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State of Minnesota
Dept. of Commerce

RECEIVED

JUL 24 2017

SETTLEMENT AGREEMENT

JUL 13 2017

Rec'd \$ 100,000.00

MAILROOM

WHEREAS, Respondent Allied Interstate, LLC ("Respondent Allied") is a limited liability company domiciled in Minnesota; and

WHEREAS, Respondent The Receivables Management Services Corporation and its wholly owned subsidiary Receivable Management Services – Recovery Division LLC (collectively "Respondent RMS") are corporations domiciled in Pennsylvania; and

WHEREAS, Respondent Allied and Respondent RMS are collectively referred to as the "Respondents"; and

WHEREAS, the states of Connecticut, Idaho, Massachusetts, Minnesota and North Dakota (individually, a "Participating State," and collectively, the "Participating States") have agreed, through each state's respective state regulatory agency (individually "State Regulator", collectively "State Regulators"), to negotiate and enter into this Settlement Agreement (hereinafter referred to as the "Agreement"); and

WHEREAS, Respondents are licensed as collection agencies under the respective laws of each Participating State; and

WHEREAS, on July 6, 2015, the Participating States commenced a multi-state examination of the Respondents in order to determine the Respondents' compliance with applicable federal and state laws and regulations, financial condition, and control and supervision of the licensed collection operations. The examination was conducted concurrently with a targeted review of Respondent Allied's federal student loan collection activity by the Consumer Financial Protection Bureaus ("CFPB"). On May 20, 2013, State Regulators signed the CFPB-State Supervisory Coordination Framework ("Framework"), which established the structure for conducting coordinated examination of non-depository institutions. This examination was conducted using the Framework; and

WHEREAS, the initial examination review period covered collection activity during the period from February 11, 2013 to February 27, 2015; however, additional operations and activity outside of that period were also considered; and

WHEREAS, Respondents submitted information and documentation to facilitate the examination and evaluation of compliance with applicable standards.

VIOLATIONS

WHEREAS, the Participating States allege several violations detailed below:

1. During the months of October, November and December 2015 the Respondent Allied violated the Fair Debt Collection Practices Act (FDCPA), applicable state consumer protection requirements, and its own internal compliance policies limiting contact with third parties or with consumers at their places

of employment in an effort to meet revenue goals. In October 2015, management over a collection portfolio, in consultation with other management within the Compliance Department, initiated a “REHAB PUSH” calling campaign. Agents were directed to make telephone calls to telephone numbers that had previously been marked as Do Not Call (“DNC”). Agents were instructed to document the accounts “REHAB PUSH” as an identifier to avoid potential disciplinary action for violating consumer protection requirements and company policy. After a review of several consumer packets assigned to the Respondent Allied for collection, it was found that Respondent Allied’s collectors placed numerous calls to consumer telephone numbers that had previously been marked as DNC in violation of the Respondent’s own Cease and Desist Policy. In doing so, Respondent Allied is in violation of several provisions of the Fair Debt Collection Practices Act of 1977, Public Law 95-109. These violations include:

- a. Respondent Allied placed calls to third parties that had previously advised Respondent Allied that the person they were trying to reach did not live there or was unknown, in violation of section 804 (3) [15 USC 1692b].
- b. Respondent Allied communicated with third parties on more than one occasion without sufficient cause to believe the third parties had previously provided erroneous or incomplete information while obtaining location information which is in violation of section 804 (3) [15 USC 1692b]. Respondent Allied added an identifier to several telephone numbers to reflect a “double cease” to ensure during the calling campaign the numbers reaffirmed as DNC numbers would not be called again.
- c. Respondent Allied, without prior or express permission, contacted multiple consumers at their place of employment after having already obtained knowledge that the consumer’s employer prohibits the consumer from receiving such communication which is in violation section 805 (a) (3) [15 USD 1692c].
- d. Respondent Allied made multiple harassing telephone calls to the consumer which is a violation of section 806 [15 USC 1692d] by engaging in behavior in which the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt.

