

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

SUPERIOR COURT
CIVIL ACTION NO.

IN THE MATTER OF TRANSWORLD
SYSTEMS, INC.

ASSURANCE OF DISCONTINUANCE PURSUANT TO G.L. c. 93A, § 5

The Commonwealth of Massachusetts, by and through its Attorney General, Maura Healey, hereby files the Assurance of Discontinuance attached and incorporated herein as Exhibit A pursuant to Massachusetts General Laws chapter 93A, § 5.

COMMONWEALTH OF MASSACHUSETTS
ATTORNEY GENERAL MAURA HEALEY

By:



Peter Downing, BBO #675969
Yael Shavit, BBO #695333
Assistant Attorneys General
Office of the Attorney General
One Ashburton Place
Boston, MA 02108

Dated: _____ September 7, 2021 _____

Exhibit A

COMMONWEALTH OF MASSACHUSETTS

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The Commonwealth of Massachusetts, by and through its Attorney General, Maura Healey, (the “Attorney General”) and Transworld Systems, Inc. (“Transworld” or “the Company”) hereby agree to this Assurance of Discontinuance (“Assurance”) pursuant to Massachusetts General Laws chapter 93A, §§ 2 and 5.

I. INTRODUCTION

1. The Attorney General is responsible for enforcing the Consumer Protection Act, G. L. c. 93A, which prohibits unfair and deceptive acts and practices in the conduct of any trade or commerce, and is also responsible for enforcing the Attorney General’s Debt Collection Regulations, which are issued pursuant to G. L. c. 93A, § 2(c), and all other Consumer protection laws and regulations in Massachusetts.

2. Transworld is a California corporation with a principal place of business at 500 Virginia Drive, Suite 514, Fort Washington, PA 19034.

3. The Attorney General has conducted an investigation into certain of Transworld’s Debt collection practices by issuing Transworld a Civil Investigative Demand (“CID”) pursuant to her authority under G.L. c. 93A, § 6.

4. As a result of this investigation, the Attorney General alleges that Transworld engaged in unfair and deceptive acts and practices in connection with the collection of Debts pursuant to G.L. c. 93A, § 2, and 940 C.M.R. 7.00 *et seq.*

5. Transworld has fully and voluntarily cooperated with the Attorney General in her inquiries relating to the above referenced investigation.

6. Transworld denies the allegations made by the Attorney General and further denies that it has violated any applicable provision of law. Nevertheless, to resolve this investigation, Transworld agrees to voluntarily enter this Assurance with the Attorney General on the terms and conditions contained herein, pursuant to G.L. c. 93A, § 5.

II. DEFINITIONS

The following definitions shall apply to this Assurance:

7. "Affidavit" means any sworn statement filed with a court in Massachusetts in connection with a Collections Lawsuit.

8. "Collections Lawsuit" means any lawsuit filed on behalf NCSLT by a Law Firm engaged by Transworld on behalf of the Trusts against any Massachusetts Consumer for the purpose of collecting a Debt owed to NCSLT.

9. "Communication" or "Communicating" means conveying information directly or indirectly to any person through any medium excluding non-identifying communications.

10. "Consumer" means a natural person, or his or her guardian, administrator or executor, residing in Massachusetts, who is allegedly obligated to pay a Debt incurred for personal, family or household purposes.

11. "Covered Conduct" means those acts or practices alleged in Paragraph 24-38.

12. “Debt” means money or its equivalent which is, or is alleged to be, more than 30 days past due and owing, unless a different period is agreed to by the Consumer, under a single account as a result of a purchase, lease, or loan of goods, services, or real or personal property, for personal, family or household purposes or as a result of a loan of money which is obtained for personal, family or household purposes whether or not the obligation has been reduced to judgment.”

13. “Effective Date” means the date in which the Assurance is filed in a Massachusetts Court.

14. “Law Firm” means those third-party law firms retained by Transworld for the purpose of conducting Debt collection activities on behalf of NCSLT, including the filing of a Collections Lawsuit.

