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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

5 TO: Money Management by Mail, Inc.
6 Money Management International, Inc.
7 David A. Juengel, Vice President and CFO
8 Jean L. Law, Director-Administration & Compliance
9 9009 West Loop South, Suite 700
10 Houston, Texas 77096

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DESIST AND REFRAIN ORDER
(For violations of section 12200 of the Financial Code)

The California Corporations Commissioner finds that:

1. The Department of Corporations (“Department”) has jurisdiction over and regulates bill payers and proraters under the Check Sellers, Bill Payers and Proraters Law set forth in the California Financial Code section 12000 et seq.
2. California Financial Code section 12200 requires a license from the Department to engage in the business as a check seller, bill payer or prorater.
3. Money Management by Mail, Inc. (“MMBM”) and Money Management International, Inc. (“MMI”) are corporations with a business address at 9009 West Loop South, Suite 700, Houston, Texas 77096.
4. MMBM and MMI have engaged in the following activities in violation of the Check Sellers, Bill Payers and Proraters Law pursuant to the California Financial Code section 12000 et seq. MMBM and MMI offered their services of receiving money as an agent of an obligor for the purpose of paying bills (“bill payer”) and prorating services to California consumers in advertisements, via their Web site located at www.moneymanagement.org and their toll-free telephone numbers 1-(800) 229-9172 and 1-(866) 889-9347. MMBM and MMI’s prorating services consist of debt-counseling services or programs, which include negotiations of repayment plans with creditors of consumers, whereby MMBM and MMI and others, acting in concert or

1 participation with them, will receive money from the consumer for the purpose of distributing the
2 money among a consumer's creditors in payment of that consumer's obligations. Their bill paying
3 services involve the receipt of money as an agent of a consumer for the purpose of paying the bills
4 of a consumer.

5 5. In exchange for the above-described services California consumers were requested
6 to make a contribution to MMBM and MMI to cover the costs involved in handling the
7 consumer accounts on a monthly basis. A description of the services of the debt-counseling
8 program includes working with the consumer and creditors of the consumer to arrange a
9 payment schedule, wherein the above-named individuals and entities on behalf of the consumer
10 distribute payments monthly to the creditors of the consumer. Alleged benefits associated with
11 their program include paying debts in much less time, negotiating with creditors to lower
12 monthly payments, reduce interest rates and stop late charges, and the convenience of paying
13 all their debts in one monthly payment. MMBM and MMI represent to consumers that:

14 we work with creditors to negotiate reduced monthly payments and overall
15 interest charges. . . . we are also able to re-age your account. This action may
16 stop late fees from accruing to your account . . .

17 6. On December 18, 2002, MMBM filed with the Department a Nonprofit Community
18 Service Organization Notice and Written Consent Notice (Form CSCL – 118) to claim an
19 exemption from the licensing requirements of the Check Sellers, Bill Payers and Proraters Law
20 pursuant to Financial Code section 12104. The authorized individual signing on behalf of MMBM
21 was Vice President /CFO David A. Juengel (“Juengel”) and the contact person was Jean L. Law
22 (“Law”). The Department assigned File Number 247-0020 to the documents submitted by
23 MMBM.

24 7. However, MMBM failed to meet the requirements for an exemption and was so
25 notified on February 25, 2004. The Department informed MMBM that because it surrendered its
26 registration with the California Secretary of State's Office on September 11, 1997, it was not
27 operating pursuant to either the Nonprofit Public Benefit Corporation Law or the Nonprofit
28 Mutual Benefit Corporation Law, a condition that must be met to qualify for an exemption from

1 the licensing requirement imposed by Financial Code section 12200. Additionally, the
2 Department informed MMBM that it failed to submit its audited financial statements and a
3 declaration and separate written statement that identifies the name, address, contact person and
4 telephone number of the organization.

5 8. On May 2, 2003, Money Management International, Inc. (“MMI”) submitted to the
6 Department a Nonprofit Community Service Organization Notice and Written Consent Notice
7 (Form CSCL – 118) to claim an exemption from the licensing requirements of the Check Sellers,
8 Bill Payers and Proraters Law pursuant to Financial Code section 12104. This Notice filed by MMI
9 did not state that MMI’s prior name was MMBM even though information about any such prior
10 name was specifically required to be provided on page one, question B. 1. The Department
11 assigned File Number 247-0051 to the documents submitted by MMI.

12 9. The Notice submitted by MMI showed that the authorized individual signing on
13 behalf of MMI was also Vice President /CFO Juengel and the contact person was also Law.

14 10. Only after the Department wrote to MMBM informing it of its failure to comply
15 with the exemption requirements in Financial Code section 12104 did Law on behalf of MMBM
16 file with the Department a Notice of Dissolution or Termination of Engaging in the Activities of a
17 Prorater (Form CSCL – 130). This form dated March 5, 2004, stated that MMBM “Merged into
18 Money Management International Inc.” and that MMBM terminated its activities on “01/01/03.”

19 11. However, MMI did not meet the requirements for an exemption from the licensing
20 requirement in 2003. MMI as the renamed successor corporation to MMBM or as the surviving
21 entity after the “merger” was required to submit financial statements for the year ending December
22 31, 2002, by the statutory deadline of April 30, 2003. The Department found that MMI failed to
23 timely submit the audited financial statements; not until May 27, 2003, did the Department receive
24 the Audit Report and Declaration from Vice President/CFO Juengel for MMI.