The above activities also represent a violation of the Consumer Financial Protection Act of 2010 –12 USC § 5536(a)(1)(B), which prohibits covered persons from engaging “in any unfair, deceptive, or abusive act or practice.” Respondent Allied is a covered person under 12 USC § 5481 (6) and (26).

Respondent Allied engaged in unfair practices by directing its agents to violate federal and state consumer protection requirements and its own Cease and Desist policy by calling third parties who had previously provided information that the number being called was incorrect and that they did not know the person the company was trying to reach, and by placing numerous calls to consumers' places of employment. In addition, Respondent Allied created an unfair competitive advantage by directing its collectors to violate place of employment ceases.

The above listed actions and behaviors are also violations of the following state specific rules and regulations:

- Section 36a-812 of the Connecticut General Statutes
- Section 36a-809-9(d) of the Regulations of Connecticut State Agencies
- Idaho Code § 26-2229A(1,2)
- Massachusetts Regulations 209 CMR 18.13 (3), 209 CMR 18.14, & 209 CMR 18.15
- Minn. Stat. §45.027 subd. 7 (4) (2016)
- Minn. Stat. §332.37 (12) (2016)
- North Dakota Administrative Code Chapter 13-04-02-04 (6)
- North Dakota Administrative Code Chapter 13-04-02-06 (4)

2. Respondent Allied engaged in unfair and deceptive acts or practices by failing to credit debtor accounts upon receipt of payment by check on the day the check was received. Instead, Respondent Allied delayed credit until the check cleared, typically a period of four to five days. On interest bearing accounts this resulted in unearned interest accruing on consumer accounts. This practice harms debtors making payments to Respondent Allied by check, and the debtors have no way of knowing that this practice is occurring and avoiding injury. Furthermore, the Respondent Allied is misrepresenting the actual date that a payment is received from a consumer debtor to its clients. Based on the foregoing, Respondent Allied violated the following provision of the Fair Debt Collection Practices Act of 1977, Public Law 95-109 while attempting to collect on an account, bill or other indebtedness:

- a. Respondent Allied collected amounts (including interest, fees, charges, or expenses incidental to the principal obligation) that were not expressly authorized by the agreement creating the debt or permitted by law which is in violation of section 808 [15 USC 1692f(1)].
- b. Respondent Allied engaged in behavior that is considered an unfair method of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce and thereby Respondent Allied violated 15 USC § 45 (a)(1) of the Federal Trade Commission Act.

- c. Respondent Allied engaged in behavior that is considered unfair, deceptive, or abusive in violation of the Consumer Financial Protection Act of 2010 – 12 USC § 5536(a)(1)(B).

Respondent Allied's behavior also violated the following state specific regulations:

- Section 36a-808 of the Connecticut General Statutes
- Section 36a-809-12(1) of the Regulations of Connecticut State Agencies
- Idaho Code §26-2229A (1,4)
- Massachusetts General Laws chapter 93A, section 2(a) & 209 CMR 18.17(1)
- Minn. Stat. §332.37 (12) (2016)
- North Dakota Administrative Code §13-04-02-09

3. Respondents failed to provide immediate and unfettered access to all collection records in violation of the state statutes and regulations cited below:

- Connecticut General Statutes Section 36a-17(d)
- Idaho Code § 26-2234(1)
- Massachusetts General Laws chapter 93, section 24D (a) & Massachusetts Regulation 209 CMR 48.04
- Minn.Stat. §§ 45.027 subd. 1(5) and 332.40 (2016)
- North Dakota Century Code § 13-05-06(2)

4. Respondents failed to submit complete responses to requested information in a timely manner in violation of the state statutes and regulations cited below:

- Connecticut General Statutes Section 36a-17(d)
- Idaho Code § 26-2234(1)
- Massachusetts Regulation 209 CMR 48.04(2)
- Minn. Stat. § 45.027 subd. 1a (2016)
- North Dakota Century Code § 13-05-07.1

