

Legal & Compliance Brief Prepared for Fierce Auto Marketing

POLICIES | PROCEDURES for CREDIT REPAIR — State Statues for MASSACHUSETTS

Industry Background

The Consumer Credit Protection Act of 1968 [Pub.L. 90-321, 82 Stat. 146; May 29, 1968] was a law originally containing (4) Titles, or sections pertaining to the proper use of consumer credit, including the most common Title I, *Truth in Lending*. Several amendments followed, notably Title VI, The Fair Credit Reporting Act (FCRA) [Pub.L. 91-508, 84 Stat. 1114; Oct 26, 1970]. This milestone law was a first in trying to protect a consumer's data in a digital age. Its key tenants would set the precedent on information privacy worldwide for the next 50 years.

The most pertinent to this discussion, was the law that 'no secret databases were to be used to make a decision about an individual's life, and such individual had a right to see and challenge such information at will.'

During the 1980s Credit Counseling, Credit Repair and Credit Arbitration companies emerged to help consumers liaise with the credit bureaus to improve their clients' credit by deciphering the database. The objective was to challenge and remove negative inaccurate marks and boost their credit score.

The National Need

Based on several factors, including, but not limited to multiple consumer complaints, the FTC initiated a study to examine the accuracy in consumer credit reports using a nationally representative sample of consumers with credit histories.

The FTC concluded that a significant number of the sample consumer credit reports contained errors, resulting in lower credit scores. Some of which even prohibited the consumer acquisition of new lines of credit, or other loans. Experience has shown that this problem is systemic and rooted in the inherent challenge in keeping and updating correct financial records at the respective credit bureaus.

[Section 319 of the Fair & Accurate Credit Transactions Act of 2003: Fifth Interim FTC Report to Congress Concerning the Accuracy of Information in Credit Reports; Dec. 2012]

Despite most credit repair company's efforts to assist in building their customer's credit, some companies sought to take advantage of unsuspecting consumers who had little knowledge about or understanding of the complexities of credit score calculation and modifications.

Additional Consumer Protection

The unscrupulous actions of some predatory companies resulted in supplementary consumer protection laws being enacted on behalf of the customers. Both federal and individual state laws were created to articulate policy and anticipate possible loop holes through which some might try to jump, attempting to defraud the consumer.

FEDERAL LAWS

The Credit Repair Organizations Act (CROA) is a federal law passed in September 1996 and is a subchapter of the aforementioned Consumer Credit Protection Act. It was drafted in response to deceptive practices of certain companies offering credit repair under false pretenses. Their actions caused material harm to consumers and actually worked a financial hardship upon consumers through hefty fees for their services, or lack thereof.

The CROA has several significant provisions to protect consumers desiring credit repair:

Main Provisions—

1. **Credit Repair Defined:** A person or entity who provides services that improve a consumer's credit, or providing advice or assistance to any consumer regarding his or her credit. [15 U.S.C. §1679a(3)]
2. **Misleading Statements:** Credit repair organizations are barred from making statements which are untrue or misleading with respect to a consumer's credit, such as statements that encourage the alteration of a consumer's identification. [15 U.S.C. §1679b(a)(1)(2)]
3. **Misleading Representations:** Credit repair organizations are barred from employing untrue or misleading representations of their services, and from engaging in any business practice that constitutes or results in the commission of fraud. [15 U.S.C. §1679b(a)(3)(4)]
4. **Written Contract:** The major practical ramifications of this act include a requirement for credit repair organizations to provide consumers with a written contract containing significant disclosures, cancellation rights for consumers, and a bar on advance payments for credit repair services. Such protections may not be waived by consumers, and any attempt by a credit repair organization is in itself a violation of CROA. [15 U.S.C. §1679b(b)(4)cdef(a),(b)]
5. **Enforcement:** CROA contemplates and authorizes both administrative enforcement as well as private rights of action. Civil liabilities include actual and punitive damages, as well as attorneys' fees and costs for the prevailing party in a successful action to enforce liability. The remedies available to the enforcing authority are those set forth in the Federal Trade Commission Act (FTC Act).

