



## **II. PARTIES**

1. Plaintiff is the State of North Carolina (“the State”), acting on relation of Attorney General Roy Cooper, pursuant to authority granted in Chapters 14, 75, and 114 of the General Statutes.

2. Defendant Edward “Eddie” Phillip Long, Jr., is a resident of Forsyth County, North Carolina.

3. Since at least 2007, defendant has conducted a mortgage loan modification and credit repair business under the name Credit Enhancement Services, LLC (“CES”). CES was incorporated as a North Carolina limited liability company on May 17, 2007, and has a principal address at 500 West 4<sup>th</sup> Street, Winston-Salem, North Carolina, 27101. Defendant Long has served as President and CEO of CES since its incorporation, and, upon information and belief, operates the business as a sole proprietorship. On August 25, 2010, CES was administratively dissolved by the North Carolina Secretary of State due to CES’ failure to file an annual report with the Secretary of State. Notwithstanding CES’ dissolution, defendant Long has continued to conduct business under the name Credit Enhancement Services, LLC.

**Comment [v1]:** Not technically a defendant anymore...

## **III. FACTUAL ALLEGATIONS**

4. Since at least 2007, defendant Long, conducting business as CES, has purported to offer certain financial services to North Carolina consumers. Upon information and belief, defendant has largely targeted consumers in the Triad (Greensboro/Winston-Salem/High Point) and surrounding area of North Carolina, and he has advertised and solicited customers by various means, including but not limited to, in-person presentations and seminars at community centers

and churches; appearances on local radio broadcasts; Internet advertising, including a website at [www.creditenhancementservices.net](http://www.creditenhancementservices.net); and word-of-mouth communication.

5. Among other services, defendant Long purports to offer mortgage “loan modification” or “foreclosure assistance” services to financially distressed homeowners who are having difficulty making their mortgage loan payments and who may be faced with foreclosure of their homes. In soliciting prospective customers, among other representations, defendant has represented that he has extensive experience in the banking industry, including formerly serving as a bank executive at a major bank, and that he is a professor of finance at North Carolina A&T University. Defendant has also represented to consumers that he employs credit counselors “approved by HUD” (U.S. Department of Housing and Urban Development). Upon information and belief, defendant has never served as a bank executive or as a professor, and defendant does not employ any HUD-approved credit counselors, and such representations by defendant are false.

6. Defendant represents to prospective customers that, through his purported financial expertise and industry contacts, he is able to negotiate with consumers’ mortgage lenders to obtain favorable concessions from consumers’ lenders, including permanent modifications of consumers’ mortgage loans with reduced interest rates and reduced monthly payments, so that homeowners may stay in their homes and avoid foreclosure.

7. When a prospective customer seeking loan modification services contacts defendant by telephone or e-mail, the defendant typically arranges a face-to-face meeting with the consumer, usually at CES’ office in Winston-Salem. Upon information and belief, in most instances, regardless of consumers’ financial circumstances, the defendant promises consumers

he will be successful in obtaining favorable loan modifications, and that he will save their homes from foreclosure. Indeed, in some instances, defendant has expressly told consumers that he has a “90% success rate” in obtaining loan modifications and preventing foreclosures. These representations by defendant are false.

8. In all instances, the defendant requires consumers to pay him a fee in advance, before he will begin the performance of any loan modification or foreclosure assistance services, including contacting a consumer’s mortgage lender on the consumer’s behalf. The defendant typically charges consumers at least \$500.00 to \$1000.00 for loan modification and foreclosure assistance services, and the defendant refuses to perform any services until he is paid all, or most, of his fee.

9. In some instances, the defendant has assured consumers that if he is unable to obtain a loan modification for them and stop their foreclosure, he will refund their money. Upon information and belief, notwithstanding such representations, defendant has rarely, if ever, refunded consumers’ money to them when he has failed to obtain a loan modification or to prevent foreclosure; and defendant’s representations that he will refund consumers’ money are false.