WHEREAS, Respondents neither admit nor deny any of the allegations, and hereby irrevocably consent to the execution of this Agreement pursuant to the authority vested in each State Regulator and agree that they understand all of the terms and conditions contained herein. Respondents acknowledge that they have full knowledge of their rights to notice and a hearing pursuant to the laws of the respective Participating States. By voluntarily entering into this Agreement, Respondents waive any rights to notice and a hearing, and review of such hearing, and also waive all rights to any other judicial appeal concerning the terms, conditions, and related obligations set forth in this Agreement. Respondents further acknowledge that they have had the opportunity to consult with independent legal counsel or have knowingly elected not to do so; and

WHEREAS, Respondents represent that the person signing below is authorized to execute this Agreement and to legally bind Respondents; and

WHEREAS, in that the Parties have had the opportunity to draft, review and edit the language of this Agreement, the Parties agree that no presumption for or against any party arising out of drafting all or any part of this Agreement will be applied to any action related to, connected to, or involving this Agreement. Accordingly, the Parties agree to waive the benefit of any state statute, providing that in cases of uncertainty, language of a contract should be interpreted most strongly against the party who causes the uncertainty to exist.

NOW, THEREFORE, this Agreement having been negotiated by the Parties in order to resolve the issues identified herein and in the Report of Examination, without incurring the costs, inconvenience and delays associated with protracted administrative and judicial proceedings, it is by the State Regulators listed below hereby **ORDERED**:

I. JURISDICTION

1. That pursuant to the licensing and supervision laws of the Participating States, the Participating States have jurisdiction over Respondents herein and may enforce the terms of this Agreement thereon unless otherwise stated in this Agreement.

II. SETTLEMENT PAYMENT

2. *Settlement Payment – Participating States.* Respondents shall pay five hundred thousand dollars (\$500,000) to be divided equally among the State Regulators. Payment is due upon signing of this agreement for the states of Minnesota, Connecticut, Idaho, and Massachusetts. Payment to North Dakota is due between July 1 and July 31, 2017.
3. In the event that Respondents fail to submit any settlement payment set forth in this Agreement, in the amounts specified herein and in accordance with the applicable deadlines, or if any transfer of any monetary amount required under this Agreement is voided by a Court Order, including a Bankruptcy Court Order, Respondents agree not to object to a Participating State submitting a claim, nor attempt to defend or defeat such authorized claim, for any unpaid amounts against any surety bond that Respondents may maintain in such Participating State as a condition of maintaining a license under the jurisdiction of that State Regulator.

III. SPECIFIC PROVISIONS

Compliance Management System

4. Respondents must immediately implement measures to comply with obligations under this Agreement and will hereafter continue to comply with all regulatory requirements imposed by each State Regulator.
5. *Oversight.* The Board and Senior Management must make a commitment to operate in compliance, and resolve to adhere to consumer protection requirements governing debt collection, regardless of operational or revenue concerns. The Board and Senior Management must continue to work to further implement an effective compliance management system into Respondent RMS' operations and work to ensure consistent compliance across all debt collector subsidiaries.
6. *Monitoring.* Respondents must review the Red Card Disciplinary Program and take steps to ensure it cannot be circumvented under any circumstances.
7. *Training.* Not later than 180 days from the date of this Agreement, Respondents shall complete re-training for all management, individual collectors, and related support staff in all areas regarding the company's internal Whistleblower Policy. Respondents must ensure that all employees are empowered to report or identify potential wrongdoing or circumvention of company policies and procedures. Respondents shall submit to the Participating States a report accompanied by an Affidavit signed by a member of senior management (such as the Chief Compliance Officer), showing the dates of the training presentations, the content of the respective presentations, the name and title of the presenter(s), and names of the attendees.
8. *Audit.* Respondents must develop, implement and maintain an effective compliance audit program designed to verify adherence to state and federal consumer protection requirements and identify compliance deficiencies. The compliance audit function should be independent of operational units and the compliance management function, with sufficient frequency, scope and depth to cover all compliance-related activities. The audit plan should address the deficiencies identified by the Report of Examination and verify the successful implementation of corrective action implemented to address the findings in the report.

Collection Operations

9. The Respondents must not engage in any unfair, deceptive, or abusive act or practice in violation of the Consumer Financial Protection Act of 2010 –12 USC § 5536(a) (1)(B), 15 USC § 45 (a)(1) of the Federal Trade Commission Act, and applicable state consumer protection requirements.

