

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK**

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THE PEOPLE OF THE STATE OF NEW YORK,
by **Letitia James, Attorney General of the**
State of New York,

Petitioner,
-against-

Index No. _____
IAS Part _____

Freedom Debt Relief, LLC and
Freedom Financial Network, LLC

Hon. _____

**CONSENT ORDER &
JUDGMENT**

Respondents.

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Petitioner, the People of the State of New York by Letitia James (“NYAG”), commenced this proceeding (the “Proceeding”) in New York County Supreme Court on June 23, 2020 to obtain injunctive and monetary relief and civil penalties from the named Respondents, Freedom Debt Relief, LLC and Freedom Financial Network, LLC (collectively, “FDR”) for their alleged violations of an Assurance of Discontinuance with the NYAG, which FDR entered into on March 7, 2011 (the “AOD”).

NOW, upon the Verified Petition dated June 23, 2020, and the Consent and Stipulation the NYAG and FDR (collectively, the “Parties,” and each, a “Party”) agree to the entry of this Consent Order & Judgment (the “Consent Order”) to settle and resolve all claims raised against FDR in this Proceeding. FDR agrees to the terms of this Consent Order without admitting or denying any of the allegations in the NYAG’s Notice of Petition and Verified Petition.

Accordingly, it is hereby:

PARTIES SUBJECT TO JUDGMENT

1. **ORDERED, ADJUDGED AND DECREED** that this Consent Order shall extend to Freedom Debt Relief, LLC and Freedom Financial Network, LLC, or anyone acting on their behalf, including but not limited to their principals, directors, officers, shareholders, employees, successors, and assignees and agents.

DEFINITIONS

2. **ORDERED, ADJUDGED AND DECREED** that the following definitions apply to this Consent Order.

- a. **“Aggregate Enrolled Balance”** of an individual Consumer means the total amount of debt enrolled by that Consumer in FDR’s Debt Relief Service program, regardless of whether settled, withdrawn, or outstanding.
- b. **“Clearly and Conspicuously”** has the meaning defined in Paragraph 1(a) of the AOD, namely, that the statement, representation or term being disclosed is of such size, color, contrast and/or audibility and is so presented as to be readily noticed and understood by the Person to whom it is being disclosed. If such statement is necessary as a modification, explanation or clarification to other information with which it is presented, it must be presented in close proximity to the information it modifies, in a manner so as to be readily noticed and understood. In addition to the foregoing, in interactive media, the disclosure shall also be unavoidable (i.e., no click-through required to access it), and shall be presented prior to the Consumer incurring any financial obligation.
- c. **“Consumer”** means an individual or an agent, trustee, or representative acting on behalf of an individual.

- d. **“Defined Universe”** means a subset of Consumers to which an advertising claim of savings or debt reduction is limited, such as “Clients who make all of their monthly program deposits.”
- e. **“Effective Date”** shall be the date the County Clerk enters this Consent Order & Judgment.
- f. For a Consumer to **“Enroll”** in FDR’s Debt Relief Service program means that the Consumer has (1) executed a Debt Resolution Agreement with FDR, (2) created an Aggregate Enrolled Balance by placing one or more debts into the FDR program, and (3) made at least one deposit into the Consumer’s dedicated account as contemplated by the agreement. The date of a Consumer’s **“Enrollment”** in FDR’s Debt Relief Service program means the date on which the Consumer makes the first deposit into the Consumer’s dedicated account after signing a Debt Resolution Agreement.
- g. **“Enrolled Settled Debt”** of an individual Consumer at a given time means the total of the Aggregate Enrolled Balance of the Consumer’s debts that have been settled to date.
- h. **“Respondents”** or **“FDR”** means Freedom Debt Relief, LLC and/or Freedom Financial Network, LLC or anyone acting on their respective behalves, including but not limited to their principals, directors, officers, shareholders, employees, successors, and assignees and agents acting in concert or in participation with them who are involved in the conduct of business which is the subject of this litigation.

- i. **“Savings”** of an individual Consumer at a given time means the Consumer’s Enrolled Settled Debt minus the sum of: (i) the total amount that the Consumer has agreed to pay to his or her creditors pursuant to any settlement agreements for which the payment obligation either has been satisfied or is ongoing; and (ii) the total amount of fees assessed by FDR in respect of any such settlements.

“Savings” may be expressed either as a dollar amount or as a percentage of the Aggregate Enrolled Balance.
- j. **“Third Party Marketer”** has the meaning defined in Paragraph 36 of the AOD, namely, a third party that is engaged in the marketing, advertising, or promotion of FDR’s Debt Relief Service programs.
- k. **“Person”** means any individual.