15. “NCSLT” or the “Trusts” means, collectively, National Collegiate Master Student Loan Trust I, National Collegiate Student Loan Trust 2003-1, National Collegiate Student Loan Trust 2004-1, National Collegiate Student Loan Trust 2004-2, National Collegiate Student Loan Trust 2005-1, National Collegiate Student Loan Trust 2005-2, National Collegiate Student Loan Trust 2005-3, National Collegiate Student Loan Trust 2006-1, National Collegiate Student Loan Trust 2006-2, National Collegiate Student Loan Trust 2006-3, National Collegiate Student Loan Trust 2006-4, National Collegiate Student Loan Trust 2007-1, National Collegiate Student Loan Trust 2007-2, National Collegiate Student Loan Trust 2007-3 and National Collegiate Student Loan Trust 2007-4.

16. “Third Party Collection Agency” means those third-party collection agencies retained by Transworld for the purpose of conducting Debt collection activities on behalf of NCSLT.

17. “Time-Barred” when used to describe a Debt means any Debt that is beyond an applicable statute of limitations for a cause of action in a civil lawsuit in Massachusetts.

III. THE COMMONWEALTH’S ALLEGATIONS

18. The Attorney General commenced an investigation into certain of Transworld’s Debt collection practices by issuing a CID to Transworld, pursuant to her authority under G.L. c. 93A § 6.

19. As a result of this investigation, the Attorney General alleges the following facts related to Transworld and its Debt collection practices.

20. The Attorney General contends that the conduct alleged in Paragraphs 24-38 of this Assurance constitutes violations of G.L. c. 93A, § 2.

21. Since November 1, 2014, Transworld has been engaged in the business of collecting Consumer Debts in Massachusetts.

22. Transworld regularly collected or attempted to collect Debts from Consumers, including defaulted private student loan Debts owed to NCSLT in Massachusetts.

23. In addition to collecting Debts in Massachusetts through its own employees, Transworld hired Third Party Collection Agencies and Law Firms to collect Debts on behalf of NCSLT in Massachusetts.

Excessive Telephone Calls to Consumers

24. To collect a Debt, Transworld regularly initiated telephone calls to the Consumer’s residence, cellular telephone, or other telephone number provided by the Consumer as his or her personal telephone number.

25. While attempting to collect certain Debts from Consumers in Massachusetts, Transworld initiated more than two telephone calls to a Consumer's residence, cellular telephone, or other personal telephone in a seven-day period until at least July 2016.

26. Additionally, on behalf of the Trusts, Transworld contracted with Third Party Collection Agencies and Law Firms to collect Debts owed to NCSLT in Massachusetts. In some cases, these Third Party Collection Agencies and Law Firms initiated more than two telephone calls to a Consumer's residence, cellular telephone, or other personal telephone in a seven-day period.

27. Transworld violated 940 CMR 7.04(1)(f) by initiating more than two telephone calls with a Consumer within a seven-day period regarding a Debt.

Excessive Calls to a Consumer's Place of Employment

28. Until at least July 2016, Transworld placed excessive and repeated telephone calls to Consumers at their place of employment, including by initiating telephone calls to a Consumer's place of employment more than two times in each 30-day period.

29. Transworld violated 940 CMR 7.04(1)(f) by initiating more than two telephone calls with a Consumer at a Consumer's place of employment in a 30-day period regarding a Debt.

Failure to Disclose Time-Barred Debt

30. In some instances between at least November 2014 and 2017, while collecting or attempting to collect on Time-Barred Debt in Massachusetts via letters, Transworld failed to disclose to Consumers that a Debt may have been Time-Barred and failed to disclose certain information regarding Time-Barred Debt that is required by 940 CMR 7.07(24).

Collection of National Collegiate Student Loan Trust Debts

31. Since November 2014, Transworld has been a service provider on behalf of the NCSLT.

32. The Trusts were created between 2001 and 2007 for the purpose of acquiring private student loan Debt. The Trusts collectively own hundreds of thousands of private student loans with a face value of approximately \$12 billion. The Trusts do not have employees. Instead, all actions taken by the Trusts related to loan servicing and Debt collection are performed by third parties.