10. Respondents must not harass third parties or consumers at their places of employment in an effort to meet revenue goals by contacting them in willful violation of the restrictions on such contact established by the FDCPA or the following state consumer protection requirements:
 - Section 36a-812 of the Connecticut General Statutes
 - Section 36a-809-9(d) of the Regulations of Connecticut State Agencies
 - Idaho Code § 26-2229A (1,2)
 - Massachusetts Regulation 209 CMR 18.13 (3), 209 CMR 18.14 & 209 CMR 18.15
 - Minn. Stat. §45.027 subd. 7 (4) & §332.37 (12) (2016)
 - North Dakota Chapter 13-04-02-04 (6) & Chapter 13-04-02-06 (4)
 - i. Respondents must not place calls to third parties that have previously advised Respondents that the person they were trying to reach did not live there or was unknown as required by section 804 (3) [15 USC 1692b].
 - ii. Respondents must not communicate with third parties on more than one occasion without sufficient cause to believe the third parties had previously provided erroneous or incomplete information in accordance with section 804 (3) [15 USC 1692b].
 - iii. Respondents must not contact consumers at their place of employment after obtaining knowledge that the consumer's employer prohibits the consumer from receiving such communication or without prior or express permission as required by section 805 (a) (3) [15 USD 1692c].
 - iv. Respondents must not make harassing phone calls or engage in any other behavior the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt as prohibited by section 806 [15 USC 1692d] and applicable state consumer protection requirements.

11. Respondents must improve oversight and monitoring of payment processing activity to ensure payments are properly credited to debtor accounts in a timely manner. Respondents must credit debtor accounts upon receipt of payment by check on the day the check is received, ensuring that no unearned

interest accrues on consumer accounts and that wage garnishments are released promptly upon satisfaction of a debt.

- i. Respondents must accurately represent the actual date that a payment is received from a consumer debtor to its clients.
- ii. Respondents must not collect amounts (including interest, fees, charges, or expenses incidental to the principal obligation) that were not expressly authorized by the agreement creating the debt or permitted by law as required by FDCPA section 808 [15 USC 1692f(1)].
- iii. Respondents must review all interest bearing consumer accounts, open and closed, system wide, under its management since February 11, 2013. Respondents must identify each account where a payment was made by check during the period under review. The Respondents must conduct an independent audit of each account identified to establish an accurate amortization of each account as if payments had been credited on the date of receipt of the check. Each consumer's account, open or closed, must be recompensed by credit or direct payment to the extent the delay in posting payments by check resulted in greater expense to the debtor in interest or fees. The Respondents will submit a report of the review and reimbursements made to the Participating States within 30 days of the effective date of this Agreement.

12. Respondents must maintain complete and accurate trust account records, with regular reconciliations of each trust account to ensure the proper management of these accounts as required by the state statutes and regulations cited below:

- Section 36a-811 of the Connecticut General Statutes
- Idaho Code § 26-2234
- Massachusetts Regulation 209 CMR 18.12(4)

13. Respondents must clear adjustments on trust account reconciliations in a timely manner going forward and clear the large number of currently outstanding items, some dating back to 2013 as required by the following state statutes:

- Section 36a-811 of the Connecticut General Statutes
- Idaho Code § 26-2234(6)

