

UNITED STATES OF AMERICA
BUREAU OF CONSUMER FINANCIAL PROTECTION

ADMINISTRATIVE PROCEEDING

File No. 2018-BCFP- 0004

In the Matter of:

National Credit Adjusters, LLC and
Bradley Hochstein

CONSENT ORDER

The Bureau of Consumer Financial Protection (Bureau) has reviewed the debt collection and debt sales acts and practices of National Credit Adjusters, LLC (NCA) and Bradley Hochstein (Hochstein) (collectively Respondents, as defined below) and has identified the following law violations: Respondents engaged in unfair and deceptive acts and practices in the collection and sale of consumer debt in violation of sections 1031(a) and 1036(a)(1) of the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5531(a), 5536(a)(1), and provided substantial assistance to the unfair and deceptive acts and practices of others in violation of section 1036(a)(3) of the CFPA, 12 U.S.C. § 5536(a)(3). NCA also engaged in unfair and deceptive acts and practices in violation of sections 807, 807(2)(A), 807(4-5), 807(7), 807(10), and 808(1) of the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692e, 1692f. Under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I

Overview

1. NCA is a privately-held limited-liability company headquartered in Hutchinson, Kansas that buys, sells, and collects consumer debts.
2. Between the start of the Relevant Period and at least October 2016, Bradley Hochstein was NCA's CEO, a member of NCA's Board, and a part-owner of NCA.
3. NCA and Hochstein used a network of debt collection companies that collected on NCA's consumer debt on NCA's behalf.
4. Some of those companies engaged in unlawful debt collection acts and practices that harmed consumers. Those companies include Delray Capital LLC; First Capital Recovery, Inc.; Lionstone Holdings Group LLC; Brookshaw Management LLC; and Clear Credit Services, LLC (aka Clear Credit Solutions) (collectively, the "Agencies").
5. The Agencies represented to consumers that the consumers owed more than they were legally required to pay.
6. The Agencies threatened consumers and their family members with legal actions including lawsuits, visits from process servers, and arrest, when neither NCA nor the Agencies intended or had the legal authority to take those actions. NCA and Hochstein continued placing debt with the Agencies for collection with knowledge or reckless disregard of the Agencies' illegal and harmful consumer debt collection practices.
7. From 2011 through late November 2015, NCA, under Hochstein's direction, sold consumer debt portfolios with a face value of more than \$700 million to

Delray Capital LLC and its affiliated companies, including Northern Resolution Group and Enhanced Acquisitions (collectively “Delray”), with knowledge or reckless disregard of Delray’s illegal and harmful consumer debt collection practices.

8. Respondents’ illegal debt-collection acts and practices violate the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(a), 5536(a)(1), and NCA’s illegal debt-collection acts and practices also violate the Fair Debt Collection Practices Act (FDCPA), 15 U.S.C. §§ 1692e, §1692f.

II

Jurisdiction

9. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565 as well as under section 814(b) of the FDCPA, 15 U.S.C. § 1692l(b).

III

Stipulation

10. NCA and Hochstein have each executed a “Stipulation and Consent to the Issuance of a Consent Order,” (dated July 2, 2018 and July 5, 2018, respectively) (Stipulations), which are incorporated by reference and are accepted by the Bureau. By these Stipulations, Respondents have consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondents admit facts

necessary to establish the Bureau's jurisdiction over Respondents and the subject matter of this action.

IV

Definitions

11. The following definitions apply to this Consent Order:
 - a. "Accounts" means consumer debt accounts.
 - b. "Agency" or "Agencies" means Delray Capital LLC; First Capital Recovery, Inc.; Lionstone Holdings Group LLC; Brookshaw Management LLC; and Clear Credit Services, LLC (aka Clear Credit Solutions).
 - c. "Board" means the duly-elected and acting Board of Directors of Fourth Avenue Holdings, NCA's sole owner.
 - d. "Debt" means, coterminous with the meaning of "debt" as defined in the FDCPA, 15 U.S.C. § 1692a(5), any obligation or alleged obligation of a Consumer to pay money arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment.
 - e. "Effective Date" means the date on which the Consent Order is issued.
 - f. "Enforcement Director" means the Assistant Director of the Office of Enforcement for the Bureau, or her delegate.
 - g. "Related Consumer Action" means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against any Respondent based on substantially the same facts as described in Section V of this Consent Order.