33. A Default Prevention and Collection Services Agreement (“DPCSA”) established Transworld as a special servicer for the Trusts and, as a result, Transworld is responsible for the collection of certain Debts owned by the Trusts. As part of carrying out its collection activities on behalf of the Trusts, Transworld hired Third Party Collection Agencies to collect those Debts and engaged Law Firms to collect Debts from Consumers and to potentially pursue Consumers through the use of Collections Lawsuits.

Use of False and Misleading Affidavits

34. Transworld executed Affidavits on behalf of the Trusts at the request of and for use by Law Firms that represent the Trusts in Collection Lawsuits.

35. Relying in part on Affidavits that Transworld executed from November 1, 2014 through April 25, 2016, Law Firms for the Trusts pursued Collections Lawsuits against Massachusetts Consumers to collect on Debts owned by the Trusts.

36. In these Affidavits, Transworld directly or indirectly represented to Consumers that the individual who executed an Affidavit, submitted as proof of the Debt in court, had personal knowledge of facts about the Debt alleged in the Affidavit. Between November 2014

and April 2016, certain Transworld affiants at times lacked personal knowledge of facts about the Debt alleged in the Affidavit.

37. Transworld executed certain Affidavits for use in Collection Lawsuits that stated a particular student loan was owned by a Trust, when, in fact, Transworld did not possess sufficient documentation to establish the chain of title of the particular loan.

38. From November 1, 2014 through April 25, 2016, Transworld's representations contained in certain affidavits had the tendency to mislead Consumers to believe that Transworld and Law Firms representing the Trusts possessed the relevant documentation sufficient to support the assertions in the Affidavit and that the Debt was valid and accurate.

IV. ASSURANCES

39. Notwithstanding that Transworld makes no admission of any wrongdoing or violation herein and further denies the allegations above, Transworld makes the following assurances:

A. Monetary Payment

40. Within ten (10) calendar days of the Effective Date of this Assurance, Transworld shall pay a total of \$2.25 million to the Commonwealth. Nothing in this Assurance shall be construed to characterize this payment, or any portion thereof, as a penalty, fine, or forfeiture. At her sole discretion, and so long as permitted by law, the Attorney General shall distribute this payment, in any amount, allocation, or apportionment:

- a. For payments to or for Consumers, including use by the Attorney General in the facilitation of the relief under this Assurance; and/or
- b. To the General Fund of the Commonwealth of Massachusetts; and/or

- c. To the Local Consumer Aid Fund established pursuant to M.G.L. c. 12, § 11G; and/or
- d. For programs or initiatives designed to address the negative effects of unfair or deceptive practices related to Debt collection.

41. Unless otherwise directed by the Attorney General, this payment shall be made by ACH, wire transfer, or certified check, made payable to the “Commonwealth of Massachusetts,” and shall be delivered to Peter Downing and Yael Shavit, Assistant Attorneys General, Consumer Protection Division, Office of the Massachusetts Attorney General, One Ashburton Place, 18th Floor, Boston, MA 02108.

B. Debt Collection Calls

42. Transworld shall not initiate any Communication with a Consumer via telephone in excess of the limits prescribed by 940 C.M.R. 7.04(1)(f), as amended from time to time. Specifically:

43. Transworld shall initiate no more than two communications via telephone in any seven-day period for each debt to a Consumer’s residence, cellular telephone, or other telephone number provided by the Consumer as his or her personal telephone number; and

44. Transworld shall initiate no more than two communications via telephone in any 30-day period for each debt to a number other than at the Consumer’s residence, cellular telephone or other telephone number provided by the Consumer as his or her personal telephone number.

45. For the purposes of this Assurance, “initiate a communication with a Consumer via telephone” shall mean all attempts to contact a Consumer via telephone in which the Company or its agent:

- a. Causes the Consumer's telephone to ring;
- b. Connects to a Consumer's voicemail or other recorded message;
- c. Leaves a voicemail message for a Consumer or has the opportunity to leave a voicemail message for the Consumer; or
- d. Speaks with the Consumer via telephone (except where the Company was the recipient of the call).