14. Respondents must monitor outstanding checks issued on trust accounts to ensure they are cleared in a timely manner. Respondents must review outstanding debtor refund checks dating back to 2010 to ensure they are escheated as required by applicable state laws governing abandoned property:
- Section 36a-805(a)(9) of the Connecticut General Statutes
 - Idaho Code §26-2234 (5,6)
 - Massachusetts General Laws chapter 200A
15. Respondents must provide immediate and unfettered access to all collection records upon a request by the Participating States as required by the state statutes and regulations cited below:
- Connecticut General Statutes Section 36a-17(d)
 - Idaho Code § 26-2234(1)
 - Massachusetts General Laws chapter 93, section 24D (a) & Massachusetts Regulation 209 CMR 48.04
 - Minn.Stat. §§ 45.027 subd. 1(5) and 332.40 (2016)
 - North Dakota Century Code § 13-05-06(2)
16. Respondents must submit complete responses to requested information in a timely manner in connection with future examinations as required by the state statutes and regulations cited below:
- Connecticut General Statutes Section 36a-17(d)
 - Idaho Code § 26-2234(1)
 - Massachusetts Regulation 209 CMR 48.04(2)
 - Minn. Stat. § 45.027 subd. 1a (2016)
 - North Dakota Century Code § 13-05-07.1
17. Respondents must revise their record retention policies and procedures to ensure all records, including call recordings, generated or possessed by the Respondents in the course of business are preserved and retained in a manner as prescribed by applicable federal and state laws.
18. Respondents' collection letters sent to Connecticut debtors must contain an identifiable number or title as required by Section 36a-809-9(a) of the Regulations of Connecticut State Agencies.
19. *Reporting.* The Respondents must submit written progress reports to the Participating States by the thirtieth (30th) day after the end of each calendar quarter following the effective date of this Settlement Agreement, which describe the form, content, and manner of any actions taken to address

each Section of this Settlement Agreement and the results thereof; and a description of any operational changes implemented during such quarter which are intended to improve Respondents' compliance condition in the Participating States, and the results thereof.

This reporting requirement will remain in effect and must not be amended or rescinded without the prior written modification, termination, or suspension of the applicable provision of this Settlement Agreement from the Participating States.

IV. ENFORCEMENT

20. *No Restriction on Existing Examination and Investigative Authority.* This Agreement shall in no way preclude any State Regulator from exercising its examination or investigative authority authorized under the laws of the corresponding Participating State in the instance a determination is made wherein Respondents are found not to be adhering to the requirements of the Agreement, other than inadvertent and isolated errors that are promptly corrected by Respondents, or involving any unrelated matter not subject to the terms of this agreement.
21. Notwithstanding any other relief to the contrary, if Respondents fail to comply with the terms and conditions of this Agreement, the State Regulators may pursue any action allowed by law concerning the conduct and compliance violations stated in the Report of Examination, such action including, but not limited to, suspension or revocation of a license issued by the State Regulators to Respondents, imposition of a civil money penalty against Respondents, or any other remedy allowed by law. The Parties agree that failure of Respondents to comply with any term or condition of this Agreement with respect to a particular State shall be treated as a violation of any Order of the State and may be enforced as such. Moreover, Respondents acknowledge and agree that this Agreement is only binding on the State Regulators and not any other local, state or federal agency, department or office.
22. *Sharing of Information and Cooperation.* The State Regulators may collectively or individually request and receive any information or documents in the possession of the Joint State Examiners. This Agreement shall not limit Respondents' obligations, as licensees of the State Regulators, to cooperate with any examination or investigation, including but not limited to, any obligation to timely provide requested information or documents to any State Regulator.

V. GENERAL PROVISIONS

23. *Effectiveness.* This Agreement shall become effective upon execution by all of the named State Regulators (the "Effective Date").

24. *Public Record.* This Agreement shall become public upon the Effective Date and is a reportable event for purposes of the regulatory disclosure questions on NMLS.
25. *Binding Nature.* The terms of this Agreement shall be legally binding upon Respondents' officers, owners, directors, employees, heirs, successors and assigns. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this Agreement shall have been modified, terminated, suspended, or set aside in writing by mutual agreement of the State Regulators collectively and Respondents.
26. *Standing and Choice of Law.* Each State Regulator has standing to enforce this Agreement in the judicial or administrative process otherwise authorized under the laws and regulations of the correspondent Participating State. Upon entry, this Agreement shall be deemed a final order of each respective State Regulator unless adoption of a subsequent agreement is necessary under the laws of the corresponding Participating State. In the event of any disagreement between any State Regulator and Respondents regarding the enforceability or interpretation of this Agreement and compliance therewith, the courts or administrative agency authorized under the laws of the Participating State shall have exclusive jurisdiction over the dispute, and the laws of the Participating State shall govern the interpretation, construction, and enforceability of this Agreement.
27. *Adoption of Subsequent Orders to Incorporate Terms.* A State Regulator, if deemed necessary under the laws and regulations of the corresponding Participating State, may issue a separate administrative order to adopt and incorporate the terms and conditions of this Agreement. A State Regulator may *sua sponte* issue each subsequent order without the review and approval of Respondents provided the subsequent order does not amend, alter, or otherwise change the terms of the Agreement. In the event a subsequent order amends, alters, or otherwise changes the terms of the Agreement, the terms of the Agreement as set forth herein will control.
28. *Privilege.* This Agreement shall not constitute a waiver of any applicable attorney-client or work product privilege, confidentiality, or any other protection applicable to any negotiations relative to this Agreement.