- h. “Relevant Period” includes the period from January 1, 2011 to December 31, 2016. Unless otherwise specified, all conduct described in this Consent Order occurred during the Relevant Period.
- i. “Respondents” mean National Credit Adjusters and its parents and subsidiaries and their successors and assigns, and Bradley Hochstein.

V

Bureau Findings and Conclusions

The Bureau finds the following:

- 12. NCA acquires, purchases, and sells payday loans and other extensions of credit.
- 13. NCA collects debts related to consumer financial products and services, including debts related to payday loans and other extensions of credit.
- 14. NCA uses the instrumentalities of interstate commerce and the mails in a business the principal purpose of which is the collection of debts.
- 15. NCA collects debts on behalf of other entities.
- 16. NCA used Agencies and its own employees to collect debt.
- 17. NCA is therefore a “covered person” under the CFPA, 12 U.S.C. § 5481(6), (15)(A)(i), (x) and a “debt collector” under the FDCPA, 15 U.S.C. § 1692a(6).
- 18. Between at least January 1, 2011 and October 2016, Hochstein had managerial responsibility for NCA, including the direction and oversight of the Agencies’ collection activities on NCA’s Accounts. Hochstein materially participated in the conduct and the affairs of NCA and the Agencies. Hochstein is therefore a “related person” under the CFPA. 12 U.S.C. § 5481(25)(C)(i). Because

Hochstein is a “related person,” he is a “covered person” for purposes of the CFPB. 12 U.S.C. § 5481(25)(B).

19. Until the end of 2016, Respondents used the Agencies to collect on NCA’s Account on NCA’s behalf.
20. From 2011 through the end of 2016, approximately 80,000 consumers made payments to the Agencies on debt owned by NCA.
21. From 2011 through the end of 2016, NCA collected approximately \$40 million from consumers through the Agencies on debt owned by NCA.
22. From 2011 through late November 2015, NCA, under Hochstein’s direction, sold tens of millions of dollars in consumer debt to Delray.
23. From 2011 through late November 2015, NCA grossed nearly \$20 million from selling consumer debt to Delray.
24. While collecting debt on NCA’s behalf, the Agencies made misrepresentations to consumers by inflating the amount actually owed on their accounts.
25. The Agencies threatened consumers and their family members with legal actions including lawsuits, visits from process servers, and arrest when neither NCA nor the Agencies intended or had the legal authority to take those actions.
26. Respondents knew of this conduct by the Agencies, or recklessly disregarded this conduct, but continued placing debt with the Agencies for collection.
27. NCA’s Collection Service Agreements (CSAs) with the Agencies provided NCA with broad authority to access and review nearly every aspect of an Agency’s collection business. The CSAs also obligated the Agencies to follow applicable state and federal collection law.

28. During periodic onsite reviews at the Agencies, NCA's compliance team reviewed policies and procedures, evaluated the effectiveness of the compliance management systems, interviewed managers and collectors, reviewed call recordings, and assessed the Agencies' licensure status.
29. NCA's compliance personnel recommended terminating the Agencies because of the Agencies' illegal collection acts and practices, but Respondents continued placing accounts with the Agencies.
30. From 2011 through late November 2015, NCA, under Hochstein's direction, also sold debt to Delray, which engaged in similar illegal and consumer harming conduct, while Respondents knew of, or recklessly disregarded, Delray's illegal and harmful consumer debt collection practices.
31. In addition to placing Accounts with the Agencies and selling debt to Delray, Respondents provided other critical assistance to the Agencies' debt collection operations, which included:
 - a. Drafting or helping draft and implement policies and procedures to create the false impression in original creditors that the Agencies complied with Federal consumer financial laws;
 - b. Convincing original creditors to approve NCA's business practices, including the practice of placing Accounts with Agencies or selling debt to Delray;
 - c. Defending the Agencies when original creditors raised concerns about the their collection practices;
 - d. Preventing NCA's compliance personnel from conducting appropriate and effective reviews of the Agencies; and

