<u>United States v. Mission Settlement Agency, et al.</u>
Prepared Remarks for U.S. Attorney Preet Bharara
May 7, 2013

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we announce the first-ever criminal charges arising from a referral from the Consumer Financial Protection Bureau (or, "CFPB"). We unseal charges against Mission Settlement Agency – a purported debt settlement company – and six of its executives and employees.

As alleged, Mission preyed upon the financial desperation of people around the country who – like so many ordinary Americans – were simply struggling to pay down their debts after the financial downturn.

Mission promised to slash debts nearly in half for just $49 a month in fees. But, as alleged in the Indictment: Mission's promises were too good to be true; the true mission of Mission turned out to be fraud and deceit; and for more than a thousand consumers, the dream of debt relief turned into a nightmare of deeper debt trouble.

For their roles in the fraud, today's indictment charges the following individuals as well as Mission itself: Michael Levitis, who operated and controlled Mission, and who used the proceeds of the fraud to pay for, among other things, the operating expenses of the Rasputin, a nightclub he controlled in Brooklyn; Denis Kurlyand, the Vice President of Sales at Mission; Boris Shulman, a sales representative at Mission; and Manuel Cruz, a Mission employee who assisted with customer solicitation.

Today, we also announce charges against two other Mission sales representatives: Felix Lemberskiy and Zakhir Shirinov. These two employees have been separately charged and have already pled guilty for their roles in the fraud.

In addition, we have filed papers to restrain approximately 40 bank accounts and have moved to forfeit two real properties in order to preserve funds for victims.

Before getting to the details of the fraud, let me introduce our law enforcement team. First, I am joined here today by Richard Cordray, the Director of the Consumer Financial Protection Bureau, which is the agency that referred this investigation to us.

My Office is especially honored to work with the CFPB on this case, because these are the first criminal charges ever brought anywhere in the country that are based on a referral from the CFPB.

Today's case is, I believe, a harbinger of an especially potent partnership that will benefit hardworking Americans everywhere. I want to thank all those at the CFPB who have made today's case possible, particularly Kent Markus, the Director of Enforcement at CFPB; Anthony Alexis, Deputy Enforcement Director for Field Litigation; Jeff Ehrlich, Assistant Litigation Deputy for Field Litigation; Stefanie Isser Goldblatt; and Jennifer Lee.

I'm also joined today by our investigative partner in this and so many other consumer fraud cases, the United States Postal Inspection Service, represented by Inspector in Charge Phil Bartlett, and Tom Boyle, Assistant Inspector in Charge.

I want to thank them, as well as Supervisors Rob Daruk and Andy Trilling, and Postal Inspectors Melissa Atkin, Eleanor Berry, and Rob Clark for their great work on this case.

Finally, I want to express my appreciation to the career prosecutors who have conducted the meticulous investigation leading to today's arrests – Assistant United States Attorneys Nicole Friedlander, Edward Imperatore, and Carolina Fornos, as well as Michael Bosworth and Richard Tarlowe, the Chiefs of our Complex Frauds Unit, and Sharon Cohen Levin, the Chief of our Asset Forfeiture Unit.

I'd also like to thank Eric Blachman, a supervisory criminal investigator in our Office, for his important contributions to this case.

Now let me briefly describe the allegations in the indictment unsealed today.

Beginning in 2009, in the throes of the financial crisis, Mission started holding itself out as a company that could help people lower their credit card and bank debts.

It told prospective customers it could do so by negotiating on their behalf with the credit card companies and banks they owed money to.

Here's how Mission allegedly duped prospective customers: customers would be asked to make affordable monthly payments for a set period of time in accordance with a payment schedule established by Mission; these payments would be held in escrow by a third party payment processor until Mission had negotiated down the customers' debt obligations; and the money held in escrow would then be used to pay the creditors.

But, as alleged, Mission tricked people into becoming its customers with a parade of lies.

Meanwhile, the lead defendant allegedly used some of the fees to pay the operating expenses for his Rasputin nightclub, lease payments for two Mercedes, and credit card bills for his mother.

Let me mention some of the false representations described in the Indictment.

First, Mission and the other defendants allegedly lied about and/or concealed Mission's fees. Mission repeatedly promised to charge only a nominal monthly fee of $49 and that there would be no upfront fees. But as alleged, Mission charged not only $49 per month, but also a significant upfront fee equal to 18% of the total monies that its customers owed their creditors.

In fact, according to the Indictment, for over 1,200 of its customers, Mission simply took over $2.2 million in fees without ever paying a nickel to any of their creditors.

Second, as alleged, Mission lied about its results. Mission typically promised a reduction of 45% in debt. But this too, allegedly, was false because Mission did little or no meaningful work to negotiate reductions in debt for many of its customers; it did not have such a track record regarding debt relief; and complaints about Mission's practices from other customers abounded.

Third, in an effort to make Mission seem more trustworthy, it allegedly lied about its relationships and affiliations. For example, according to the Indictment, Mission sent a solicitation letter to prospective customers that falsely suggested Mission was acting on behalf of or in connection with a federal governmental program.

Also, as alleged, Mission employees told customers that they had gotten consumer information directly from a Credit Bureau. That was false.

And as alleged, while Mission and its employees were enriching themselves through a nationwide fraud, more than 1,200 of its debt-ridden customers found themselves in even worse shape than they started – out-of-pocket exorbitant fees paid to Mission, not one nickel closer to paying down their debt, and sometimes facing court action by the very creditors they thought Mission had been paying on their behalf.

Now, of course Mission and the individuals charged today are presumed innocent unless and until they are proven guilty.

But sadly, the allegations of bad conduct we make today are not uncommon in the debt settlement industry.

Although there are certainly legitimate ways to help consumers settle debt, based on ongoing investigations, our concern is that predatory practices pervade the industry. And we are not finished looking at other bad actors who may be causing a lot of pain to debt-ridden Americans.

We urge consumers to consult the guidance from the FTC and Better Business Bureau that we've posted on our website before signing up with a debt settlement company.

But some bad actors are not deterred by simple warnings or complaints. Some bad actors require tough law enforcement action. That's why although today is the first case we've brought based on a referral from the CFPB, it won't be the last.