29. *Titles.* The titles used to identify the paragraphs of this Agreement are for the convenience of reference only and do not control the interpretation of this Agreement.
30. *Final Agreement.* This Agreement is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the Parties, their respective representatives, and any other person or entity, with respect to the subject matter covered hereby, excepting therefrom any proceeding or action if such proceeding or action is based upon facts not presently known to the State Regulator or which were knowingly concealed from the State Regulator by Respondents. The Parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit the State Regulators' ability to assist any other local, state or federal agency, department or office with any prosecution, administrative, civil or criminal action brought by any such Agency, Department or Office against Respondents or any other person based upon any of the activities alleged in these matters or otherwise.
31. *Waiver.* The waiver of any provision of this Agreement shall not operate to waive any other provision set forth herein, and any waiver, amendment and/or change to the terms of this Agreement must be in writing signed by the Parties.
32. *No Private Right of Action Created.* This Agreement does not create any private rights or remedies against Respondents (or any of their affiliates or subsidiaries), create any liability for Respondents (or any of their affiliates or subsidiaries) for any person or entity not a party to this Agreement.
33. *Counterparts.* This Agreement may be executed in separate counterparts, by facsimile or by PDF. A copy of the signed Agreement will be given the same effect as the originally signed Agreement.
34. Nothing in this Agreement shall relieve Respondents of their obligation to comply with applicable State and Federal law.

It is so **ORDERED.**

Allied Interstate, LLC
The Receivables Management Services Corporation
Receivable Management Services – Recovery Division LLC

IN WITNESS WHEREOF, in consideration of the foregoing, including the recital paragraphs, and with the Parties intending to be legally bound, the Parties do hereby execute this Agreement this 7th day of July, 2017.

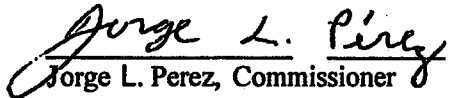
Allied Interstate LLC
The Receivables Management Services Corporation
Receivable Management Services – Recovery Division LLC

By: 
(insert name and title)

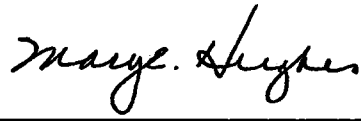
DANIEL MONTEJANO, PRESIDENT

Allied Interstate, LLC
The Receivables Management Services Corporation
Receivable Management Services-Recovery Division LLC

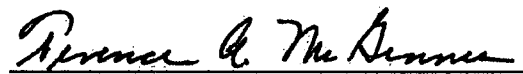
Allied Interstate LLC, The Receivables Management Services Corporation, Receivable Management Services - Recovery Division LLC Settlement Agreement Regulatory Signatures:



Jorge L. Perez, Commissioner
Connecticut Department of Banking



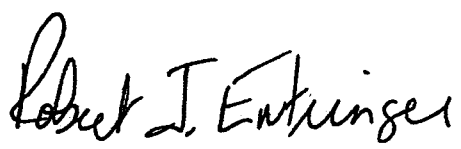
Mary E. Hughes, Acting Director of Finance
Idaho Department of Finance



Terence A. McGinnis, Commissioner of Banks
Massachusetts Division of Banks



Mike Rothman, Commissioner
Minnesota Department of Commerce



Robert J. Entringer, Commissioner
North Dakota Department of Financial Institutions

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