25 12. MMI did not meet the requirements for an exemption from the licensing
26 requirement in 2004 because it failed to submit audited financial statements for the year ending
27 December 31, 2003, by the statutory deadline of April 30, 2004. Not until May 25, 2004, did
28 the Department receive the Audit Report and Declaration from Vice President/CFO Juengel.

1 13. MMI also did to meet the requirements for an exemption form the licensing
2 requirement in 2005 because it failed to timely submit audited financial statements for the year
3 ending December 31, 2004, by the statutory deadline of April 30, 2005. On May 25, 2005, the
4 Department received the Audit Report and Declaration from Vice President/CFO Juengel.

5 14. In addition, MMI overcharged for its services to California consumers by
6 collecting amounts from its clients in excess of the statutory limit of thirty-five dollars (\$35)
7 per month authorized by the California Legislature for a nonprofit community service
8 organization operating as a prorater.

9 15. California Financial Code section 12200, states:

10 No person shall engage in the business, for compensation, of selling checks,
11 drafts, money orders, or other commercial paper serving the same purpose, or
12 of receiving money as agent of an obligor for the purpose of paying bills,
13 invoices, or accounts of such obligor, or acting as a prorater, nor shall any
14 person, without direct compensation and not as an authorized agent for a
15 utility company, accept money for the purpose of forwarding it to others in
16 payment of utility bills, without first obtaining a license from the
17 commissioner.

18 16. The definition of a prorater in Financial Code section 12002.1 states:

19 A prorater is a person who, for compensation, engages in whole or in part
20 in the business of receiving money or evidences thereof for the purpose of
21 distributing the money or evidences thereof among creditors in payment or
22 partial payment of the obligations of the debtor.

23 17. In order to be exempt from licensure, Financial Code section 12104 states:

24 A nonprofit community service organization that meets all of the following
25 criteria shall be exempt from any requirements imposed on proraters
26 pursuant to this division:

27 (a) The nonprofit community service organization incorporates
28 in this state or any other state as a nonprofit corporation and operates
pursuant to either the Nonprofit Public Benefit Corporation Law, Part
2 (commencing with Section 5110) of Division 2 of Title 1 of the
Corporations Code or the Nonprofit Mutual Benefit Corporation Law,

1 Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the
2 Corporations Code. . . .

3 (d) The nonprofit community service organization receives from a
4 debtor no more than the following maximum amounts to offset the
5 organization's actual and necessary expenses for the services described
6 in subdivision (c): a one-time sum not to exceed fifty dollars (\$50) for
7 education and counseling combined in connection with debt
8 management or debt settlement services; and for debt management
9 plans, a sum not to exceed 8 percent of the money disbursed monthly,
10 or thirty-five dollars (\$35) per month, whichever is less, and for debt
11 settlement plans a sum not to exceed 15 percent of the amount of the
12 debt forgiven for negotiated debt settlement plans. Nonprofit
13 community service organizations shall not require any upfront
14 payments or deposits on debt settlement plans and may only require
15 payment of fees once the debt has been successfully settled.
16 For purposes of this subdivision, a household shall be considered one
17 debtor. The fees allowed pursuant to this subdivision shall be the only
18 fees that may be charged by a nonprofit community service
19 organization for any services related to a debt management plan or a
20 debt settlement plan.

21 (i) The nonprofit community service organization submits to the
22 commissioner, at the organization's expense, an audit report containing
23 audited financial statements covering the calendar year or, if the
24 organization has an established fiscal year, then for that fiscal year,
25 within 120 days after the close of the calendar or fiscal year.

26 (j) The nonprofit community service organization submits with the
27 annual financial statements required under subdivision (i) a declaration
28 that conforms to Section 2015.5 of the Code of Civil Procedure, is
executed by an official authorized by the board of the organization, and
that states that the organization complies with this section. The annual
financial statements shall also include a separate written statement that
identifies the name, address, contact person, and telephone number of
the organization.

18. The Department did not receive from MMBM and MMI timely filed audited
financial statements accompanied by a declaration and separate written statement identifying
the organization's contact person.

19. MMI charged consumers for their services monetary amounts that exceeds the

1 statutory amounts authorized by the Legislature. Specifically, MMI collects fees from its
2 clients that exceed thirty-five dollars (\$35) per month and “a debt management fee of up to
3 15% of collections made on their behalf is requested from creditors.”

4 Based upon the foregoing findings, the California Corporations Commissioner is of the
5 opinion that Money Management by Mail, Inc., Money Management International, Inc., David A.
6 Juengel, Vice President/CFO and Jean L. Law, Director-Administration & Compliance, acting in
7 concert or in participation with others, have been engaging in the business of bill paying and
8 prorating as defined in the Check Sellers, Bill Payers and Proraters Law without a license from the
9 California Corporations Commissioner and without meeting the exemption requirements imposed
10 on proraters.

11 Pursuant to Financial Code section 12103, the California Corporations Commissioner
12 thereby orders Money Management by Mail, Inc., Money Management International, Inc., David
13 A. Juengel, Vice President and Jean L. Law, Director-Administration & Compliance, acting in
14 concert or participation with others, to desist and refrain from engaging in business as a bill payer
15 or prorater unless and until they are licensed or exempt. This Order is necessary, in the public
16 interest, and for the protection of consumers.

17 Dated: July 14, 2005

18 Los Angeles, California

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20 WAYNE STUMPFER
21 Acting California Corporations Commissioner

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23 By _____
24 ALAN S. WEINGER
25 Acting Deputy Commissioner
26 Enforcement Division
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