- e. Refusing to implement corrective recommendations made by NCA's compliance personnel.
32. The Agencies kept a portion of the debt they successfully collected on and remitted a portion of the collections to NCA.
 33. Hochstein determined which Agencies NCA would place debt with, which Agency relationships NCA would terminate, which accounts the Agencies would collect on, and the terms under which the Agencies would collect.
 34. Respondents assented to and authorized the Agencies to collect debt on NCA's behalf. Respondents were aware of, but did not prevent, the conduct of the Agencies. Respondents continued to refer Accounts to the Agencies, even after learning the Agencies frequently inflated account amounts, threatened to take various legal actions NCA did not have the intention or legal authority to take, and ignored NCA's compliance department.
 35. The Agencies collected debt with the authority to represent NCA. Respondents instructed the Agencies to inform consumers that the Agencies were collecting the debt on behalf of NCA and that NCA was the owner of the debt.
 36. Respondents had the ability to control the Agencies' debt collection practices, with respect to collections on NCA's Accounts, and regularly exerted such control. NCA directed the Agencies to participate in site visits by NCA's compliance team, provided instructions on collection conduct, set collection benchmarks, shuffled accounts between the Agencies based on performance, directed the agencies to hire or fire employees, and withdrew Accounts from the Agencies for financial performance—not misconduct—reasons.

**Unfair Acts and Practices in Violation of the CFPA – Inflation of
Account Amounts by The Agencies**

37. As described in Paragraphs 24 and 33-36, Respondents—through the Agencies—frequently inflated consumer Account amounts.
38. As described in Paragraphs 18, 30, and 33, Hochstein had managerial responsibility for NCA and controlled NCA’s relationship with the Agencies.
39. Section 1036(a)(1)(B) of the CFPA prohibits “unfair, deceptive, or abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B).
40. An act or practice is unfair if it causes or is likely to cause substantial injury to consumers that consumers cannot reasonably avoid and that is not outweighed by countervailing benefits to consumers or competition. 12 U.S.C. § 5531(c)(1).
41. By inflating the amounts owed on the debts they collected, or attempted to collect, Respondents caused and were likely to cause substantial injury to consumers because those representations caused consumers to make payments based on inaccurate information about the amount owed on their accounts.
42. Consumers could not reasonably avoid this injury because they often did not have access to the documentation indicating how much they actually owed. Moreover, consumers had no control over where Respondents placed NCA’s accounts and had no ability to select a different company.
43. The substantial injury caused by consumers paying sums they do not owe, and making payments based on inaccurate information about the amount owed, is not outweighed by any countervailing benefits to consumers or competition.

44. Thus, the conduct of Respondents described in Paragraphs 12-36 constitutes unfair acts and practices in violation of sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

Deceptive Acts and Practices in Violation of the CFPA - Inflation of Account Amounts and False Threats To Take Legal Action by The Agencies

45. As described in Paragraphs 24 and 33-36, Respondents—through the Agencies—frequently—and falsely—told consumers that their Account amounts were higher than they actually were.
46. As described in Paragraphs 25 and 33-36, Respondents—through the Agencies—threatened consumers with legal action that Respondents had no intention and no authority to take, and falsely told consumers that they were a law enforcement official or legal representative.
47. These false and misleading misrepresentations were material to a reasonable consumer’s repayment conduct, including how to prioritize competing financial commitments or whether to pay more than is actually owed.
48. As described in Paragraphs 18, 30, and 33, Hochstein had managerial responsibility for NCA and controlled NCA’s relationship with the Agencies.
49. Section 1036(a)(1)(B) of the CFPA prohibits “deceptive” acts or practices. 12 U.S.C. § 5536(a)(1)(B).
50. Thus, the conduct of Respondents described in Paragraphs 12-36 constitutes deceptive acts or practices in violation of sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

Deceptive Acts and Practices in Violation of the FDCPA - Inflation of Account Amounts and Threat to Take Legal Action by The Agencies

51. In collecting and attempting to collect on consumer debt on NCA's behalf the Agencies frequently:
- a. Threatened consumers with arrest, imprisonment, or other legal actions they had no intention or authority to take;
 - b. Falsely accused consumers of committing crimes by not paying the Accounts;
 - c. Falsely told consumers that their Account amounts were higher than they actually were because the Agencies added additional fees, charges, and sums that were not permitted under the relevant contracts or state law; and
 - d. Impersonated law-enforcement officials, court officials, attorneys, paralegals, or other entities.
52. The representations in Paragraphs 2-25 and 51 are false and misleading, and thus NCA—through the Agencies—committed deceptive acts and practices in violation of section 807 of the FDCPA, 15 U.S.C. § 1692e, (2)(A), (4-5), (7), and (10).

Unfair Acts and Practices in Violation of the FDCPA – Inflation of Account Amounts

53. As described in Paragraphs 24 and 33-36, NCA—through the Agencies—frequently inflated Account amounts, without authority from underlying consumer contracts or relevant state law, and then collected, or attempted to collect, the inflated amounts.