The FTC Act [15 U.S.C. §45(a)(1); of 1914] further clarifies the broad consumer protection under the following provisions:

Unfair & Deceptive Acts Defined: CROA The FTC act succinctly declares that “[u]nfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful.” The standard for deception used by the FTC has evolved over the years. A practice is deceptive if “there is a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer’s detriment.” [Southwest Sunsites, Inc. v. FTC, 785 F.2d 1431, 1435 (C.A. 9 1986), citing Cliffdale Associates, Inc., 3 CCH Trade Reg.Rep. ¶ 22,137 (1984), and Amrep Corp. v. FTC, 768 F.2d 1171, 1179 (10th Cir. 1985).]

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STATE LAWS— MASSACHUSETTS REGULATIONS

The state legislation found in the Commonwealth of Massachusetts General Laws in Chapter 93, Sections 68A-D include the following major tenets:

Section 68A— Definitions (COM GL Pt 1; Title XVCP 93;Sec 68A)

For the purposes of sections sixty-eight B to sixty-eight D, inclusive, the following words, unless the context requires otherwise, shall have the following meanings:—

“Buyer”, any individual who is solicited to purchase or who purchases the services of a credit services organization. “Credit services organization”, any person who, with respect to the extension of credit by others, sells, provides, performs, or who represents to sell, provide or perform for the payment of money or other valuable consideration any of the following services: (i) improving a buyer’s credit record, history or rating; (ii) obtaining an extension of credit for a buyer; or (iii) providing advice or assistance to a buyer with respect to either clause (i) or (ii); provided.

Section 68B— Credit Service Organizations: Restrictions (COM GL Pt 1; Title XVCP 93;Sec 68B)

No credit services organization, its salespersons, agents or representatives, or any independent contractor who sells or attempts to sell the services of a credit services organization shall:

- (1) Charge or receive any money or other valuable consideration prior to full, complete and satisfactory performance of the services the credit services organization has agreed to perform for the buyer, unless such organization has obtained a surety bond in an amount not less than ten thousand dollars issued by a surety company authorized to do business in the commonwealth and has established a trust account at a federally insured bank or savings and loan association located in the commonwealth;
- (2) Charge or receive any money or other valuable consideration solely for the referral of a buyer to a retail seller who will or may extend credit to the buyer if such extension of credit is upon substantially the same terms as those available to the general public;
- (3) Make, or advise any buyer to make, any statement that is untrue or misleading, or that should be known by the exercise of reasonable care to be untrue or misleading, with respect to a buyer’s credit worthiness, credit standing or credit rating to a credit reporting agency or to any person who has extended credit to a buyer or to whom a buyer has made application for an extension of credit;
- (4) Make or use any untrue or misleading representations in the offer or sale of the services of a credit services organization or engage, directly or indirectly, in any act, practice or course of business intended to defraud or deceive a buyer in connection with the offer or sale of such services.

Section 68C— Written Statement Provided to Buyer: Contents (COM GL Pt 1; Title XVCP 93;Sec 68C)

Before the execution of a contract or other form of agreement between a buyer and a credit services organization or before the receipt by any such organization of money or other valuable consideration, whichever occurs first, such organization shall provide the buyer with a statement, in writing, containing the following:

- (1) A complete and accurate statement of the buyer’s right to review any file on the buyer maintained by a consumer reporting agency, as provided under 15 USC 1681 et seq. (Fair Crediting Reporting Act);
- (2) A statement that the buyer may review his consumer reporting agency file at no charge if a request therefor is made to such agency within thirty days after receipt by the buyer of notice that credit has been denied;
- (3) If such request is not made within the allotted time, the approximate charge to the buyer for such review;
- (4) A complete and accurate statement of the buyer’s right to dispute the completeness or accuracy of any item contained in any file on the buyer maintained by a consumer reporting agency;
- (5) A complete and detailed description of the services to be performed by the credit services organization and the total cost to the buyer for such services;

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- (6) A statement asserting the buyer's right to proceed against the surety bond or trust account required under section sixty-eight B; and
- (7) The name and business address of any such surety company and of the depository of the trust account, together with the name of the trustee and the number of the account.

Section 68D— Contract Between Buyer & Credit Services Organization: Requirements (COM GL Pt 1; Title XVCP 93;Sec 68D)

Each contract or other form of agreement between a buyer and a credit services organization for the purchase of the services of such organization shall be in writing, dated, signed by the parties, and include the following:

- a) A conspicuous statement in a minimum size of ten-point bold face type, in immediate proximity to the space reserved for the buyer's signature, which reads: *"You, the buyer, have the right to cancel this contract or agreement at any time prior to midnight of the third business day following the date thereon."*
- b) A form, in duplicate and captioned "NOTICE OF CANCELLATION", attached to the contract or agreement and containing, in a minimum size of ten-point bold face type, the following:

NOTICE OF CANCELLATION.