ORDER

INJUNCTIVE RELIEF

3. **ORDERED, ADJUDGED AND DECREED** that the AOD, which is attached as Exhibit A, is incorporated by reference herein, and all continuing obligations under the AOD remain in full force and effect.

4. **ORDERED, ADJUDGED AND DECREED** that Paragraph 35(d) of the AOD is further clarified to state as follows:

- a. As the term is used in Paragraph 35(d) of the AOD, “savings” has the meaning defined in Paragraph 2.h of this Order.
- b. As the term is used in Paragraph 35(d) of the AOD, “the period 36 or more months (or the number of months that coincides with the standard length of FDR’s program) preceding” a representation (hereinafter the “applicable period”)

refers to the period preceding January 1 of the calendar year in which that representation is made.

- c. As a further example intended to clarify Paragraph 35(d) of the AOD, assume that 1,000 consumers had enrolled in FDR's Debt Relief Service program during the applicable period preceding the representation, "The average consumer enrolled in our program can achieve [XX]% savings." Such representation would be permissible under Paragraph 35(d) of the AOD only if more than 500 consumers who enrolled during that period had achieved at least a savings of [XX]%.
- d. Paragraph 35(d) of the AOD shall permit FDR to make claims about a range of specific savings or percentage debt reductions that have been, can, or will be achieved for individual Consumers by Enrolling in FDR's Debt Relief Service program only if (1) the midpoint of the represented range reflects the experience of the majority of Consumers who Enrolled in FDR's Debt Relief Service program during the applicable period preceding the representation and (2) the percentage of those Consumers who achieved the top of the range of specific savings or percentage debt reductions claimed is Clearly and Conspicuously disclosed; *provided, however*, that FDR shall not be required to make the disclosure described in subpart (2) of this sentence if the upper and lower limits of the represented range are no more than five (5) percentage points lower or higher than the midpoint of the range.¹ If, however, the claimed range of savings or percentage debt reductions relates to a Defined Universe, in addition to complying with the Clear and Conspicuous disclosure requirements regarding representations

¹ For the avoidance of doubt, if the midpoint of a range were 20%, the phrase "five (5) percentage points lower or higher than the midpoint of the range" would refer to a range from 15% to 25%.

relating to a Defined Universe set forth in Paragraph 35(d) of the AOD, Paragraph 35(d) of the AOD shall permit FDR to make claims about a range of specific savings or percentage debt reductions that have been, can, or will be achieved for individual Consumers by Enrolling in FDR's Debt Relief Service program only if (1) the midpoint of the represented range reflects the experience of the majority of Consumers who Enrolled in FDR's Debt Relief Service program who fall within the Defined Universe, and (2) the percentage of those Consumers who fall within the Defined Universe who achieved the top of the range of specific savings or percentage debt reductions is Clearly and Conspicuously disclosed; *provided, however,* that FDR shall not be required to make the disclosure described in subpart (2) of this sentence if the upper and lower limits of the represented range are no more than five (5) percentage points lower or higher than the midpoint of the range. By way of example, Paragraph 35(d) would permit the representation, regarding a Defined Universe, "Consumers who make all their monthly program deposits save an average of 10 to 35%" only if FDR Clearly and Conspicuously discloses both (i) the approximate proportion of FDR's Enrolled customers during the applicable period preceding the representation who fall within the Defined Universe of "Consumers who make all their monthly program deposits," and (ii) the percentage of those Consumers who fall within the Defined Universe who achieved the top of the range of the claimed savings (savings of 35%). However, if the median savings of the Defined Universe were 15%, and disclosure (i) were made, then a representation that "Consumers who make all their monthly program deposits save an average of 10 to 20%" would not require disclosure (ii).

5. **ORDERED, ADJUDGED AND DECREED** that FDR shall not represent, directly or by implication, that individual New York Consumers have achieved or can achieve specific savings or percentage debt reductions by Enrolling in FDR’s Debt Relief Service program (for example, that “Clients ... pay approximately 50% of their enrolled balance before fees, or 71% including fees,”) where (1) such savings or debt reductions are limited to a Defined Universe of FDR clients, and (2) such savings or debt reductions are not achieved by a majority of FDR’s clients. However, FDR may make such representations if it Clearly and Conspicuously discloses for each such representation: (i) the Defined Universe; (ii) that such results are limited to those Consumers in the Defined Universe; and (iii) the approximate proportion of FDR’s Enrolled customers who fall within that Defined Universe.

