

**DEPARTMENT OF CONSUMER AFFAIRS
CITY OF NEW YORK**

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DEPARTMENT OF CONSUMER AFFAIRS,	CONSENT ORDER
Complainant,	
-against-	Violation No.: LL5333298
TRANSWORLD SYSTEMS INC.,	License No(s): 1155043, 1303525, 1303526, 1304953, 1323064, 1349070
Respondent.	
-----X	

1. Respondent Transworld Systems Inc. ("TSI" or "Respondent") has been licensed by the New York City Department of Consumer Affairs (the "Department") as a debt collection agency pursuant to Section 20-490 of the New York City Administrative Code ("Admin. Code") since 2003.
2. Respondent seeks renewal of its debt collection agency licenses, Nos. 1155043, 1303525, 1303526, 1304953, 1323064, and 1349070.
3. The Department has reviewed Respondent's license renewal applications, public records and records maintained by the Department, Respondent's 2013 Renewal Information and Documentation Form and information provided to the Department by the Respondent.
4. The Department has made the findings annexed as Attachment A.
5. Respondent does not admit to these violations, but consents to a Consent Order with the Department to obtain a license and to avoid further investigation and litigation with regard to the violations identified in Attachment A for the period from April 24, 2010 to the date of this Consent Order.
6. Barney Zeng as Senior Vice President represents and warrants that he is authorized to enter into this Consent Order on behalf of Respondent.
7. This Consent Order shall apply to Respondent, its directors, officers, employees, representative agents, assignees, and successors and shall be effective for four

(4) years from the date of execution of this Consent Order. For the purposes of this Consent Order, "employee" means any person employed for hire or permitted to work by Respondent including, but not limited to, any person who manages or oversees the work of another and any person whose earnings are based in whole or in part on commission for work performed for Respondent.

8. Respondent agrees to comply fully with all relevant laws and rules related to debt collection from New York City consumers including, but not limited to: (a) the Licensing Law and Rules, Admin. Code section 20-101 *et seq.* and Title 6 of the Rules of the City of New York ("6 R.C.N.Y." or "the Rules") sections 1-01 *et seq.*; (b) the Debt Collection Agencies Licensing Law and Rules, Admin. Code sections 20-488 *et seq.* and 6 R.C.N.Y. sections 2-190 *et seq.*; and (c) the Consumer Protection Law and Rules, Admin. Code sections 20-700 *et seq.* and 6 R.C.N.Y. sections 5-76 *et seq.*

LICENSING

9. Respondent shall not act as a debt collection agency as defined in Section 20-489 of the Admin. Code at any time without holding a valid license from the Department.
10. Respondent shall ensure that process server individuals and agencies used in furtherance of its work as a debt collection agency licensed by the Department are licensed by the Department when required by subchapter 23 of the Admin. Code.
11. Upon the termination of Respondent's license by revocation, suspension, expiration, denial, surrender, cancellation, or operation of law Respondent shall immediately cease its debt collection activities with respect to New York City consumers and return its license(s) to the Department.

PAYDAY LOANS; USURIOUS LOANS

12. Respondent shall not purchase, collect, or attempt to collect debts from New York City consumers if those debts arise from usurious loans, including payday loans.
13. "Usurious loan" is a loan with an initial principal of less than \$250,000, for which the annual percentage rate of interest exceeds the rate specified by Section 14-a of the New York Banking Law, that is void under Section 5-511 of the New York General Obligations Law. A "usurious loan" does not include loans or obligations with an interest rate specifically authorized by New York law or federal law.
14. Respondent shall implement policies and procedures corresponding to paragraph 12 that include, but are not limited to, a screening process for debts which are likely to be usurious payday loans, such as those for which the original creditor's

name contains the terms “Payday,” “Cash,” “Check,” “Instant,” “Advance,” “Fast,” “Now,” or “Quick.”

15. With regard to any New York City consumer’s debt that arises from a usurious loan, Respondent shall close the account, permanently terminate collection efforts with respect to the specific debt, and submit to any consumer reporting agency to which Respondent furnishes information, a request for deletion of any negative information from the consumer’s credit report.

DISPUTED DEBT; CREDIT REPORTING

16. Respondent shall comply with the requirements in Section 20-493.2 of the Admin Code and Sections 2-190 and 5-77(f) of 6 R.C.N.Y., In addition, Respondent reconfirms its obligation to comply with the requirements relating to disputed debts and credit reporting set forth in the July 16, 2013 Stipulated Order, ¶ III(B) entered into with the Federal Trade Commission, which is incorporated by reference into this Consent Order, except that Respondent is not permitted to require New York City consumers who deny, dispute, or challenge a debt on any grounds to do so in writing.