You have the right to cancel this contract, or agreement, without any penalty or obligation until midnight of the third business day following the date on which such contract or agreement was signed.

If you cancel, any payment made by you will be returned within ten days following receipt of your cancellation notice.

To cancel this contract or agreement, mail or deliver a signed and dated copy of this notice of cancellation, or other similar written notice to:

(credit services organization) at (business address)

(date) (buyer's signature)

- c) The terms and conditions of payment, including the total of all payments to be made by the buyer, whether to the credit services organization or to some other person;
- d) A full and detailed description of the services to be performed by the credit services organization for the buyer, including all guarantees and all promises of full or partial refunds, and the estimated date by which the services to be performed will be completed or the estimated length of time for the completion of such performance; and
- e) The principal business address of the credit services organization and the name and address of its agent in the commonwealth authorized to accept service of process.

The credit services organization shall maintain on file for a period of two years an exact copy of such statement, personally signed by the buyer acknowledging receipt of a copy of the same.

The credit services organization shall provide the buyer with a copy of the total contract or agreement, together with copies of all other documents which the credit services organization requires the buyer to sign at the time they are signed.

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Fierce Auto Marketing Compliance

While the Credit Repair Organizations Act (CROA) sets tough compliance requirements on the industry, credit repair companies can and do operate fearlessly, if they're following the rules. And by doing so they, in turn, hold banks, debt collectors and the credit reporting agencies accountable to consumer protection laws.

[thesimpledollar.com/if-a-credit-repair-company-does-this-its-breaking-the-law/]

Most compliance concerns and litigatory actions with credit restoration relate to *how* money is collected from customers. In fact, all the actions listed on a federal and state level are in some way tied to the collection of fees, and the ensuing harm caused by taking their money. The Fair Credit Reporting Act (FCRA) and the Credit Repair Organizations Act (CROA) specifically mention how the credit bureaus can and should be held accountable with the laws and guidelines they've outlined, and we too must be compliant to federal and state law.

All tort law is based on the plaintiff suffering "loss or harm." Generally, individuals don't seek legal remedies unless they feel defrauded of money. Since payment collection is the highest potential litigious compliance issue facing the credit repair industry, we've removed client fees altogether... ZERO FEES = ZERO FINANCIAL HARM = ZERO LIABILITY.

Our principals have successfully operated for 23 years. They are recognized by the industry, and credit bureaus alike, navigating through several states with zero compliance issues, and no formal complaints for their credit repair process to the FTC, or to the Better Business Bureau. More than 100,000 satisfied nationwide customers attest to the proven system utilized nationwide to build credit.

Fierce Auto Marketing hereunder addresses each of the above mentioned salient regulatory statutes, laws or requirements, by stating its own policies, or compliance procedures:

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Federal Legal Requirements Vs. Fierce Auto Marketing Policy

CROA Provisions—

Provision 2: “Credit repair organizations are barred from making statements which are untrue or misleading with respect to a consumer’s credit, such as statements that encourage the alteration of a consumer’s identification.”

Fierce Auto Marketing Policy: All references to “fixing” or “repairing” credit only address our desire to remove all negative inaccurate marks from a consumer’s report. At no time shall any representative of our firm advocate that a client or member alter their identification.

Provision 3: “Credit repair organizations are barred from employing untrue or misleading representations of their services, and from engaging in any business practice that constitutes or results in the commission of fraud.”

Fierce Auto Marketing Policy: All credit specialists and/or representatives shall never employ misleading statements regarding the number of negative marks that could be removed, or the associated time in which any such mark might be deleted from their credit report. Only historical cases are shown with permission.

Provision 4: “The major practical ramifications of this act include a requirement for credit repair organizations to provide consumers with a written contract containing significant disclosures, cancellation rights for consumers, and a bar on advance payments for credit repair services. Such protections may not be waived by consumers, and any attempt by a credit repair organization is in itself a violation of CROA.”

Fierce Auto Marketing Policy: Each consumer is given a contract prior to enrolling in our membership program. Consumers may cancel at anytime with written notice. No payments are ever taken, so any federal provision relating to payment is null and void.