6. **ORDERED, ADJUDGED AND DECREED** that FDR shall not represent, directly or by implication, a range of savings or percentage debt reduction (for example, “Reduce debt by 15 - 35%”, or “Clients who make all their monthly program deposits pay approximately 70 - 75% of their original enrolled debts over 24 to 60 months”), unless, as required by Paragraph 4.d. above, (i) the midpoint of the represented range reflects the experience of the majority of Consumers who Enrolled in FDR’s Debt Relief Service program during the applicable period preceding the representation, and (ii) the percentage of those consumers who achieved the top of the range of specific savings or percentage debt reductions claimed is Clearly and Conspicuously also disclosed; *provided, however*, that FDR shall not be required to make the disclosure described in subpart (ii) of this sentence if the upper and lower limits of the represented range are no more than five (5) percentage points lower or higher than the midpoint of the range; *provided further*, that where the range of such savings or debt reductions is limited to a Defined Universe because the midpoint of the range is not achieved by a majority of FDR’s clients, FDR shall not

represent, directly or by implication, such range of savings or percentage debt reductions unless FDR Clearly and Conspicuously discloses: (i) the Defined Universe; (ii) that such results are limited to those Consumers in the Defined Universe; (iii) the approximate proportion of FDR's Enrolled customers who fall within that Defined Universe; and (iv) the percentage of those Consumers in the Defined Universe who achieved the top of the range of specific savings or percentage debt reductions claimed; *provided, however*, that FDR shall not be required to make the disclosure described in subpart (iv) of this sentence if the upper and lower limits of the represented range are no more than five (5) percentage points lower or higher than the midpoint of the range.

MONETARY RELIEF

7. **ORDERED, ADJUDGED AND DECREED** that, as provided in the Consent and Stipulation, FDR shall pay \$3.6 million for restitution for allegedly injured New York Consumers and the costs of administration.

8. **ORDERED, ADJUDGED AND DECREED** that FDR shall pay \$3.6 million, as provided in the Consent and Stipulation, by wire transfer payable to the "State of New York." The wire transfer shall reference this Consent Order and be addressed to the attention of Melvin L. Goldberg, Assistant Attorney General at the New York State Attorney General's Office, Bureau of Consumer Frauds and Protection, 28 Liberty Street, New York, New York 10005. A confirmatory email shall also be sent to Melvin.Goldberg@ag.ny.gov on the transfer date.

9. **ORDERED, ADJUDGED AND DECREED** that within seven (7) days of the date of the Consent and Stipulation, FDR shall provide the NYAG with an electronic database listing all New York Consumers who Enrolled in FDR's Debt Relief Service program from March 7, 2011 until the date the Consent and Stipulation is signed that contains the following information as to

each listed Consumer: a) name and address; b) the Aggregate Enrolled Balance in the FDR program; c) the program start date, defined as the date of the Consumer's Enrollment in the FDR Debt Relief Service program; d) the gross FDR fees; e) the settlements achieved; and f) the amount of savings in dollars as to each such settlement (inclusive of FDR fees).

10. **ORDERED, ADJUDGED AND DECREED** that the NYAG may distribute the restitution paid pursuant to paragraph 7 in any way it deems appropriate without any approval or input from FDR.

MONEY JUDGMENT

11. **ORDERED, ADJUDGED AND DECREED** that in the event that FDR fails to pay \$3.6 million to the State of New York as provided in the Consent and Stipulation, the Court shall direct that a money judgment be docketed in favor of Petitioner, the People of the State of New York, by Letitia James, Attorney General of the State of New York, at the Consumer Frauds & Protection Bureau, 28 Liberty Street, New York, New York against Respondents in the amount of \$3.6 million less any money already paid. The NYAG shall be permitted to execute on the judgment immediately upon the entry of the money judgment and engage in discovery in aid of execution.

12. **ORDERED, ADJUDGED AND DECREED** that in the event of any default on FDR's obligations to make payment under this Consent Order, interest computed under CPLR § 5004 shall accrue on any outstanding amounts not paid from the date of default to the date of payment and will immediately become due and payable.

COMPLIANCE PROVISIONS

Reporting Requirements

13. **ORDERED, ADJUDGED AND DECREED** that FDR shall notify the NYAG of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against FDR; or a change in FDR's name or address. FDR must provide this notice at least thirty (30) days before the development or as soon as practicable after learning about the development, whichever is sooner.

14. **ORDERED, ADJUDGED AND DECREED** that within seven (7) days of the Effective Date, FDR shall:

- a. designate at least one telephone number, one email, and one physical address as points of contact, which the NYAG may use to communicate with FDR;
- b. identify all businesses for which FDR is the majority owner, or that FDR directly or indirectly controls, by all of their names, telephone numbers, and physical, email, and Internet addresses; and
- c. describe the activities of each such business, including the products and services offered, the means of advertising, marketing, and sales, and the type of loans or agreements offered, if any.

