



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

NEWS RELEASE

Arnold Schwarzenegger, Governor

06-08
Preston DuFauchard, Commissioner

FOR IMMEDIATE RELEASE

August 28, 2006

Contact: Susie Wong,
(916) 324-9011

ORDER PROHIBITS DEBT REDUCTION COMPANIES FROM OPERATING WITHOUT A LICENSE

Companies must lawfully operate to serve more than 3,100 debt-ridden customers

(Sacramento, CA)— California Corporations Commissioner Preston DuFauchard has adopted an April 2006 administrative law decision to uphold a desist-and-refrain order issued by the Department of Corporations (DOC) to Nationwide Asset Services, Inc. (NAS) of Sacramento and Universal Nationwide LLC, doing business as Universal Debt Reduction (Universal) of Sacramento.

NAS and Universal unsuccessfully contested the order claiming that they were not required to be licensed as a prorater, because they did not directly receive money to pay creditors of customers. In this decision, the administrative law judge concluded that NAS and Universal must be licensed under the Check Sellers, Bill Payers and Proraters Law, unless they are exempt from licensing, pursuant to the Department order.

NAS and Universal arranged through various contractual relationships to receive money or evidence of money for the purpose of serving their customers. This decision demonstrates that a prorater cannot avoid licensing when it shifts and controls activities under the law among other third parties including its customers.

Corporations Commissioner Preston DuFauchard stated, "Debt managers and settlers must comply with the licensing law when they market and control an arrangement of services to reduce debt for their clients and receive compensation for doing so."

This decision noted that NAS and Universal maintained sufficient control over customer funds, through authorizations and other arrangements, and did not provide services until those funds were deposited in an account and available to pay compensation or for clients' debt.

The next administrative hearings to consider ancillary relief and penalties are set for September 26-29 and October 2-6 in Sacramento.

-more-

2-2-2-2-2

DOC Counsel Joan Kerst is responsible for this case.

The Department of Corporations (DOC) is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the department to check on the status of the companies, investments or other services they are considering and the licensing status of the person. Contact DOC's toll-free Consumer Resource Center at 1-866-ASK-CORP (1-866-275-2677) or visit www.corp.ca.gov.

###