46. Transworld represents that it requires Third Party Collection Agencies and Law Firms to comply with all applicable laws, including the laws applicable in Massachusetts. Transworld shall require any Third Party Collection Agency or Law Firm it has engaged on behalf of the Trusts to collect Debts from Consumers in Massachusetts to follow the requirements prescribed by Paragraphs 42-45.

47. Where a Consumer requests that Transworld, or a Third Party Collection Agency or Law Firm, place an outgoing call or make any other communication attempt, and where such request is contemporaneously documented in the system of record, nothing in this Assurance shall be interpreted so as to prevent the requested Communication.

48. Transworld represents that it instituted an automated quality control system in July 2016 in its dialer platform that prevents the initiation of more than two telephone calls in a seven-day period to a Consumer regarding a Debt. Transworld shall utilize its automated quality control system that prevents Transworld from placing outgoing Debt collection calls to a Consumer in excess of the limit as defined by 940 C.M.R. 7.04(1)(f), except where a Consumer has expressly consented to receiving additional calls.

49. For the duration of this Assurance, Transworld shall retain a record of all written notices, written reports, or written complaints it receives from Massachusetts Consumers or from

Transworld employees complaining of conduct or Communications that results in a violation of the terms of this Assurance, including any written notices, written reports, and written complaints of calls in excess of the call limits set forth in the Assurance.

50. Transworld shall monitor its telephone call records, including on a biannual basis (every six months), by reviewing a random 150 call sample of its telephone call records to ensure that its call practices are in compliance with the terms of this Assurance.

C. Time-Barred Debt

51. Transworld shall not collect or attempt to collect a Time-Barred Debt in Massachusetts unless Transworld includes a disclosure in compliance with 940 C.M.R. 7.07(24) in all written and oral communications to such Consumers about the Debt.

52. Transworld shall, on a biannual basis (every six months), review a random sample of 150 written communications and 150 oral communications to Massachusetts Consumers on Debt that is Time-Barred to ensure that its collection and disclosure practices are in compliance with Paragraph 51 of this Assurance.

53. Transworld shall, on a biannual basis (every six months), review a random sample of 150 written communications and 150 oral communications to Massachusetts Consumers made by a Law Firm or Third Party Collection Agency that Transworld has contracted with to collect from Massachusetts Consumers to ensure that the collection and disclosure practices of these entities are in compliance with Paragraph 51 of this Assurance.

D. Affidavits

54. Transworld shall not, directly or indirectly, make or cause to be made, false, misleading, or deceptive statements in any Affidavit filed in a Collections Lawsuit related to a Debt owned by a Trust, including, inter alia, by:

- a. representing that an affiant has personal knowledge of education loan records unless:
1. the Affiant is familiar with or has personal knowledge of the Consumer's education loan records or the maintenance of those records;
 2. the Affiant has personal knowledge of the Consumer's debt;
 3. the Affiant has personal knowledge of the loan's chain of assignment or ownership;
 4. the Affiant has personal knowledge of the documents relating to the loan's chain of assignment or ownership; or
 5. certain documents or records concerning the Debt forming the basis of the Collections Lawsuit have been reviewed by the Affiant.

55. Transworld represents that for each Collection Lawsuits filed in Massachusetts identified pursuant to Paragraph 49 of the CFPB Consent Order entitled *In re: Transworld Systems, Inc.*, 2017-CFPB-0018 ("CFPB Consent Order"), Transworld has either directed the Law Firms engaged on behalf of NCSLT to dismiss the Collections Lawsuit or directed the Law Firms to withdraw the Affidavit.

56. Transworld represents that for each Collections Lawsuit filed in Massachusetts identified pursuant to Paragraph 50 of the CFPB Consent Order, Transworld has directed the Law Firms engaged on behalf of NCSLT to cease post-judgment collection activities.

V. COMPLIANCE AND REPORTING

57. In order to provide the Attorney General additional assurance that these commitments by Transworld will be adhered to, for a period of three years following the Effective Date of this Assurance, Transworld shall provide to the Attorney General, upon request, documents and records necessary to demonstrate its compliance with each provision of this Assurance. Transworld will also provide to the Attorney General on the one, two, and three-year anniversaries of this Assurance a report describing its experience and compliance with the terms set forth in this Assurance.