10. The defendant regularly instructs homeowners to cease all communications with their mortgage lender, representing that he will “take care of everything,” including handling all communications with their lender. In some instances, defendant instructs consumers to stop making payments to their mortgage lender as well. As a result, based on defendant’s instructions, customers cease communicating with their mortgage lenders, and, in many

instances, stop making their mortgage payments, which places them in greater danger of losing their homes to foreclosure.

11. After the defendant collects his advance fees from homeowners, many consumers have difficulty in subsequently contacting or reaching the defendant. When customers do make contact with the defendant and inquire about the progress or status of their loan modification, the defendant exhorts customers “not to worry” and represents that he is actively working on their behalf.

12. Despite the defendant’s assurances to consumers that he will obtain favorable loan modifications for them and stop lenders’ foreclosure on their homes, upon information and belief, few consumers have obtained permanent loan modifications or foreclosure relief from their mortgage lenders as a result of the defendant’s efforts.

13. As a result of the defendant’s charging of substantial unlawful advance fees, consumers lose monies that they could have used to pay their mortgage lenders or to provide for their families in a time of financial distress. Further, because of the defendant’s misleading and deceptive representations, consumers lose critical time and forego options that could have been used to actually and effectively address their foreclosure situation. Legitimate and meaningful foreclosure assistance counseling is available at no cost from non-profit agencies throughout North Carolina, and nationally through the HUD-supported HOPE Line (1-888-995-HOPE).

14. The affidavit of Jennifer Long, attached as Exhibit 4 to the State’s Motion for a Temporary Restraining Order and A Preliminary Injunction, which is being filed with the State’s Complaint, illustrates the business practices of the defendant. Ms. Long is in her 60s, and is a resident of Winston Salem, North Carolina. Ms. Long was laid off by her employer and was

unemployed for a period of time. She was eventually able to secure part-time employment, but the reduced income made it difficult for her to pay her mortgage.

15. In July 2010, Ms. Long received a notice from her mortgage lender that her home would be foreclosed on. Ms. Long sought assistance from Legal Aid, and a Legal Aid attorney assisted her in obtaining a temporary forbearance agreement with her lender, which deferred the foreclosure. During this same time frame, Ms. Long talked with a friend who knew the defendant, and Ms. Long's friend recommended that she talk with the defendant about her foreclosure situation.

16. Ms. Long called the defendant, and he told her that she should not have signed the forbearance agreement, and that doing so would end up "costing her more money than [she] could afford." The defendant claimed he could provide better services than Legal Aid, and he invited her to meet with him at his office at 500 West 4<sup>th</sup> Street, Suite 201H, in Winston-Salem. Further, the defendant recommended to Ms. Long that she stop making payments towards the forbearance agreement and use his services instead.

17. Shortly afterwards, Ms. Long met with the defendant at his office. The defendant told Ms. Long that he had helped many people save their homes from foreclosure, and he assured Ms. Long that he would be able to arrange a permanent loan modification for her so that her mortgage payments would be permanently reduced, and she would not have to worry about foreclosure.

18. At the end of the meeting, the defendant told Ms. Long that his fee for his loan modification services was \$650.00, and that she would have to pay him his fee in full before he would begin assisting her. Ms. Long did not have \$650.00, but she paid the defendant \$300.00

that day. Within the next week or two, Ms. Long paid the defendant an additional \$200.00 towards his fee. The defendant told Ms. Long that, once she paid him the rest of his fee, he would be able to help her.

19. On or about October 27, 2010, Ms. Long met with the defendant at his office. At that meeting, the defendant instructed her that she should not make her forbearance payment for November, telling her that she needed to miss several payments to qualify for a permanent loan modification, and that, in doing so, she would be able to pay him the remainder of his fee. Prior to this time, contrary to the defendant's advice, Ms. Long had been making her monthly payments under the forbearance plan that her attorney had obtained for her.