15. **ORDERED, ADJUDGED AND DECREED** that FDR shall report any change in the information required to be submitted under paragraphs 9, 13, and 14 at least thirty (30) days

before the change occurs or as soon as practicable after learning about the change, whichever is sooner.

16. **ORDERED, ADJUDGED AND DECREED** that within ninety (90) days of the Effective Date, FDR shall submit to the NYAG an accurate written compliance progress report sworn to under penalty of perjury, which at a minimum contains the following:

- a. Describes in detail the manner and form in which FDR has complied with each paragraph and subparagraph of this Consent Order, designating the relevant paragraph or subparagraph of this Consent Order in each response; and
- b. Attaches a copy of each Consent Order acknowledgement obtained under Paragraph 19, unless previously submitted to the NYAG.

Order Distribution and Acknowledgement

17. **ORDERED, ADJUDGED AND DECREED** that within thirty (30) days of the Effective Date, FDR shall deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of this Consent Order.

18. **ORDERED, ADJUDGED AND DECREED** that for five (5) years from the Effective Date, FDR shall deliver a copy of this Consent Order to any business entity resulting from any change in structure described in paragraph 13, any future board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of this Consent Order before they assume their responsibilities.

19. **ORDERED, ADJUDGED AND DECREED** that FDR shall secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, within thirty (30) days of delivery, from all Persons receiving a copy of this Consent Order under Paragraph 17 or 18.

Record Keeping

20. **ORDERED, ADJUDGED AND DECREED** that FDR shall create, for at least five (5) years from the Effective Date, the following business records:

- a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the NYAG; and
- b. Copies of all contracts, training materials, advertisements, websites, audio recordings and notes of calls with Consumers, call scripts, and other marketing materials relating to the subject of this Consent Order, and including any such materials used by a Third Party Marketer.

21. **ORDERED, ADJUDGED AND DECREED** that FDR shall retain the documents identified in paragraph 20 for at least five (5) years after their creation. FDR shall make such documents available to the NYAG upon request.

22. **ORDERED, ADJUDGED AND DECREED** that in additions to its obligations under paragraph 24, FDR shall produce to the NYAG the advertisements, marketing materials and call scripts identified in paragraph 20 for one (1) year from the Effective Date

Notices

23. **ORDERED, ADJUDGED AND DECREED** that unless otherwise directed in writing by the NYAG, FDR shall provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "People v. Freedom Debt Relief,

LLC, Index No. ” and send them by overnight courier or first-class mail to the below address:

New York Attorney General’s Office
Bureau of Consumer Frauds and Protection
Attention: Melvin L. Goldberg
28 Liberty Street, 20th Floor
New York, NY 10005.

Compliance Monitoring

24. **ORDERED, ADJUDGED AND DECREED** that within fourteen (14) days of receipt of a written request from the NYAG, FDR shall submit requested information related to the requirements of this Consent Order, which must be sworn under penalty of perjury; provide sworn testimony related to requirements of this Consent Order and FDR’s compliance with this Consent Order; or produce documents related to requirements of this Consent Order and FDR’s compliance with the Consent Order.

25. **ORDERED, ADJUDGED AND DECREED** that nothing in this Consent Order shall limit the State of New York’s use of its subpoena power under New York Executive Law § 63(12) or GBL § 349.

Miscellaneous

26. **ORDERED, ADJUDGED AND DECREED** that the NYAG releases and discharges FDR from potential liability for law violations that the NYAG has asserted based on the practices described in the Petition and this Consent Order, to the extent such practices occurred before the Effective Date and the NYAG knows about them as of the Effective Date. This release does not preclude or affect any right of the NYAG to determine and ensure compliance with the Consent Order or to seek penalties for any violations of the Consent Order.

27. **ORDERED, ADJUDGED AND DECREED** that if any clause, provision or section of this Consent Order shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other clause, provision, or section of this Consent Order and this Consent Order shall be construed and enforced as if such invalid, illegal, or unenforceable clause, provision, or section had not been contained herein.

28. **ORDERED, ADJUDGED AND DECREED** that nothing contained herein shall be construed to deprive any Person of any private right under the law.

Retention of Jurisdiction

29. **ORDERED, ADJUDGED AND DECREED** that the Court will retain jurisdiction of this matter for the purpose of enforcing this Consent Order.

IT IS SO ORDERED.

DATED this ____ day of _____, 2020.

Hon. Justice _____