

LAWRENCE G. WASDEN
Attorney General

A. RENÉ MARTIN – I.S.B. #3188
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031
Telephone: (208) 332-8092
Facsimile: (208) 332-8016
rene.martin@finance.idaho.gov

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT OF FINANCE, CONSUMER FINANCE BUREAU,)	
)	Docket No. 2010-9-07
Complainant,)	
)	CONSENT ORDER
vs.)	
)	
CHRISTIAN DEBT CONSOLIDATION, INC.,)	
)	
Respondent.)	

The Director of the State of Idaho, Department of Finance, Consumer Finance Bureau (Director) has conducted a review of the Idaho debt and credit counseling activities of Christian Debt Consolidation, Inc. (the Respondent). Pursuant to said review, it appears to the Director that the Respondent has violated provisions of the Idaho Collection Agency Act, Idaho Code § 26-2221 *et seq.* (the Act). The Director and the Respondent have agreed to resolve this matter through this Consent Order rather than through a formal administrative proceeding or civil action. Therefore, the Director deems it appropriate and in the public interest that this Consent Order be entered. The Respondent voluntarily consents to the entry of this Consent Order.

RESPONDENT

1. The Respondent is a Florida corporation that provides debt settlement services to consumers, which services are referred to under the Act as debt or credit counseling services. The Respondent conducts its debt settlement business from 2201 NW Corporate Boulevard, Suite 202, Boca Raton, Florida 33431. According to the website of the Florida Department of State, Division of Corporations, Katherine E. Sandidge-Hendrickson is the Respondent's CEO.

2. The Respondent characterizes the services it provides as "debt negotiation services," and represents through its counsel that under its business model, it "assists consumers in saving their own funds to eventually pay off their debts ...," negotiates with its clients to reduce their debt, and seeks compromises of its clients' debt from their creditors. The Respondent's business model requires clients to electronically debit money each month into a trust account maintained by the Respondent for the purpose of "settling" the clients' debts over an established time period. The Respondent deducts its fees from the moneys paid into the "trust account" by its clients.

3. The Respondent has never held a license under the Idaho Collection Agency Act.

FACTS

4. On or about November 25, 2009, the State of Idaho, Department of Finance, Consumer Finance Bureau (Department) received a complaint from G. M., a resident of Meridian, Idaho, who had contracted with the Respondent in January of 2009 for the Respondent's debt settlement services.

5. After receiving the complaint from G. M., a Department staff member noted that the Respondent failed to hold a license under the Act authorizing it to engage in debt settlement services in Idaho.

6. On December 2, 2009, the Department sent a letter to the Respondent concerning its apparent unlicensed debt settlement activity in Idaho. In its letter to the Respondent, the Department requested that the Respondent provide a complete list of all Idaho clients, and disclose the time period it had been operating in Idaho.

7. On or about January 18, 2010, the Respondent, through its counsel, responded to the Department's letter, providing a list which was represented as including all Idaho clients, the amount of debt Idaho consumers had contracted with the Respondent to settle, and the amount of fees that had been collected to date.

8. On February 1, 2010, a Department investigator was assigned to investigate the Respondent's debt or credit counseling activities in Idaho. On that same date, the investigator e-mailed the Respondent's counsel to request information, to include complete contact information for each Idaho client with which it had contracted, and client account history. A copy of the contract entered into with each client was also requested.

9. On April 7, 2010, the Respondent provided the investigator with information in response to his request.

10. Based on the information currently in the Department's possession, the Respondent has ten (10) active accounts with Idaho clients, and has closed eleven (11) accounts with Idaho clients, for a total of twenty-one (21) Idaho accounts. Such accounts involve twenty (20) Idaho clients.

11. From a review of the information provided by the Respondent, the investigator has determined how the Respondent charges fees from its Idaho clients. When the Respondent reviews an Idaho client's financial situation, it enters into an agreement with the client as to the amount of a monthly debit to be received from the client for deposit into a trust fund maintained

by the Respondent, purportedly for the Respondent's use in settling the client's debts. The Respondent takes the first monthly debit as an upfront "setup" or "administrative fee" before any services are provided. Additionally, the Respondent charges a monthly "maintenance fee" for each account, consisting of a flat fee of \$53 every month to every client. Typically the largest fee taken by the Respondent occurs when the Respondent compromises a debt for a client. When that event happens, the Respondent computes 35% of the settlement amount of the compromised debt and takes that as a fee. For example, if the Respondent was able to settle a \$10,000 debt for \$5,000, the Respondent would take as a fee 35% of the \$5,000 settlement amount. Also, if a customer terminates a contract early, the Respondent collects a \$1,000 fee.

FINDINGS OF VIOLATION

COUNT ONE: UNLICENSED DEBT COUNSELING OR CREDIT COUNSELING ACTIVITY

12. The allegations set forth in paragraphs 1 through 11 above are fully incorporated herein by this reference.

13. Idaho Code § 26-2222(9) defines "debt counselor" or "credit counselor" as any person engaged in any of the activities enumerated in Idaho Code § 26-2223(7).

14. Idaho Code § 26-2223(7), at all times pertinent hereto, provided as follows, in pertinent part:

26-2223. Collection agency, debt counselor, credit counselor, or credit repair organization – License required. -- No person shall without complying with the terms of this act and obtaining a license from the director:

...
(7) Engage or offer to engage in this state ... in the business of providing counseling or other services to debtors in the management of their debts, or contracting with the debtor to effect the adjustment, compromise, or discharge of any account, note or other indebtedness of the debtor.