20. Concerned about not making a mortgage payment, Ms. Long asked the defendant to call her lender HFC/Beneficial on her behalf and ask them what she should do. At that time, the defendant purported to telephone HFC/Beneficial and talk with a representative. After the call was terminated, the defendant told Ms. Long that he had "gotten her out of" the next forbearance payment, and that she should use the money saved to pay the remainder of his fee.

21. That day, Ms. Long gave the defendant a postdated check for \$150.00, which was the remainder of the defendant's fee. Ms. Long dated the check October 29, 2010; she asked the defendant to wait until the end of the day on October 29 to cash the check, when she would have additional funds in her account, and the defendant agreed. However, after Ms. Long left the defendant's office, he subsequently changed the date on Ms. Long's check to October 28, and he cashed the check, causing several of her checks to "bounce" and causing her to incur insufficient funds' fees.

22. On November 6, 2010, Ms. Long received a letter from HFC/Beneficial denying her loan modification request. Extremely upset, Ms. Long attempted to contact the defendant for over two weeks and was unable to reach him. Once Ms. Long finally reached the defendant, he claimed that he had been ill and was unable to explain why her request for a loan modification had been denied.

23. Believing that she had been deceived by the defendant, Ms. Long returned to Legal Aid and met again with the attorney who had previously assisted her. The attorney advised Ms. Long that, because she had failed to make her forbearance payment, she would have to file for Chapter 13 bankruptcy to save her home from foreclosure, and that he would continue to work with HFC to secure a permanent loan modification.

24. After this meeting, Ms. Long went to the defendant's office and asked him for a copy of the contract he had given her, and demanded a refund of the money she had paid him. The defendant claimed that her file "was at another location," and became angry, and refused to provide her with a refund.

25. In addition to "loan modification" and "foreclosure assistance" services, the defendant also promotes, offers, and sells "credit repair" or "credit score improvement" services. The defendant markets these "credit repair" or "credit score improvement" (hereafter, "credit repair") services to consumers who suffer from poor credit histories, and who are seeking to improve their credit scores, so that they can qualify for loans to purchase a home, a car, or other goods, or to refinance existing loans at lower interest rates.

26. In promoting his credit repair services, the defendant represents that he will improve, repair or correct consumers' credit scores; and provide consumers with assistance and

advice regarding improving their credit scores. Specifically, the defendant represents that he will contact, on behalf of consumers, each of the three main credit reporting agencies – Experian, Equifax, and TransUnion – to dispute any items on consumers’ credit reports that are incorrect or outdated.

27. Prior to rendering any credit repair services, the defendant requires consumers to pay him an advance fee – typically in the amount of at least \$350.00 – which the defendant requires to be paid in full, before the defendant will begin to perform any credit repair services. On information and belief, in numerous instances, the defendant has collected and retained advance fees for credit repair services without rendering any significant services and without improving consumers’ credit standing.

28. North Carolina’s Credit Repair Services Act, N.C. Gen. Stat. § 66-220, *et seq.*, regulates the provision of credit repair services in North Carolina. Among other provisions, the Act prohibits the collection of any advance fees for credit repair services, and requires that the services be fully performed before any fees may be charged or collected. N.C. Gen. Stat. § 66-223(1). Further, the Act requires that every credit repair contract be in writing and contain certain disclosures that must be made to consumers, including the terms and conditions of payment and a complete and detailed description of the services to be performed and the results to be achieved by the credit repair business for or on behalf of the consumer. N.C. Gen. Stat. § 66-224. Additionally, the Act requires that credit repair businesses obtain either a surety bond or establish a trust account in favor of the State of North Carolina, in the amount of ten thousand dollars (\$10,000). N.C. Gen. Stat. § 66-222. The purpose of such bond or trust account is to

permit any person damaged by a credit repair business to bring an action against the bond or trust account to recover any damages suffered by the consumer.