54. Section 808(1) of the FDCPA, 15 U.S.C. § 1692f(1), prohibits a debt collector from collecting “any amount (including any interest, fee, charge, or expense incidental to the principal obligation) unless such amount is expressly authorized by the agreement creating the debt or permitted by law.”
55. Thus, NCA engaged in unfair or unconscionable means to collect or attempt to collect on debt in violation of section 808(1) of the FDCPA, 15 U.S.C. § 1692f(1).

Deceptive and Unfair Collection Activities under the CFPA

56. Section 1036(a)(1)(A) of the CFPA provides that is “unlawful for . . . any covered person or service provider . . . to offer or provide to a consumer any financial product or service not in conformity with Federal consumer financial law, or otherwise commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).
57. The CFPA defines “enumerated consumer laws” to include the Fair Debt Collections Practices Act. 12 U.S.C. § 5481(12)(H).
58. By virtue of its violations of the FDCPA, as described in Paragraphs 51-57, NCA violated the CFPA. 12 U.S.C. § 5536(a)(1)(A).

Providing Substantial Assistance to The Agencies’ Deceptive and Unfair Acts and Practices in Violation of the CFPA

59. The Agencies are “covered persons” engaged “in offering or providing a consumer financial product or service” because they collected debt related to extensions of credit. 12 U.S.C. §§ 5481(6), (15)(A)(x).
60. The Agencies engage in unfair and deceptive acts or practices when collecting on the Accounts after inflating account amounts and by threatening legal

actions they had no intention or authority to take in violation of sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).

61. Respondents provided substantial assistance to the Agencies' unfair and deceptive acts and practices by:
 - a. Continuing to place Accounts with the Agencies after the NCA's own compliance personnel recommended terminating the Agencies for repeated violations of federal consumer financial law;
 - b. Drafting or helping draft and implement policies and procedures to create the false impression that the Agencies complied with Federal consumer financial laws;
 - c. Convincing original creditors, such as payday lenders, to consent to placing accounts with the Agencies despite Respondents' knowledge, or reckless disregard, of the Agencies' violations of Federal consumer financial law;
 - d. Undermining and inhibiting NCA's compliance personnel from conducting appropriate and effective reviews of the Agencies; and
 - e. Ignoring requests from NCA's compliance personnel to terminate NCA's relationship with the Agencies.
62. Respondents' continued use of the Agencies despite the Agencies' violations was knowing or reckless
63. Section 1036(a)(3) of the CFPA, 12 U.S.C. § 5536(a)(3), makes it unlawful for "any person to knowingly or recklessly provide substantial assistance to a covered person or service provider" engaging in unfair, deceptive, or abusive practices. Under this Section, "the provider of such substantial assistance shall

be deemed to be in violation of section 1031 to the same extent as the person to whom such assistance is provided.”

64. Thus, Respondents’ actions constituted violations of section 1036(a)(3) of the CFPA, 12 U.S.C. § 5536(a)(3).

Unfair Acts and Practices in Violation of the CFPA - Directing a Network of Agencies Who Conduct Illegal Collection Practices

65. Respondents placed Accounts with Agencies that frequently engaged in unlawful, consumer-harming collection practices to collect on, and attempt to collect on, consumer debt.
66. Even after Respondents learned that the Agencies frequently inflated consumer debt amounts without authority under law, falsely threatened legal action, or engaged in other unlawful conduct, Respondents continued to place Accounts with the Agencies for collection and continued to accept revenue from the Agencies.
67. The Agencies collected approximately \$40 million from approximately 80,000 consumers.
68. By placing consumer debt with the Agencies, Respondents caused consumers substantial injury and were likely to cause consumers substantial injury.
69. Consumers could not reasonably avoid such injury because consumers often lacked access to the documentation indicating how much they actually owed and were unlikely to know that the Agencies did not have the authority or intent to follow through on false claims of legal action. Moreover, consumers had no control over where NCA placed their accounts and had no ability to select a different agency.

70. The substantial injury caused by placing consumer debt with Agencies that charged consumers sums they did not owe, or made false threats of legal action, is not outweighed by any countervailing benefits to consumers or competition.
71. Thus, Respondents' actions as described in Paragraphs 12-36 constituted unfair acts and practices in violation of §§ 1031(c)(1) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(c)(1), 5536(a)(1)(B).