COLLECTION OF DEBTS OWED TO DEBT BUYERS

17. Respondent shall not collect or attempt to collect a debt owed or asserted to be owed to any buyer of delinquent debt from a New York City consumer unless each agreement transferring ownership of the debt on or after that date of this Consent Order includes terms in which the seller warranted and represented that the information about the debt and the documentation supporting the debt were accurate and complete. This shall not limit any other requirements under New York City Law or Rules regarding documentation that must be obtained, maintained or transferred with a debt. While Respondent is obligated to comply with New York City Law and Rules, this provision does not mandate that Respondent secure account documentation from its debt buyer clients prior to commencing collection activity.

POLICIES, PROCEDURES AND TRAINING

18. Within ninety (90) days of the execution of this Consent Order, Respondent shall, through its regular training procedures:
 - a. reaffirm its policies and procedures, to officers and any agent or employee having responsibility with respect to the collection of consumer debts from New York City consumers, to ensure compliance with the terms of this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8;

- b. provide training, to officers and any agent or employee having responsibility with respect to the collection of consumer debts, on the requirements of this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8;
- c. provide periodic refresher training, to officers and any agent or employee having responsibility with respect to the collection of consumer debts, no less frequently than once each year and more frequently if any New York City Laws and Rules are amended;
- d. provide periodic refresher training, to all new officers and any agent or employee, no later than five (5) days from the time the employee assumes responsibility with respect to the collection of debts;
- e. continue its current process of appropriate disciplinary action against any employee who fails to comply with this Consent Order and the requirements of all New York City Laws and Rules, set forth in paragraph 8.

COMPLIANCE MONITORING AND REPORTING

- 19. Respondent shall appoint Mr. Greg Stevens, who is a senior executive, to serve as the Compliance Officer responsible for ensuring adherence to the terms of this Consent Order. Such Compliance Officer has the following title: Corporate Compliance Officer.
 - a. The telephone number of such Compliance Officer is: [REDACTED]
 - b. The address of such Compliance Officer is: [REDACTED]
 - c. The email address of such Compliance Officer is: [REDACTED].
- 20. If the identity of such Compliance Officer changes, Respondent shall provide to the Department the name, title, telephone number, address, and email address of the replacing Compliance Officer within ten (10) days of such change.
- 21. Within ten (10) days of receipt of written notice from the Department, Respondent shall produce the following, electronically or in the format indicated by the Department, which are true and accurate and sworn to under the penalty of perjury:
 - a. Documents related to any provision of this Consent Order, including but not limited to:

- i. Copies of any complaints Respondent received regarding Respondent's attempts to collect debt purportedly owed by New York City consumers.
 - ii. Transcripts of the recordings, or the recordings required by Section 2-193(b)(2) of the Rules.
 - iii. Documents sufficient to identify the manner in which Respondent maintains its records.
22. Without waiving its defenses and rights to object to overly broad, burdensome or harassing requests, Respondent shall respond to all subpoenas and document requests issued to it by the Department.
23. Nothing in this section shall be construed to obviate Respondent's responsibilities pursuant to Admin. Code section 20-493(b); 6 R.C.N.Y. sections 1-14, 1-16; and 2-193.
24. Unless prohibited by law, Respondent shall notify the Department of all pending actions, proceedings or investigations by government agencies against it within thirty (30) days of being notified of such action, proceeding, or investigation. For purposes of this paragraph, "investigation" shall mean any written communication from a government agency relating to Respondent's debt collection practices, to which Respondent must respond except for individual consumer complaints. Investigation shall not include a written confirmation from a government agency relating to jurisdiction specific licensing requirements and inquiries.
25. Respondent shall make all possible efforts in good faith to resolve all consumer complaints filed with the Department within twenty (20) days of receipt of copies of those complaints, but in all instances, Respondent shall respond in writing to the Department regarding those consumer complaints within twenty (20) days of receipt of any complaints.
26. For the purposes of this Consent Order, Respondent shall, unless otherwise directed by the Department, send by first class mail, and contemporaneously by email, all notifications required by this Consent Order to the Department to the following addresses:

First Class Mail to:

LEGAL DIVISION
NYC Department of Consumer Affairs
42 Broadway, 9th Floor
New York, NY 10004

Re: 2013 Consent Order

Email to: legaldebtcoll@dca.nyc.gov

27. For purposes of the compliance reporting and monitoring required by this Consent Order, the Department is authorized to communicate directly with the Respondent.