29. Upon information and belief, in addition to collecting advance fees for credit repair services in violation of North Carolina law, the defendant has failed to provide credit repair customers with the contractual disclosures required by North Carolina law. Further, upon information and belief, the defendant has failed to obtain any surety bond or to establish any trust account for the provision of credit repair services, as required by North Carolina law.

30. In further support of the allegations of its Complaint, the State submits the affidavits of Melissa Cain, Marsha Cook, Octavian Gray, Jennifer Long, and Kittrell Hinton, which have been filed in support of the State's Motion for a Temporary Restraining Order and a Preliminary Injunction, and are attached as Exhibits 1 through 5 to that Motion.

**V. CLAIMS FOR RELIEF**

**COUNT I**  
**VIOLATION OF THE DEBT ADJUSTING ACT:**  
**N.C. GEN. STAT. § 14-423, et seq.**

31. Plaintiff incorporates herein by reference paragraphs one through thirty above.

32. The defendant is engaged in the unlawful business of "debt adjusting," which is prohibited by Article 56 of Chapter 14 of the General Statutes. Debt adjusting specifically includes the loan modification and foreclosure assistance services as offered and provided by the defendant.

33. N.C. Gen. Stat. § 14-423(2) prohibits the practice of "debt adjusting," which includes the business of "debt settlement" and "foreclosure assistance," where the debt adjuster

collects an advance fee for its services. Specifically, the statute defines “debt adjusting” as follows:

. . . Debt adjusting also includes the business or practice of **debt settlement or foreclosure assistance** whereby any person holds himself or herself out as acting for consideration as an intermediary between a debtor and the debtor’s creditors for the purpose of reducing, settling, or altering the terms of the payment of any debt of the debtor, whether or not the person distributes the debtor’s funds or property among the creditors, and receives a fee or other consideration for reducing, settling, or altering the terms of the payment of the debt **in advance of the debt settlement having been completed or in advance of all the services agreed to having been rendered in full.**

N.C. Gen. Stat. § 14-423(2) (emphasis added).

34. The activity of debt adjusting is prohibited as a criminal offense by N.C. Gen. Stat. § 14-424, which provides that “[i]f any person shall engage in, or offer to or attempt to engage in the business or practice of debt adjusting, or if any person shall hereafter act, offer to act, or attempt to act as a debt adjuster, he shall be guilty of a Class 2 misdemeanor.”

35. The defendant is engaged in “debt adjusting” services prohibited by North Carolina law, in that:

- a. The defendant is engaged in the business or practice of “debt settlement,” as the defendant holds himself out as acting as an intermediary between consumers and their mortgage lenders in order to obtain loan modifications for consumers – namely, for the purpose of negotiating, reducing, or altering the terms of consumers’ mortgage loans;
- b. The defendant is also engaged in the business or practice of “foreclosure assistance,” as the defendant holds himself out as acting as an

intermediary between consumers and their mortgage lenders in order to obtain loan forbearances, loan modifications, or other concessions on behalf of consumers in order to prevent lenders' foreclosures on consumers' homes; and

- c. The defendant receives a fee or other consideration for his services, which the defendant charges and collects in advance of all the debt settlement or foreclosure assistance services agreed to having been rendered in full.

36. Pursuant to N.C. Gen. Stat. § 14-425, the Attorney General, in an action brought in the name of the State, may seek to enjoin as an unfair and deceptive trade practice, the continuation of any debt adjusting business or the offering of any debt adjusting services. The Attorney General also may seek, under this provision, the appointment of a receiver, the return to consumers of all monies paid to the debt adjuster, civil penalties under N.C. Gen. Stat. § 75-15.2, and attorneys' fees under N.C. Gen. Stat. § 75-16.1.