VI. RELEASE

58. The Attorney General fully and finally releases Transworld from any and all claims that were or could have been asserted by the Attorney General prior to the Effective Date of the Assurance that relate to, or are based on, the Covered Conduct, including but not limited to, claims that could be asserted by the Attorney General for violations of G.L. c. 93A, § 2, and 940 C.M.R. 7.00 *et seq.* This release shall not bind any other private or governmental entity, nor release Transworld from liability for any other conduct that does not arise from or relate to its Debt collection activities.

59. Nothing in this Assurance shall be deemed to preclude the Attorney General's review of conduct that occurs after the Effective Date, or any claims that may be brought by the Attorney General to enforce Transworld's compliance with the Assurance.

VII. NOTICE

60. Any notice or other information required to be provided to the parties under the terms of this Assurance shall be sent by first class mail and by email addressed to the following:

<p>Office of the Attorney General Consumer Protection Division Attn: Peter Downing, Yael Shavit One Ashburton Place, 18th Floor Boston, MA 02108</p> <p>With email copies to:</p> <p>Peter.Downing@mass.gov Yael.Shavit@mass.gov</p>	<p>Transworld Systems Inc. c/o Jonathan Thompson, Esq. Chief Legal Officer 150 N. Field Drive, Suite 200 Lake Forest, IL 60045</p> <p>With copies to:</p> <p>Allyson B. Baker, Esq. Venable LLP 600 Massachusetts Ave., N.W. Washington, D.C. 20001 abbaker@venable.com</p>
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VIII. GENERAL TERMS

61. The obligations set forth in Sections IV-V shall remain in effect for a period of three (3) years from the Effective Date of this Assurance, unless Transworld and the Attorney General mutually agree otherwise, or unless federal law, or Massachusetts law requires Transworld to make an exception or make disclosures that are inconsistent with the disclosure requirements therein.

62. This Assurance shall be binding on Transworld’s successors, subsidiaries, and all other persons who have authority to control or who, in fact, control and direct Transworld’s business in the Commonwealth of Massachusetts.

63. The Assurance shall be effective upon its execution by all parties hereto and shall thereafter be filed by the Attorney General in the Superior Court for Suffolk County.

64. This Assurance shall be governed by and interpreted in accordance with laws of the Commonwealth of Massachusetts, and the Superior Court for Suffolk County shall retain jurisdiction over this Assurance.

65. This Assurance does not resolve, settle, or otherwise affect any actual or potential claims by parties other than those alleged herein by the Attorney General. This Assurance may

not be used by any third party in any other proceeding. This Assurance is not intended to be, and should not be construed as, an admission of liability by Transworld.

66. Nothing in this Assurance shall relieve Transworld of its obligation to comply with applicable federal and state laws, rules, and regulations.

67. Transworld waives all rights to appeal or otherwise challenge or contest the validity of this Assurance.

68. The provisions of this Assurance are severable. Should any provisions be declared by a court of competent jurisdiction to be unenforceable, the other provisions of this Assurance shall remain in full force and effect.

69. This Assurance can be amended or supplemented only by a written document signed by all parties or court order. Amendments or supplements may be executed in separate counterparts, with signatures conveyed by mail, facsimile, email, or other electronic means.

70. This Assurance constitutes the entire agreement between the Attorney General and Transworld and supersedes any prior communication, agreement, or understanding, whether written or oral, concerning the subject matter of this Assurance.

71. Transworld and its signatories have consulted with counsel in their decision to enter into this Assurance.

72. Signatories for Transworld represent and warrant that they have the full legal power, capacity, and authority to bind Transworld in this Assurance.

73. By signing below, Transworld agrees to comply with all of the terms of this Assurance.

Transworld Systems, Inc.

The Commonwealth of Massachusetts
Attorney General Maura Healey

Joseph E. Laughlin

Joseph E. Laughlin
Chief Executive Officer

Dated: SEPTEMBER 3, 2021

Peter Downing

Peter Downing/Yael Shavit
Assistant Attorney General
Office of the Attorney General
One Ashburton Place
Boston, MA 02108

Dated: September 7, 2021