

# Consumer Financial Protection Bureau Sues Student-Loan Debt-Relief Operation for Taking Illegal Advance Fees and Settles with Some Participants

JUL 13, 2020

**WASHINGTON, D.C.** — The Consumer Financial Protection Bureau (Bureau) today filed a complaint in the federal district court for the Central District of California against GST Factoring, Inc., which runs a student-loan debt-relief business in Texas, and two of its owners, Rick Graff and Gregory Trimarche, as well as Champion Marketing Solutions, LLC, a customer service and marketing company, and its owner, Scott Freda. The Bureau also filed suit against four attorneys, California attorneys Amanda Johanson and Jacob Slaughter, Arizona attorney David Mize, and Florida attorney Daniel Ruggiero. The Bureau alleges that the companies, their owners, and the attorneys were part of a nationwide student-loan debt-relief operation that charged thousands of consumers saddled with private student-loan debt approximately \$11.8 million in illegal upfront fees in violation of the Telemarketing Sales Rule (TSR). Concurrent with the complaint, the Bureau and four of the defendants filed proposed stipulated final judgments and orders to resolve the claims against them. If entered by the court, the orders will ban Trimarche, Slaughter, Mize, and Ruggiero from participating in certain activities, impose monetary judgments to provide consumer redress totaling approximately \$11.8 million, and impose a civil money penalty.

Under the TSR, it is illegal to request or receive any fees for debt-relief services sold through telemarketing before the debt is settled or renegotiated. But, as the complaint alleges, from 2015 through the present, the defendants violated the TSR's prohibition on requesting or receiving advance fees for debt-relief services, or substantially assisted others in violating this prohibition by charging illegal advance fees purportedly to renegotiate student loan debt. As the complaint alleges, the defendants did not wait to complete their work for consumers, and instead charged fees right away by arranging for monthly payments over the course of years that began at or just after consumers signed up for defendants' services. Using telemarketing campaigns, the debt-relief operation led consumers to believe that they were working solely with an attorney, but in fact, the fees—which were as large as about 40 percent of the consumers' outstanding student-loan debt—went to defendant GST Factoring, which distributed the funds to the participants in the scheme. The complaint also alleges that consumers were encouraged to stop paying their student loans all together.

The Bureau negotiated proposed stipulated final judgments and orders with four of the defendants that were filed alongside the complaint. If entered by the court, the proposed orders will permanently ban Trimarche from providing debt-relief services and telemarketing any consumer financial product or service and impose permanent debt-relief bans on Slaughter, Mize, and Ruggiero. The proposed orders would also impose monetary judgments against the settling defendants to provide redress to the approximately 2,600 consumers who paid a total of

approximately \$11.8 million to the defendants over the course of nearly five years. The full judgment amount will be suspended upon the settling defendants' paying a portion of the redress based on their demonstrated inability to pay the full amount. Each settling defendant will also pay a \$1 civil money penalty to the Bureau. Whenever the Bureau collects a civil money penalty through an enforcement action, that penalty is deposited into the Bureau's Civil Penalty Fund. Assuming continued available funds, the Bureau will work to provide full relief to eligible harmed consumers from this fund.

If the proposed orders are entered by the Court, the Bureau's lawsuit would continue to proceed against Defendants GST Factoring, Champion Marketing Solutions, Graff, Freda, and Johanson. The complaint seeks redress to consumers, an injunction, and the imposition of civil money penalties against them. The complaint is not a finding or ruling that the defendants have violated the law.

The CFPB complaint is available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_gst-factoring-et-al\\_complaint\\_2020-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_gst-factoring-et-al_complaint_2020-07.pdf)

The proposed stipulated final judgment and order against Trimarche is available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_trimarche\\_stipulated-final-judgement-order\\_2020-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_trimarche_stipulated-final-judgement-order_2020-07.pdf)

The proposed stipulated final judgment and order against Slaughter is available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_slaughter\\_stipulated-final-judgement-order\\_2020-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_slaughter_stipulated-final-judgement-order_2020-07.pdf)

The proposed stipulated final judgment and order against Mize is available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_mize\\_stipulated-final-judgement-order\\_2020-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_mize_stipulated-final-judgement-order_2020-07.pdf)

The proposed stipulated final judgment and order against Ruggiero is available at: [https://files.consumerfinance.gov/f/documents/cfpb\\_ruggiero\\_stipulated-final-judgement-order\\_2020-07.pdf](https://files.consumerfinance.gov/f/documents/cfpb_ruggiero_stipulated-final-judgement-order_2020-07.pdf)

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