**COUNT II**  
**VIOLATION OF THE CREDIT REPAIR SERVICES ACT:**  
**N.C. GEN. STAT. § 66-220, et seq.**

37. The State re-alleges and incorporates herein the allegations of paragraphs one through thirty-six above.

38. The defendant is operating a "credit repair business" as that term is defined in the North Carolina Credit Repair Services Act, N.C. Gen. Stat. § 66-221(1). The defendant represents that he can provide services or advice or assistance to consumers with respect to improving, repairing or correcting a consumer's credit record or credit history. The defendant is therefore subject to regulation by the Credit Repair Services Act, N.C. Gen. Stat. § 66-220, *et*

*seq.*

39. The defendant's credit repair activities violate the Credit Repair Services Act.

The defendant's violations include, but are not limited to, the following:

- a. Failing to obtain a surety bond or to establish a trust account, in the amount of \$10,000.00, in favor of the State of North Carolina, in violation of N.C. Gen. Stat. § 66-222;
- b. Charging or receiving fees prior to the full and complete performance of the promised credit repair services, in violation of N.C. Gen. Stat. § 66-223(1);
- c. Representing that the defendant can directly or indirectly arrange for the removal of derogatory credit information from the consumer's credit report or otherwise improve the consumer's credit report or credit standing, in violation of N.C. Gen. Stat. § 66-223(3); and
- d. Failing to provide consumers with the written disclosures required by N.C. Gen. Stat. § 66-224(a) and (b) and in the express form required by that section, including but not limited to: (i) written notice that the defendant has obtained a surety bond or trust account and providing the name and address of the surety company or bank or savings institution; (ii) the name and address of the defendant's agent in North Carolina authorized to receive service of process; and (iii) a separate written notice of

cancellation attached to the credit repair contract, informing the consumer that he or she may cancel the contract without penalty at any time prior to midnight of the third business day after the date the contract is signed, and that, if the consumer cancels, any payment made by the consumer will be returned within ten days following the defendant's receipt of the notice of cancellation.

40. Pursuant to N.C. Gen. Stat. § 66-225, the State is entitled to injunctive relief to restrain the defendant from further violations of the law and to recovery of all sums unlawfully collected by the defendant.

**COUNT III**  
**VIOLATION OF THE UNFAIR AND DECEPTIVE PRACTICES ACT:**  
**N.C. GEN. STAT. § 75-1.1, et seq.**

41. Plaintiff incorporates herein by reference paragraphs one through forty above.

42. In connection with his solicitation, promotion, offering for sale, or rendering of his "loan modification" and "foreclosure assistance" services, the defendant has engaged in a pattern of unfair and deceptive acts or practices in violation of N.C. Gen. Stat. § 75-1.1. Such unfair and deceptive acts and practices include, but are not limited to, the following:

- a. Holding himself out as having special expertise in negotiating with mortgage lenders to obtain loan modifications, and as having special relationships with mortgage lenders, when the defendant has no such special expertise or special relationships;

- b. Making deceptive representations to consumers that the defendant can and will prevent foreclosures on consumers' homes;
- c. Collecting money from financially distressed consumers for loan modification and foreclosure assistance services, but failing to render any meaningful or beneficial services on behalf of consumers;
- d. Inflicting substantial harm on financially distressed consumers by causing consumers to lose critical time and money in addressing their mortgage loan or foreclosure situations;
- e. Interfering with consumers' contractual obligations to, and relationships with, their mortgage lenders by advising consumers to cease making payments on their mortgage loans and to cease communicating with their mortgage lenders or loan servicers;
- f. Failing and refusing to provide refunds to consumers when the defendant has collected unlawful fees and has failed to perform any useful services for consumers; and
- g. Taking unfair economic advantage of a class of vulnerable, financially distressed consumers.

43. In connection with the advertising, promotion, solicitation, offering for sale or sale of loan modification and foreclosure assistance services, the defendant has engaged in violations of North Carolina's Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*, as alleged above, which pursuant to N.C. Gen. Stat. § 14-425, constitute violations of N.C. Gen. Stat. § 75-1.1.