15. The Respondent's acts of engaging in debt or credit counseling activity in Idaho with regard to at least twenty-one (21) accounts for Idaho clients, as referenced in paragraph 10

above, while the Respondent failed to maintain the license required by the Act, constitute violations of Idaho Code § 26-2223(7). Each contract with an Idaho client constitutes a separate violation. This number may increase upon review of the information provided by the Respondent pursuant to paragraph 20 below.

COUNT TWO: CHARGING EXCESSIVE FEES

16. The allegations set forth in paragraphs 1 through 11 above are fully incorporated herein by this reference.

17. Idaho Code § 26-2229(3)(a) provides that no debt counselor or credit counselor licensed or required to be licensed under the Act shall take or receive for services performed for any one (1) person more than fifteen percent (15%) of the amount received by it any one (1) time from or on behalf of that person for payment or prorating to creditors, and no other charges shall be made or received for any such service.

18. The fee structure applied by the Respondent to its Idaho clients violates Idaho Code § 26-2229(3)(a). Each separate contract with an Idaho client where the Respondent collected fees as set forth in paragraph 11 above constitutes a separate violation. Based on the information known to the Department to date, the Respondent has engaged in at least twenty-one (21) separate violations. This number may increase upon review of the information provided by the Respondent pursuant to paragraph 20 below.

REMEDIES

19. The Respondent admits to the allegations contained in this Consent Order.

20. The Respondent agrees that by no later than **October 15, 2010**, it will provide to the Department a complete and accurate accounting as of that date of all of the Respondent's debt settlement activities with any and all Idaho clients, whether client accounts are open or

closed, and whenever such dealings took place. The Respondent agrees to include in such accounting: (a) an aggregate of all fees the Respondent received from Idaho clients; (b) a list of all moneys the Respondent received from all Idaho clients and the dates received; (c) a list of all moneys received by the Respondent from all Idaho clients that were applied to pay off any of the client's debt(s), including the names of the creditors paid, the total amount of the compromised debt, and the amounts received by the Respondent from Idaho clients to settle such debt; (d) a list of all moneys that the Respondent is currently holding in trust for each Idaho client; and (e) the full amount of debt the Respondent has contracted to settle, specific to each Idaho client.

21. The Respondent agrees that within ten (10) days after the Department has received the accounting referenced in paragraph 20 above, the Respondent will refund to all Idaho clients, whether their accounts are open or closed: (a) all fees ever charged to such clients for the Respondent's debt settlement or related services; and (b) all moneys being held in trust for its Idaho clients that have not been applied to compromise a client's debt.

22. Immediately upon the timely completion of the requirements of paragraphs 20 and 21 above, the Respondent agrees to cease and desist from all debt settlement activities in Idaho, shall close all Idaho accounts, and shall exclude the state of Idaho from all advertising and promotion of its debt or credit counseling services, until such time as it obtains the appropriate Idaho license to engage in such activities.

23. Upon the execution of this Consent Order, and by no later than October 29, 2010, the Respondent agrees to pay to the Department an administrative penalty in the amount of fifteen thousand dollars (\$15,000) and the amount of one thousand dollars (\$1,000) for investigative expenses and attorney fees incurred by the Department in pursuing this matter, for a

total payment to the Department for penalties, fees and expenses in the amount of sixteen thousand dollars (\$16,000).

24. The Respondent agrees to comply with all provisions of the Idaho Collection Agency Act and rules promulgated thereunder at all times in the future.

25. The Respondent agrees that the findings of fact and violations contained herein may be used in any subsequent proceeding resulting from any breach of the terms of this Consent Order or future violations of the Act, rules promulgated thereunder, or relevant federal laws and rules by the Respondent.

26. The Department agrees not to seek further penalties or fees for the violations identified in this Consent Order other than as set forth above, so long as the Respondent fully and timely complies with all terms of this Consent Order. If the Department later determines that the information provided by the Respondent regarding the number of Idaho clients it has contracted with while unlicensed under the Act, the total amount of moneys received from such clients, the amount of fees and compensation it has received from its Idaho clients while unlicensed under the Act is inaccurate, or that any other information provided by the Respondent to the Department pursuant to this Consent Order is inaccurate, the Department may seek further restitution and penalties from the Respondent, as well as other applicable sanctions.

27. The Respondent acknowledges and understands that this Consent Order is an administrative action that must be disclosed to the Department on future licensing and renewal forms. The disclosure requirements of other states may also require disclosure of the same.

DATED this _____ day of _____, 2010.

CHRISTIAN DEBT CONSOLIDATION, INC.

By: *M. Hays*

Title: *President*

DATED this 5 day of October, 2010.

STATE OF IDAHO
DEPARTMENT OF FINANCE

Michael Larsen 10-13-10
MICHAEL LARSEN
Consumer Finance Bureau Chief

IT IS SO ORDERED.

DATED this 13th day of October, 2010.



STATE OF IDAHO
DEPARTMENT OF FINANCE

Michael Larsen For
GAVIN M. GEE, Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 13 day of October, 2010,
I caused a true and correct copy of the foregoing fully-executed CONSENT ORDER to be
served on the following by the designated means:

Robby H. Birnbaum, Esq.
GREENSPOON MARDER, P.A.
Trade Centre South, Suite 700
100 W. Cypress Creek Road
Fort Lauderdale, FL 33309-2140

- U.S. mail, postage prepaid
- certified mail
- facsimile _____

R. Jensen
Paralegal