Providing Substantial Assistance to Delray's Deceptive and Unfair Acts and Practices in Violation of the CFPA

72. From 2011 through late November 2015, NCA, under Hochstein's direction and control, sold tens of millions of dollars in debt to Delray.
73. Delray is a "covered person" engaged "in offering or providing a consumer financial product or service" because it collected debt related to extensions of credit. 12 U.S.C. § 5481(6), (15)(A)(x).
74. Delray engages in unfair and deceptive acts or practices when collecting on the Accounts by inflating account amounts and threatening legal actions it had no intention or authority to take in violation of sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B).
75. Respondents provided substantial assistance to Delray's unfair and deceptive acts and practices by:
 - a. Continuing to sell debt to Delray after identifying repeated violations of federal consumer financial law;
 - b. Drafting or helping draft and implement compliance policies and procedures to create the false impression with original creditors that Delray complied with Federal consumer financial laws;

- c. Convincing original creditors to approve of Respondents' sale of debt to Delray, while also undermining and inhibiting NCA's compliance team from conducting appropriate and effective reviews of Delray; and
 - d. Declining to exercise contractual rights to rescind sales after identifying Delray's illegal debt collection practices.
76. Respondents' continued sale of debt to Delray despite knowledge of Delray's violations was knowing or reckless.
77. Section 1036(a)(3) of the CFPA, 12 U.S.C. § 5536(a)(3), makes it unlawful for "any person to knowingly or recklessly provide substantial assistance to a covered person or service provider" engaging in unfair, deceptive, or abusive practices. Under this section, "the provider of such substantial assistance shall be deemed to be in violation of section 1031 to the same extent as the person to whom such assistance is provided."
78. Thus, Respondents' actions constituted violations of section 1036(a)(3) of the CFPA, 12 U.S.C. § 5536(a)(3).

ORDER

VI

Conduct Provisions

IT IS ORDERED, under sections 1053 and 1055 of the CFPA, that:

79. Respondents and their officers, agents, servants, employees, and attorneys, who have actual notice of this Consent Order, whether acting directly or

indirectly, in connection with the collection of debt may not misrepresent, or assist others in misrepresenting, expressly or impliedly:

- a. The amount of the debt owed; or
 - b. That they intend to take certain actions that they do not intend to take, or do not have the ability to take, such as:
 - i. Filing lawsuits against consumers or family members;
 - ii. Sending process servers or law enforcement to consumers' homes or the homes of their family members;
 - iii. Arresting consumers or family members;
 - iv. Imposing jail time against consumers or family members;
 - v. Garnishing wages of consumers or family members; and
 - vi. Misrepresenting any other fact material to consumers concerning the collection of any debt, including any false threat of legal action, the impersonation of law enforcement officials or court officials, or other misrepresentations regarding the consequences of paying or not paying a debt.
80. Hochstein, whether acting directly or indirectly, is permanently restrained from acting as an officer, director, employee, agent or advisor of, or otherwise providing management, advice, direction or consultation to, any individual or business that collects, buys, or sells consumer debt.

VII

Compliance Plans

IT IS FURTHER ORDERED that:

81. Within 30 days of the Effective Date, NCA must submit to the Enforcement Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that NCA's collection of debt and sale of debt complies with all applicable Federal consumer financial laws and the terms of this Consent Order (Compliance Plan). The Compliance Plan must include, at a minimum:
 - a. Detailed steps for addressing each action required by this Consent Order;
 - b. Comprehensive, written policies and procedures designed to ensure that any agents engaged by NCA to collect Debt do not violate any Federal consumer financial law in the collection of that Debt, which must include, at a minimum:
 - i. the agent's duty to maintain adequate internal controls to ensure compliance with Federal consumer financial laws;
 - ii. the agent's duty to provide adequate training on compliance with all applicable Federal consumer financial laws and the agent's policies and procedures related to the collection of Debt;
 - iii. NCA's authority to conduct periodic onsite reviews of the agent's controls, performance, and information systems related to the collection of Debt;

- iv. NCA's authority to rescind placement of accounts from agents at NCA's discretion;
 - c. Comprehensive, written policies and procedures for use by NCA to reasonably determine that any companies that buy NCA's accounts comply with obligations under Federal consumer financial laws at the time it purchases Accounts from NCA, which must include, at a minimum:
 - i. a requirement that the buyer have adequate policies and procedures in place that address compliance with Federal consumer financial laws; and
 - ii. NCA's authority to repurchase accounts from buyers upon NCA's determination that repurchase is necessary to fulfill any compliance or other regulatory obligation; and
 - d. Specific timeframes and deadlines for implementation of the steps described above.
- 82. The Enforcement Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct NCA to revise it. If the Enforcement Director directs NCA to revise the Compliance Plan, NCA must make the revisions and resubmit the Compliance Plan to the Enforcement Director within 30 days.
- 83. After receiving notification that the Enforcement Director has made a determination of non-objection to the Compliance Plan, NCA must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan.