44. In connection with the advertising, promotion, offering for sale or sale of his credit repair services, the defendant has engaged in violations of North Carolina's Credit Repair Services Act, G.S. § 66-220, *et seq.*, as alleged above, which pursuant to G.S. § 66-225(f), constitute violations of G.S. § 75-1.1.

45. The defendant's unfair or deceptive acts and practices in connection with her credit repair services include, but are not limited to, the following:

- a. Engaging in illegal credit repair activities prohibited by North Carolina law and in violation of the public policy of this State;
- b. Making deceptive representations in soliciting consumers into the defendant's credit repair program, and engaging in unfair and deceptive acts in rendering such services, including but not limited to the following:
  - (i) Representing that the purchase of defendant's services will result in increased credit scores for consumers, when, upon information and belief, many consumers experience no increase in their credit scores as a result of contracting for defendant's services;
  - (ii) Representing that the defendant's program will benefit consumers, when, upon information and belief, many consumers realize no benefit from the program; and
- c. Taking unfair economic advantage of a class of vulnerable, financially distressed consumers.

**PRAYER FOR RELIEF**

WHEREFORE, the State of North Carolina prays the Court for the following relief:

- A. That defendant, his officers, agents, and employees, be temporarily restrained and preliminarily and permanently enjoined from:
- (1) Engaging in any unlawful debt adjusting activities, including advertising or soliciting, entering into contracts with consumers, or collecting money from consumers, for the performance of loan modification, foreclosure assistance, or other related services, in violation of North Carolina's Debt Adjusting Act, N.C. Gen. Stat. § 14-423, *et seq.*;
  - (2) Engaging in any unlawful credit repair activities, including advertising, soliciting, entering into contracts with consumers, or collecting money from consumers, for the performance of credit repair or credit improvement services, in violation of the Credit Repair Services Act, N.C. Gen. Stat. § 66-220, *et seq.*; and
  - (3) Engaging in unfair or deceptive practices in the offering or conduct of loan modification, foreclosure assistance or credit repair businesses in this State.
- B. That the defendant be ordered to refund all sums collected from consumers resulting from the defendant's violations of the Debt Adjusting Act and associated violations of N.C. Gen. Stat. § 75-1.1, pursuant to N.C. Gen. Stat. §§ 14-425 and 75-15.1;

- C. That the defendant be ordered to refund all sums collected from consumers resulting from the defendant's violations of the Credit Repair Services Act, N.C. Gen. Stat. § 66-220, *et seq.*, and associated violations of N.C. Gen. Stat. § 75-1.1, pursuant to N.C. Gen. Stat. §§ 66-225 and 75-15.1;
- D. That the defendant's existing agreements or contracts with consumers for loan modification, foreclosure assistance services, or credit repair services be cancelled pursuant to N.C. Gen. Stat. § 75-15.1;
- E. That the defendant be ordered to pay appropriate civil penalties pursuant to N.C. Gen. Stat. § 75-15.2;
- F. That the State be awarded costs of this action and reasonable attorneys' fees; and
- G. That the Court award such other and further relief as may be just and proper.

This the \_\_\_\_\_ day of May, 2011.

STATE OF NORTH CAROLINA, *ex rel.* ROY COOPER,  
ATTORNEY GENERAL

By:

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STATE OF NORTH CAROLINA  
COUNTY OF WAKE

VERIFICATION

David C. Evers, being first duly sworn, deposes and says:

That he is a Consumer Protection Specialist employed by the North Carolina Department of Justice and that he is authorized to make this Verification; that he assisted in the Department of Justice's investigation of the named defendant; that he has read the foregoing Complaint, and that upon his information and belief, the matters and things alleged therein are true.

\_\_\_\_\_  
David C. Evers                  Date

Sworn and subscribed before me

this \_\_\_\_\_ day of May, 2011.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_