into the “Obama Forgiveness Plan” wherein Defendants could secure student loan debt forgiveness.

199. In the course of advertising, soliciting, offering for sale, and selling student loan relief services to Illinois consumers, Defendants have violated the Debt Settlement Act by:

- a. failing to obtain a license as a Debt Settlement Provider as required by 225 ILCS 429/15, and acting as a Debt Settlement Provider in Illinois;
- b. charging and requiring consumers to pay over \$50 in upfront fees;
- c. failing to make, on their website and advertisements, the disclosure statement required by 225 ILCS 429/105(c);
- d. failing to provide an individualized financial analysis to consumers as required by 225 ILCS 429/110, in writing, that states the following:
  - i. an individualized financial analysis, including consumers’ income, expenses, and debts;
  - ii. a statement containing a good faith estimate of the length of time it will take to complete Defendants’ student loan debt settlement program;
  - iii. the total amount of debt owed to each creditor included in Defendants’ student loan debt settlement program;
  - iv. the total savings estimated to be necessary to complete the debt settlement program;
  - v. and the monthly targeted savings amount estimated to be necessary to complete the debt settlement program;

- vi. the consumer can reasonably meet the requirements of the proposed debt settlement program, including the fees and the periodic savings amounts set forth in the savings goals;
  - vii. Defendants' student loan debt settlement program is suitable for the consumer at the time the contract is to be signed.
- e. failing to incorporate in their Application Form or Service Agreement to Illinois consumers the elements required in a "debt settlement" contract required under 225 ILCS 429/120, as follows:
- i. a complete list of the consumer's accounts, debts, and obligations, listing the name of each creditor and principal amount of each debt;
  - ii. a description of the services to be provided by Defendants, including the expected time frame for settlement for each account, debt, or obligation;
  - iii. a statement of the proposed savings goals for the consumer, stating the amount to be saved per month or other period, time period over which savings goal extends, and the total amount of the savings expected to be paid by the consumer pursuant to the terms of Defendants' contract;
  - iv. the amount of money or the percentage of debt the consumer must accumulate before a settlement offer will be made to each of the consumer's creditors;
  - v. a written individualized financial analysis;

- vi. contents of the "Consumer Notice and Rights Form" provided under the Section 115(c) of the Debt Settlement Act, 225 ILCS 429/115(c);
- vii. a written notice to the consumer that the consumer may cancel the contract at any time until after Defendants have fully performed each service Defendants contracted to perform or represented Defendants would perform, and upon that event the consumer shall be entitled to a full refund of all unearned fees and compensation paid by the consumer to Defendants.

**REMEDIES: COUNT 3**

200. The Debt Settlement Act provides for enforcement by the Illinois Attorney General, and further provides that all remedies available under the Consumer Fraud Act are likewise available for any violation of the Debt Settlement Act:

A violation of Section 105, 110, 115, 120, 125, 130, 135, 140, 145, or 150 of this Act constitutes an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. All remedies, penalties, and authority granted to the Attorney General or State's Attorney by the Consumer Fraud and Deceptive Business Practices Act shall be available to him or her for the enforcement of this Act.

225 ILCS 429/155(a).

201. Section 80(b) of the Debt Settlement Act provides that “[a]ny contract of debt settlement service as defined in this Act made by an unlicensed person shall be null and void and of no legal effect.” 225 ILCS 429/80(b).

**PRAYER FOR RELIEF: COUNT 3**

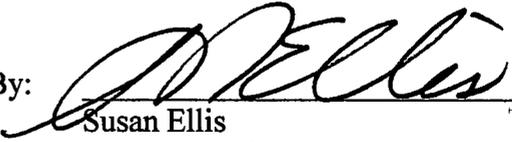
Wherefore, the Plaintiff prays that this Honorable Court enter an Order:

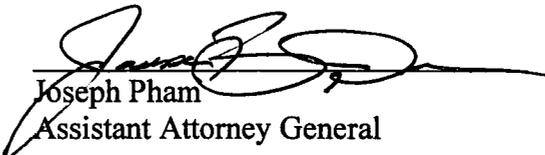
- A. Finding that Defendants engaged in student loan “debt settlement service[s]” within the meaning of Section 10 of the Debt Settlement Act;
- B. Finding that Defendants violated Sections 15, 105, 110, 120, 125, 135(c), and 145 of the Debt Settlement Act, 225 ILCS 429, by the unlawful acts and practices alleged herein;
- C. Finding that Defendants violated Section 2 of the Consumer Fraud Act, 815 ILCS 505/2, by virtue of the Defendants’ violations of the Debt Settlement Act;
- D. Preliminarily and permanently enjoining Defendants from engaging in the deceptive and unfair acts and practices alleged herein, or enjoining Defendants from operating in the State of Illinois;
- M. Declaring that all contracts entered into between Defendants and consumers by the use of methods and practices described herein are null and void and of no legal effect, and requiring that full restitution be made to all affected consumers;
- N. Revoking, forfeiting or suspending any and all licenses, charters, franchises, certificates or other evidence of authority of Defendants to do business in the State of Illinois;
- E. Ordering Defendants to pay a civil penalty of \$50,000 if the Court finds that Defendants have engaged in methods, acts or practices declared unlawful by the Act without the intent to defraud;
- F. Ordering Defendants to pay an additional civil penalty of \$50,000 for each violation found to have been committed with the intent to defraud;
- G. Ordering Defendants to pay an additional civil penalty of \$10,000 for each violation found to have been committed against a senior citizen;
- H. Requiring Defendants to pay all costs for the prosecution and investigation of this action;
- and

I. Providing such equitable and other relief as justice may require.

Respectfully Submitted,

THE PEOPLE OF THE STATE OF ILLINOIS,  
by LISA MADIGAN  
ATTORNEY GENERAL OF ILLINOIS

By:   
Susan Ellis  
Bureau Chief  
Consumer Fraud Bureau

By:   
Joseph Pham  
Assistant Attorney General

LISA MADIGAN  
ILLINOIS ATTORNEY GENERAL

Susan Ellis, Bureau Chief  
Consumer Fraud Bureau

Andy Dougherty  
Supervising Attorney

Joseph Pham  
Assistant Attorney General  
Consumer Fraud Bureau  
100 W. Randolph Street, 12th floor  
Chicago, IL 60601  
Tel.: (312) 814-3740

## Plaintiff's Exhibits

**\*PLEASE USE THIS FORM AS YOUR COVER LETTER WHEN FAXING DOCUMENTATION\***

PIN NO: (internal only)	FILE NO: (internal only)
-------------------------	--------------------------

First Name	M.	Last Name	D/O/B
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Email address	Phone number
---------------	--------------

Social Security #	Drivers License#	State Issued
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Former name(if applicable)
----------------------------

Address	City	State	ZIP
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Marital status: <input type="checkbox"/> Single <input type="checkbox"/> Married	NO. OF DEPENDENTS
--	-------------------

Total monthly payment on Government Student Loans	\$
---	----

**EMPLOYMENT:**

Current Employer	Ph # ( ) -
------------------	------------

Address	City	State	ZIP
---------	------	-------	-----

How do you get paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-monthly <input type="checkbox"/> Monthly
---

Year to date on most recent pay stub (GROSS) - \$	Period ending date: / /2013
---	-----------------------------

(If self employed) 2011 1040 AGI income \$	2012 1040 AGI income \$
--	-------------------------

*Spouse information required if filing jointly	D/O/B
--	-------

Spouse - First Name	M.	Last Name	SS#
---------------------	----	-----------	-----

Current Employer	Ph # ( ) -
------------------	------------

Address	City	State	ZIP
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Year to date on most recent pay stub (GROSS) - \$	Period ending date: / /2013
---	-----------------------------



**REFERENCES (FILL OUT BOTH COMPLETELY)**

Name	Relationship	Ph# ( ) -	
Address	City	State	Zip
Name	Relationship	Ph#	
Address	City	State	ZIP

I want to consolidate all of my education loans (including U.S. Department of Education Direct Loans, U.S. Department of Education non-Direct Loans, Perkins, and Federal Family Education loans (FFEL) regardless of the status of the loans):

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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At least one of the loans I want to consolidate is in **default** (i.e., my payments are overdue more than 270 days):

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------

At least one of the loans I want to consolidate is in a **grace period**:

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------

At least one of my FFEL or Direct Loan program loans is in an **in-school status**:

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------

**Notes:**



The Client Service Agreement ("Agreement") is between you ("Client") and First American Tax Defense, LLC to provide the services for the fees set forth on Schedule A. Client authorizes The Company and its employees, representatives, or agents the right to communicate on the Client's behalf with Federal student loan creditor(s) for the purpose of negotiating arrangements to resolve the Client's Federal student loan debt situation.