VIII

Role of the Board

IT IS FURTHER ORDERED that:

84. The Board must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order prior to submission to the Bureau.
85. Although this Consent Order requires the NCA to submit certain documents for the review or non-objection by the Enforcement Director, the Board will have the ultimate responsibility for proper and sound management of NCA and for ensuring that NCA complies with Federal consumer financial law and this Consent Order.
86. In each instance that this Consent Order requires the Board to ensure adherence to, or perform certain obligations of NCA , the Board must:
 - a. Authorize whatever actions are necessary for NCA to fully comply with the Consent Order;
 - b. Require timely reporting by management to the Board on the status of compliance obligations; and
 - c. Require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.

IX

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

87. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section V of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), a judgment for civil money penalties is entered in favor of the Bureau and against NCA in the amount of \$3 million dollars. However, full payment of this civil money penalty will be suspended upon satisfaction of the obligations in Paragraphs 88-89, and 94-95, and will be subject to Section X, Effect of Misrepresentation or Omission Regarding Financial Condition.
88. NCA is ordered to pay \$500,000 toward the civil money penalty provided for in Paragraph 87.
89. Within 10 days of the Effective Date, NCA must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, \$400,000, and must make four subsequent payments to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions of, \$25,000, every thirty days thereafter for 120 days, in full satisfaction of the civil money penalty as ordered in Paragraph 88 of this Section.
90. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section V of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), a judgment for civil money

penalties is entered in favor of the Bureau and against Hochstein in the amount of \$3 million dollars. However, full payment of this civil money penalty will be suspended upon satisfaction of the obligations in Paragraphs 91-92, 94-95, and will be subject to Section X, Effect of Misrepresentation or Omission Regarding Financial Condition.

91. Hochstein is ordered to pay \$300,000 toward the civil money penalty provided for in Paragraph 90.
92. Within 10 days of the Effective Date, Hochstein must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, \$100,000, and must make two subsequent payments to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions of, \$100,000, every 90 days thereafter for 180 days, in full satisfaction of the civil money penalty as ordered in Paragraph 91 of this Section.
93. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
94. Respondents must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, each Respondent may not:
 - a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
 - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including reimbursement or indemnification from any

other Respondent, but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

95. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondents may not argue that Respondents are entitled to, nor may Respondents benefit by, any offset or reduction of any compensatory monetary remedies imposed in a Related Consumer Action because of the civil money penalty paid in this action or because of any payment that the Bureau makes from the Civil Penalty Fund (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondents must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

X

Effect of Misrepresentation or Omission Regarding Financial Condition

IT IS FURTHER ORDERED that:

96. The Bureau's agreement to issue this Consent Order is expressly premised on the truthfulness, accuracy, and completeness of Respondents' financial statements and supporting documents, as a whole, submitted to the Bureau, which Respondents assert are truthful, accurate, and complete, as a whole, and which include:

a. For Hochstein:

- i. The Financial Statement of Individual Defendant, signed by Hochstein and dated April 28, 2017;
- ii. The Memorandum of Supplemental Responses to the Financial Statement of Individual Defendant, signed by Hochstein and dated May 10, 2017;
- iii. The Financial Statement of Individual Defendant, signed by Hochstein and dated April 29, 2018;
- iv. The Memorandum of Supplemental Responses to the Financial Statement of Individual Defendant, signed by Hochstein and dated May 10, 2018;
- v. The Memorandum of Amended Supplemental Responses to the Financial Statement of Individual Defendant, signed by Hochstein and dated May 14, 2018, including a spreadsheet submitted to the Bureau May 14, 2018;
- vi. Hochstein's 2014 Federal income tax filing;
- vii. Hochstein's 2015 Federal income tax filing;
- viii. Hochstein's 2016 Federal income tax filing; and
- ix. The representation that as of the effective date of this Consent Order, Hochstein has not filed a Federal tax return for 2017.

b. For NCA:

- i. The Financial Statement of Corporate Defendant, signed by NCA's CEO Lee Tyler Rempel and dated July 10, 2017;

- ii. NCA's Reviewed Financial Statements for 2011, 2012, 2013, 2014, 2016, and 2017;
 - iii. The state and Federal tax filings for NCA and for NCA's parent company Fourth Avenue Holdings for 2010, 2011, 2012, 2014, 2015, and 2016; and
 - iv. The updated item 20 to NCA's July 10, 2017 Financial Statement of Corporate Defendant, provided to the Bureau on May 11, 2018.
97. If the Bureau determines that NCA has failed to disclose any material asset or that any of its financial statements, considered as a whole, contain any material misrepresentation or omission, including materially misstating the value of any asset, then the suspension of the monetary judgment entered against NCA in Section IX will be terminated, and the Bureau can seek to enforce in any Federal district court for a district in which NCA is located or resides or is doing business as immediately due and payable the full judgment entered against NCA in Section IX of this Consent Order, Three Million dollars (\$3 million) less any amounts paid by NCA under Section IX of the Consent Order. After the reinstatement of the monetary judgment under this Section, the Bureau will be entitled to interest on the judgment, computed from the date of entry of this Consent Order, at the rate prescribed by 28 U.S.C. § 1961, as amended, on any outstanding amounts not paid.
98. If the Bureau determines that Hochstein has failed to disclose any material asset or that any of his financial statements, considered as a whole, contain any material misrepresentation or omission, including materially misstating the value of any asset, then the suspension of the monetary judgment entered

against Hochstein in Section IX will be terminated, and the Bureau can seek to enforce in any Federal district court for a district in which Hochstein is located or resides or is doing business as immediately due and payable the full judgment entered against Hochstein in Section IX of this Consent Order, Three Million dollars (\$3 million) less any amounts paid by Hochstein under Section IX of the Consent Order. After the reinstatement of the monetary judgment under this Section, the Bureau will be entitled to interest on the judgment, computed from the date of entry of this Consent Order, at the rate prescribed by 28 U.S.C. § 1961, as amended, on any outstanding amounts not paid.

XI

Additional Monetary Provisions

IT IS FURTHER ORDERED that:

99. In the event of any default on either of Respondents' obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
100. Respondents must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondents.
101. Under 31 U.S.C. § 7701, Respondents, unless they already have done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

102. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondents must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondents paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

XII

Reporting Requirements

IT IS FURTHER ORDERED that:

103. Respondents must notify the Bureau 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 Respondents; or a change in Respondents' names or addresses. Respondents must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.
104. Within 7 days of the Effective Date, Respondents must:
- a. Each designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondents;

- b. Each identify all businesses for which Respondents are the majority owner, or that Respondents directly or indirectly control, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;
 - c. Each describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales; and
 - d. Each describe in detail Respondents' involvement in any business for which it performs services in any capacity or which it wholly or partially owns, including each Respondent's title, role, responsibilities, participation, authority, control, and ownership.
105. Respondents must report any change in the information required to be submitted under Paragraph 103 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.
106. Within 90 days of the Effective Date, and again one year after the Effective Date, and again two years after the Effective Date, Respondents must each submit to the Enforcement Director an accurate written compliance progress report (Compliance Report) that for NCA has been approved by the Board, which, at a minimum:
- a. Describes in detail the manner and form in which Respondents have complied with this Consent Order;
 - b. For NCA, describes in detail the manner and form in which it has complied with the Compliance Plan; and

- c. Attaches a copy of each Order Acknowledgment obtained under Section XIII (Order Distribution and Acknowledgement), unless previously submitted to the Bureau.
107. Hochstein must provide the Bureau with all personal Federal income tax returns, as well as all Federal tax returns for any businesses, companies, corporations, trusts, or like ventures under his ownership or control or operated for his benefit, for tax years 2016, 2017, 2018, and 2019, as filed, within 10 days of filing with the IRS, as well as provide the Bureau with any amendments or changes to those filings. Hochstein must also provide the Bureau with completed financial disclosures, in a form designated by the Bureau, one year from the Effective Date and two years from the Effective Date, sworn under penalty of perjury.

XIII

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

108. Within 7 days of the Effective Date, Respondents must submit to the Enforcement Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.
109. Within 30 days of the Effective Date, NCA must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, Agencies, debt buyers or other agents and representatives who have responsibilities related to the subject matter of the Consent Order, and Hochstein must deliver a copy of this Consent Order to any

business for which he is the majority owner or which he directly or indirectly controls.