Provision 5: “CROA contemplates and authorizes both administrative enforcement as well as private rights of action. Civil liabilities include actual and punitive damages, as well as attorneys’ fees and costs for the prevailing party in a successful action to enforce liability. The remedies available to the enforcing authority are those set forth in the Federal Trade Commission Act.”

Fierce Auto Marketing Policy: No “actual” damages shall exist because no money is ever requested, required or received by the consumer. No liability exists on the part of the offering party (car dealership) because they are simply recommending a complimentary service to help elevate their credit scores.

FTC Act—

Deceptive Acts: “A practice is deceptive if “there is a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer’s detriment.”

Fierce Auto Marketing Policy: The consumer cannot suffer financial detriment because we require no money from the customer. Removing negative inaccurate items from their credit can only increase their financial footing.

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State-Specific Regulations— MASSACHUSETTS State Law Vs. Fierce Auto Marketing Policy

Section 68B—

- (1) Charge or receive money prior to performance of credit repair

Fierce Auto Marketing Policy: No payments are ever requested of or received from the consumer.

- (2) Charge or receive any money for the referral of a buyer if such extension of credit is in substantially the same terms as those available to the general public.

Fierce Auto Marketing Policy: The fulfillment company for credit repair, reNew Financial MAP does not charge or receive money for credit repair. Fierce Auto Marketing only receives a marketing fee when a customer purchases a vehicle from an approved Dealership. The Dealership shall agree to accept the VIP program customers who shall present a Certificate of Completion, entitling them to an exclusive VIP service, and additional discounts not available to the general public.

- (3) Make or advise buyer to make untrue or misleading statements to reporting agencies

Fierce Auto Marketing Policy: No false or misleading statements are ever sanctioned, supported, endorsed or encouraged, which might be construed as fact to a consumer reporting agency, current or prospective creditor.

- (4) Make any untrue or misleading representations in the offer or sale of services

Fierce Auto Marketing Policy: We do not use false or misleading representations or statements in any collateral, whether online or in print format, nor do we engage in deceptive practices, as previously so stated. All marketing materials are available for review and approval by the Dealership upon request, per signed agreement.

Section 68C— Written Statement Provided to Buyer: Contents

Before the execution of a contract, such organization shall provide the buyer with a statement, in writing, with the following:

- (1)-(7) Statement containing buyer's right to review credit report at no charge if within 30 days of being denied; right to dispute information; services to be performed; right to proceed against surety bond (if required); name of bond company (if required).

Fierce Auto Marketing Policy: Each of our Consumer Agreements contain the following:

1. Consumer Credit File Rights (CROA Disclosure)
2. State Specific Disclosures (added if applicable)

Section 68D— Contract Between Buyer & Credit Services Organization: Requirements

Each contract or other form of agreement between a buyer and a credit services organization for the purchase of the services of such organization shall be in writing, dated, signed by the parties, and include the following:

- (a)-(e) Statement of right of Rescind; Terms of agreement; Description of services; Name/Address of Company; Notice of Cancellation & Form;

Fierce Auto Marketing Policy: Each of our Consumer Agreements also contain the following:

1. Credit Repair Service Agreement
2. Authorization for Credit Repair Action
4. Right of Cancellation Notice (3-Day Rescind Notice)
5. State Specific Disclosures (added if applicable)

Conclusion

Given the specifics of both Federal and State laws established above, Fierce Auto Marketing cannot add any more appropriate conclusion than found in the Florida Bar Journal regarding the Credit Repair industry:

“At this time, there are no loopholes to the meaningful regulation of credit repair organizations. Even though there have been attempts to evade the provisions of CROA and FCSSOA, new legislation is not necessary to combat any attempts by scam artists to avoid the penalties of current laws—existing legislation is broad and encompassing so as to adequately protect the consuming public from such threats. Cooperation among the various regulators at the federal and state levels continues to improve so that enforcement agency partnerships and information sharing on cases is reaching synergistic levels.”

[Florida Bar Journal; July/Aug 2003 Vol. LXXVII, No.7 "Credit Repair Organizations After Regulation: Wolves in Nonprofits' Clothing?]

The business model established by Fierce Auto Marketing protects the consumer from financial obligation, harm or injury because the consumer is never charged for their credit repair and therefore receives the benefit of credit repair without cost. Furthermore, all other regulations and considerations are equally held true by Fierce Auto Marketing.

Car dealerships cannot run afoul of the current federal and state regulations by merely educating their customers about a free service designed to repair their credit.