#### **1. Degree of Service Agreement**

- 1.1 Client has initiated the services of First American Tax Defense. First American Tax Defense has explained the services to be performed by First American Tax Defense for Client.
- 1.2 First American Tax Defense will assist Client to complete forms necessary to obtain a new Federal consolidation loan, and/or explore the possibilities of refunds if applicable and reasonable and affordable payment plans for Federal student loans in a seriously delinquent or defaulted status. In addition, First American Tax Defense will gather relevant information regarding the Client's Federal student loan(s) that will include the holder, loan origination, and schedule of outstanding balances.
- 1.3 First American Tax Defense will seek to explore affordable repayment options for loans held by Client. In addition, First American Tax Defense will advise Client in his/her efforts to negotiate to remove wage garnishment(s) and/or tax offset(s).
- 1.4 Client authorizes First American Tax Defense and its employees, representatives, or agents the right to communicate on the Client's behalf with Federal student loan creditor(s) for the purpose of negotiating arrangements to resolve the Client's Federal student loan debt(s)/credit situation.

#### **2. Client Responsibilities**

- 2.1 Client will be responsible for providing complete and accurate information as well as timely responses to communication in five (5) business days.
- 2.2 Client agrees to be cooperative and truthful. Client may be asked to provide documentation and/or send documentation to First American Tax Defense, which will aid in the consolidation process. Client has provided First American Tax Defense with his/her FAFSA Personal Identification number.
- 2.3 Once Client begins working with First American Tax Defense, Client agrees not to work on his/her own Federal student loan accounts without first notifying First American Tax Defense. Client must allow First American Tax Defense the opportunity to negotiate and work his/her Federal student loan obligations.

#### **3. Privacy**

- 3.1 First American Tax Defense is dedicated to protecting your privacy and providing you with the highest level of service.

#### **4. Guarantee Disclaimer**

- 4.1 First American Tax Defense may give opinions of possible results based on past experiences and results. By signing this agreement, Client acknowledges each case is different and unique and individual results may vary.

- 4.2 Client also understands that Client's loans will continue to accrue interest until repaid. Client also understands that lender(s) may and can impose other penalties as a result of delinquent payments, including but not limited to, the reporting to credit bureaus, garnishment of wages, personal tax offsets, default penalties, and/or filing for a lawsuit to collect the student loan debt(s).

#### **5. Refund Policy**

- 5.1 If First American Tax Defense is unable to assist the Client in reaching a new Federal consolidation loan, the Client will not be charged for the remainder of his/her Service Fee. Any and all refunds will be made at the sole discretion of First American Tax Defense. All payments received by First American Tax Defense as per the Payment Schedule will be retained by First American Tax Defense whether or not the Client completes the payment.



5.2 First American Tax Defense and its officers, employees, agents, and affiliates make no representations or warranties of any kind as to the services to be provided herein.

**6. Not Included in Representation**

- 6.1 Client understands that by virtue of this Agreement, Client is contracting First American Tax Defense to prepare an application for a Federal student loan consolidation. Client expressly acknowledges that First American Tax Defense does not provide student loan financing of any kind.
- 6.2 Client acknowledges that this Agreement does not include any representation for any claim or cause of action brought against Client including cross-complaints. Client agrees and acknowledges that First American Tax Defense has not represented that it will advise or assist Client in the modification, improvement, or correction of credit entries on Client's credit reports or that First American Tax Defense can stop collection phone calls or correspondence.
- 6.3 Client agrees and acknowledges that First American Tax Defense does not represent itself as a Lender.
- 6.4 Client agrees and acknowledges that First American Tax Defense did not represent itself to be affiliated in any way with any governmental agency.