110. For 5 years from the Effective Date, NCA must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XII, any future board members and executive officers, as well as to any managers, employees, Agencies, debt buyers or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities, and Hochstein must deliver a copy of this Consent Order to any business for which he becomes the majority owner or over which he assumes direct or indirect control after the Effective Date.
111. Respondents must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

XIV

Recordkeeping

IT IS FURTHER ORDERED that

112. Respondents must create, or if already created, must retain for at least 5 years from the Effective Date, the following business records for any business for which Respondents are a majority owner or which they directly or indirectly control, where such business provides a consumer financial product or service

or is a service provider to a business that provides a consumer financial product or service:

- a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau;
 - b. Copies of all consumer complaints, or complaints from other sources regarding the conduct of Respondents, or any individual or entity working on Respondents' behalf, as well as any documents and records related to those complaints;
 - c. Records showing, for each employee providing debt collection services, that person's: name; telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination; and
 - d. Records showing, for each service provider providing services, including any third-party agency collecting debt on behalf of Respondents, the name of a point of contact, and that person's telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination.
113. Respondents must retain the documents identified in Paragraph 112 for at least 5 years.
114. Respondents must make the documents identified in Paragraph 112 available to the Bureau upon the Bureau's request.

XV

Notices

IT IS FURTHER ORDERED that:

115. Unless otherwise directed in writing by the Bureau, Respondents must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, “*In re* National Credit Adjusters and Bradley Hochstein, File No. 2018-BCFP- 0004 ,” and send them either:
- a. By overnight courier (not the U.S. Postal Service), as follows:
Assistant Director for Enforcement
Bureau of Consumer Financial Protection
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552; or
 - b. By first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:
Assistant Director for Enforcement
Bureau of Consumer Financial Protection
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552

XVI

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

116. Respondents must cooperate fully with the Bureau in this matter and in any investigation related to or associated with the conduct described in Section V. Respondents must provide truthful and complete information, evidence, and testimony. Hochstein must appear and NCA must cause NCA’s officers,

employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 10 days written notice, or other reasonable notice, at such places and times as the Bureau may designate, without the service of compulsory process.

XVII

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondents' compliance with this Consent Order, including the financial representations upon which part of the judgment was suspended:

117. Within 14 days of receipt of a written request from the Bureau, Respondents must submit additional compliance reports containing the information specified in Paragraph 106 or other requested information, related to the requirements of this Consent Order, which must be made under penalty of perjury; provide sworn testimony related to requirements of this consent order and Respondents compliance with those requirements; or produce documents related to requirements of this consent order and Respondents compliance with those requirements.
118. For purposes of this Section, the Bureau may communicate directly with Respondents, unless Respondents retain counsel related to these communications.

119. Respondents must permit Bureau representatives to interview any employee or other person affiliated with Respondents who has agreed to such an interview. The person interviewed may have counsel present.
120. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.
121. For the duration of the Consent Order in whole or in part, NCA agrees to be subject to the Bureau's supervisory authority under 12 U.S.C. § 5514, where jurisdiction would otherwise be lacking. Consistent with 12 C.F.R. § 1091.111, NCA may not petition for termination of supervision under 12 C.F.R. § 1091.113.

XVIII

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

122. Respondents may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.
123. The Enforcement Director may, in her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if she determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

XIX

Administrative Provisions

IT IS FURTHER ORDERED that:

124. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondents, except as described in Paragraph 125 below.
125. The Bureau releases and discharges Respondents from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section V of this Consent Order, to the extent such practices occurred during the Relevant Period and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondents and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.
126. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
127. This Consent Order will terminate 5 years from the Effective Date. The Consent Order will remain effective and enforceable until such time, except to

the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent. This Paragraph does not apply to the permanent injunctive relief as to Hochstein described in Section VI, Paragraph 80.

128. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
129. Should Respondents seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondents must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
130. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondents wherever Respondents may be found and Respondents may not contest that court's personal jurisdiction over Respondents.
131. This Consent Order and the accompanying Stipulations contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulations. This Consent Order and the accompanying Stipulations supersede any prior oral or written communications, discussions, or understandings.

132. Nothing in this Consent Order or the accompanying Stipulations may be construed as allowing Hochstein or NCA, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 12th day of July, 2018.



Mick Mulvaney
Acting Director
Bureau of Consumer Financial Protection