**7. Arbitration of Dispute**

- 7.1 The Company and Client Agree that any dispute concerning the service should be resolved first by The Company and Client. If The Company and Client shall fail to resolve dispute, Client agrees to enter into a non-binding mediation. All mediation conferences shall occur in Chicago, Illinois. If any dispute remains unresolved between the parties after the mediation process has been completed, either party may then submit any such unresolved dispute to final and binding arbitration. The exclusive venue of any arbitration proceeding shall be in Chicago, Illinois at a neutral site selected by the arbitrator.
- 7.2 The Client AGREES TO LIMIT FIRST AMERICAN TAX DEFENSE LIABILITY OF DAMAGES TO CLIENT TO THE FEE THAT FIRST AMERICAN TAX DEFENSE CHARGED CLIENT FOR SERVICES, WHICHEVER IS GREATER. THIS LIMITATION SHALL APPLY REGARDLESS OF CAUSE OF ACTION OR LEGAL THEORY PLEAD OR ASSERTED BY CLIENT.

**8. Discharge, Withdrawal or Cancellation**

- 8.1 Either party may discharge the other by written notice, effective when received by the discharged party. Upon termination, First American Tax Defense shall be entitled to keep all fees that have been deemed earned pursuant to the Service Fee below. Our uncollected fees at time of withdrawal that are earned and uncollected shall survive this Agreement.
- 8.2 First American Tax Defense reserves the right to terminate this Agreement for any reason with five days' notice, which may be written or electronic and without any further obligation. Any and all refunds will be made at the sole discretion of First American Tax Defense.
- 8.3 Client may cancel this Agreement at any time and for any reason. Client understands that First American Tax Defense earns their fees as described in the Payment Agreement. Any and all refunds will be made at the sole discretion of First American Tax Defense.

**9. No Legal Representation**

- 9.1 CLIENT EXPRESSLY UNDERSTANDS, WAIVES, AND RELEASES FIRST AMERICAN TAX DEFENSE FROM ANY AND ALL LIABILITY WHETHER KNOWN OR UNKNOWN, NOW AND IN THE FUTURE, RELATING TO OR RESULTING FROM ANY ALLEGATION OR ACTION OF DIRECT STUDENT AID OR CLIENT THAT MAY BE CONSTRUED TO CONSTITUTE LEGAL ADVICE OR REPRESENTATION.

**10. Agreement to Do Business Electronically**

- 10.1 Client agrees, unless specifically requested otherwise, that First American Tax Defense may send and Client will receive, in an electronic format, all information, copies of Agreements and correspondences from First American Tax Defense. Client consents and agrees that First American Tax Defense may

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888-628-0050 • www.firstamtax.com

EXHIBIT

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provide all disclosures, periodic statements, notices, receipts, modifications, amendments and all other evidence of transactions electronically.

- 10.2 All electronic communications will be deemed to be valid and authentic, and Client intends and agrees that those electronic communications will be given the same legal affect as written and signed paper communications.
- 10.3 Client acknowledges and agrees that the Internet is considered inherently insecure. Therefore, Client agrees that First American Tax Defense has no liability to Client whatsoever for any loss, claim, and/or damages rising or in any way related to First American Tax Defense's responses to any electronic communication, upon which First American Tax Defense has in good faith relied. At all times, Client maintains the sole obligation to insure they can receive First American Tax Defense's electronic communications and access them on a regular and diligent basis.

#### 11. Governing Law and Venture/Cancellation Policy

- 11.1 The interpretation and enforcement of this Agreement shall be construed in accordance with the laws of the state of Illinois. Client has the right to cancel this Agreement at any time. All payments received by First American Tax Defense as per the Payment Schedule will be retained by First American Tax Defense whether or not Client completes the program.

#### 12. Service Fee

First American Tax Defense reserves the right to terminate this Agreement or adjust the Service Fee should it determine the information you provided was inaccurate or fraudulent. This Agreement is the only agreement between the parties. No oral or written communications between the parties shall amend or modify the terms of this Agreement unless signed by both parties.

This Agreement constitutes the full and complete agreement between Client and First American Tax Defense. This Agreement supersedes any and all other agreements or understandings, whether written or oral, between Client and First American Tax Defense. I verify that I have read, understand, and agree with the above agreement and have been provided a copy for my personal records.

\_\_\_\_\_  
SIGNATURE OF CLIENT

\_\_\_\_\_  
DATE

«First Name»«Middle Name»«Last Name»

\_\_\_\_\_  
PRINT NAME



### Payment Authorization Form

Initial deposit of «InitialPayments» must be paid prior to proceeding with case. I/We (Name of client) hereby authorize(s) First American Tax Defense to charge/debit the account entered below as follows:

The balance of the fee will be paid in (payment plan) and will be charged/debited to the account listed below starting (xxx) days after execution of agreement or until paid in full. Payments will be processed on Saturdays, Sundays, or holidays unless otherwise specified in payment arrangement.

This authorization shall remain in effect until balance is paid in full.

«TableStart:Invoice»«InvoiceType»«Description» «Price»«TableEnd:Invoice»

Total of All Fees: «GrossSale» Total Paid: «TotalPayment»

Professional fees to be paid as follows:

«TableStart:Amortization»Date: Amount: «Amount»«TableEnd:Amortization»  
«ScheduledDate»

For Credit or Debit card, please complete the following:

«ccType»	«ccCardHolderFullName»	
Type (Visa/MC/Amex)	Card-holder Name	
«ccNumber»	«ccExpDate»	«ccSecurityNo»
Credit Card Number	Exp. Date	CVV2

Billing Address

«ccAddress»«ccAptNo»	«ccCity»	«ccState»	«ccZip»
Billing Address	City	State	Zip Code

X \_\_\_\_\_ Date: \_\_\_\_\_

If First American Tax Defense is unable to deduct payment due to insufficient funds or closed account, of the credit charge is declined, First American Tax Defense reserves the right to charge/debit the account for a lower amount that may get approved, cancel the agreement and/or charge a collection fee or place account for collection and subsequently charge/debit the remainder of payment(s) and First American Tax Defense's discretion. All service fees collection prior to cancellation of this agreement shall be retained by First American Tax Defense for expenses incurred. Fees not paid may be placed for collection at First American Tax Defense's discretion.





### Limited Power of Attorney

I, «First Name»«Middle Name»«Last Name», hereby appoint First American Tax Defense and its designated agents and employees as my attorney-in-fact and hereby permit the same to act in my own behalf to initiate the following matters and purposes, as may be deemed necessary:

- A. To negotiate on all Federal student loan accounts to achieve a reasonable resolution with any organizations possessing an interest in my Federal student loan issue(s);
- B. To investigate, obtain, and review any and all information regarding my Federal student loan status, including original documentation, payment history, balance breakdowns, and other pertinent details that would assist in the restoration of the Federal student loan obligation;
- C. To represent me with regard to any matter within the scope of services set forth in the Agreement including, but not limited to communication with those organizations possessing an interest in my Federal student loan issue(s);
- D. To prepare, complete, and advance any and all paperwork to those organizations possessing an interest in my Federal student loan issue(s);
- E. I have provided to First American Tax Defense and its affiliates my FAFSA personal identification number;
- F. I provide to First American Tax Defense and its affiliates the express authority to access the Federal Student Aid 'PIN Web Site' for purposes of executing the Agreement;
- G. I provide to First American Tax Defense and its affiliates the express authority to communicate on my behalf with the United States Treasury and/or the Internal Revenue Service for the purpose of resolving my student loan obligations;
- H. Any other incidental acts that are reasonably required to undertake the authorities granted herein; and
- I. For no other purpose than those granted herein.

This Limited Power of Attorney shall continue in effect until I nullify this instrument in writing, the terms of the Agreement are fulfilled, or First American Tax Defense or I terminate the Agreement.

\_\_\_\_\_  
SIGNATURE OF CLIENT

\_\_\_\_\_  
DATE

«First Name»«Middle Name»«Last Name»

\_\_\_\_\_  
PRINT NAME