CONSEQUENCES OF BREACH OF CONSENT ORDER

28. A finding, after notice and hearing, where Respondent may offer all defenses and explanations that Respondent has committed a material breach of the terms of this Consent Order shall constitute prima facie evidence of Respondent's lack of fitness to hold a license from the Department.
29. Upon a finding, after notice and hearing, that Respondent has committed material violations of this Consent Order, the Licensing Law, the Debt Collection Agency Licensing Law, or the Consumer Protection Law, Respondent shall pay one thousand dollars (\$1,000) for each violation as well as the Department's costs for investigation and litigation.
30. Respondent's failure to produce any of the documents required by this Consent Order, the Admin. Code, or the Rules shall constitute prima facie evidence that Respondent has failed to maintain those records and is not in compliance with the underlying terms of the Consent Order, Law, or Rule for which documents are required to be maintained.
31. Specific breaches of this Consent Order shall, in addition to a breach of this Consent Order, constitute independent and separate violations of any applicable Law or Rule. If the same conduct gives rise to both a breach of this Consent Order and a breach of the Licensing Law or Rules, the Debt Collection Agency Law or Rules, or the Consumer Protection Law or Rules, Respondent shall pay two penalties as set forth in Paragraph 29: one penalty for breach of the Consent Order and one penalty for the breach of the applicable Law or Rule.

PAYMENTS AND OTHER TERMS AND CONDITIONS

32. Respondent shall pay \$2,000 to the Department, due upon execution of this Consent Order. Payment shall be made by bank check, certified check, or money order in the full amount made payable to the New York City Department of Consumer Affairs, and delivered to the New York City Department of Consumer Affairs, Legal Division, Attn: 2013 Debt Collection Renewal, 42 Broadway, 9th Floor, New York, New York 10004.
33. This Consent Order shall constitute a final order pursuant to Section 6-42(c) of the Rules.

WAIVER OF APPEALS

34. Respondent waives Respondent's right to a hearing on, appeal of and/or any challenge of, in any forum, the facts alleged by the above-referenced Notices of Hearing and the Decision and Order under Sections 20-104 and 20-105 of the Admin. Code or under Article 78 of the New York State Civil Practice Law and Rules.

MISCELLANEOUS

35. The acceptance of this Consent Order by the Department shall not be deemed approval by the Department of any of Respondent's business practices, and Respondent shall make no representation to the contrary.

36. The acceptance of this Consent Order resolves the findings made in this Consent Order in Attachment A. This Consent Order does not limit the Department's ability to bring charges for violations outside this time period.

37. The acceptance of this Consent Order does not limit the Department's ability, nor Respondent's obligation to respond to consumer complaints that arose prior to the date of this Consent Order as set forth in the "Agreement Dated" field below.

38. Nothing in this Consent Order shall be construed to limit in any way the authority of the Department to exercise its enforcement powers under Chapter 1, Title 20 or under Chapter 2, Title 20 of the Admin. Code.

Agreed to for the Respondent by:

Accepted for Julie Menin, Commissioner of
Consumer Affairs for the City of New York, by:

Bernard J. Zeng
Print Name

[REDACTED]
Print Name

Senior Vice President
Title

Staff Attorney
Title

[Signature]
Signature

[REDACTED]
Signature

5 Aug 2014

8/8/14

Date

Date

Agreement Dated: 8/8/14

Businesses licensed by the Department of Consumer Affairs (DCA) must comply with all relevant local, state and federal laws. Copies of New York City licensing and consumer protection laws are available in person at DCA's Licensing Center, located at 42 Broadway, 5th Floor, New York, NY, by calling 311, New York City's 24 hour Citizen Service Hotline, or by going online at www.nyc.gov/consumers.

ATTACHMENT A

The Department's Findings

The Department has reviewed Respondent's license renewal applications public records, records maintained by the Department, Respondent's 2013 Renewal Information and Documentation Form and information provided to the Department by Respondent. Based on this review, the Department makes the following findings:

- (1) Background – TSI Collected or Attempted to Collect From 40,644 New York City Consumers in the Past Two Years:
 - a. Question 17(A) of the 2013 Renewal Form asks: “In the past two years, did you collect or attempt to collect debts from any New York City consumers?” Question 17(B) of the 2013 Renewal Form asks: “[H]ow many accounts did you collect or attempt to collect from New York City consumers in 2011?” Question 17(C) of the 2013 Renewal Form asks: “[H]ow many accounts did you collect or attempt to collect from New York City consumers in 2012?”
 - b. TSI answered “Yes” to Question 17(A), answered “20,159” to Question 17(B) and answered “20,485” to Question 17(C). TSI therefore admits that it collected or attempted to collect 20,159 accounts from New York City consumers in 2011 and 20,485 accounts from New York City consumers in 2012.
- (2) TSI Made An Inaccurate Statement in Response to Question 10 of the 2013 Renewal Form, and Did Not Comply with the Requirements for Disclosing Security Breaches:
 - a. Question 10(A) of the 2013 Renewal Form asks: “In the past seven years, have you had a breach of security in which: (i) any person obtained unauthorized possession of personal identifying information owned or maintained by you; and (ii) the security, confidentiality, or integrity of that information was compromised?”
 - b. Question 10(B) of the 2013 Renewal Form asks: “If the answer to (A) is yes, did you disclose the incident(s) to DCA?”
 - c. Question 10(C) of the 2013 Renewal Form states: “If you answered yes to any part of this question (question 10), you must attach the following to this application for each incident: (i). a written statement or chart providing details of the incident, including: a description of the information compromised; the date of the incident; the name(s) and title(s) of the person(s) who obtained unauthorized possession; and an explanation of whether and how you reported each incident to DCA; and (ii). a copy of any notice(s) you sent to DCA to notify DCA of the incident(s).”
 - d. 6 RCNY § 1-01.1(a) provides: “No applicant for a license or a renewal thereof shall fail to provide complete and truthful responses to all the information

requested on an application for such license or renewal thereof and any documents related thereto.”

- e. 6 RCNY § 1-01.1(b) provides: “No applicant for a license or renewal thereof shall conceal any information, make a false statement or falsify or allow to be falsified any certificate, form, signed statement, application or report required to be filed with an application for a license that is to be issued by the department or for a renewal thereof.”
 - f. Admin. Code § 20-117(a)(2) provides, in relevant part: “The term ‘breach of security’ shall mean unauthorized possession of personal identifying information that compromises the security, confidentiality or integrity of such information.”
 - g. Admin. Code § 20-117(b) provides, in relevant part: “Any person required to be licensed pursuant to chapter two of this title . . . that maintains but does not own data that includes personal identifying information *shall immediately disclose* to the department . . . any breach of security following discovery by a supervisor or manager, or following notification to a supervisor or manager, of such breach if such personal identifying information is reasonably believed to have been acquired by an unauthorized person.” (emphasis added).
 - h. TSI answered “No” to Question 10(A), and answered “No” to Question 11(A). TSI’s answer falsely indicated that, in the past seven years, no employee or associate of TSI had been convicted of identity theft. TSI’s answer also inaccurately indicated that, in the past seven years, TSI had not “had a breach of security in which . . . any person obtained unauthorized possession of personal identifying information . . . maintained by [TSI] and . . . the security, confidentiality, or integrity of that information was compromised.” In fact, TSI terminated one of its employees, Peter Kirt Emmanuel January II, after January allegedly misappropriated a debtor’s credit card information in 2010 for personal use including “paying rental fees for a personal storage unit and for multiple travel bookings with an online website.” *See In re Transworld Systems Inc.*, Consent Order (Minn. Dep’t of Comm., July 25, 2012).
 - i. TSI did not comply with 6 RCNY § 1-01.1 by making an inaccurate statement and failing to provide complete information in response to Question 10 of the 2013 Renewal Form.
 - j. TSI did not comply with Admin. Code § 20-117(b) by failing to immediately disclose a breach of security to the Department.
- (3) TSI Failed to Provide Complete Information in Response to Question 26 Regarding Collection of Payday Loans:
- a. Question 26(A) of the 2013 Renewal Form asks: “Have you collected or attempted to collect payday loans from New York City consumers in the past five years?”

- b. Question 26(B) of the 2013 Renewal Form states: “If the answer to (A) is yes, indicate the number of payday loan accounts you collected or attempted to collect from New York City consumers in each of the past five years in the table below. (Do not leave blank; if your answer is zero, so indicate.)”
- c. Question 26(C) of the 2013 Renewal Form states: “If the answer to (A) is yes, attach a statement identifying the names and addresses of: (i) all creditors on whose behalf you collected or attempted to collect a payday loan from a New York City consumer; and (ii) all entities from whom you acquired ownership of a payday loan that you collected or attempted to collect from a New York City consumer.”
- d. 6 RCNY § 1-01.1(a) provides: “No applicant for a license or a renewal thereof shall fail to provide complete and truthful responses to all the information requested on an application for such license or renewal thereof and any documents related thereto.”
- e. 6 RCNY § 1-01.1(b) provides: “No applicant for a license or renewal thereof shall conceal any information, make a false statement or falsify or allow to be falsified any certificate, form, signed statement, application or report required to be filed with an application for a license that is to be issued by the department or for a renewal thereof.”
- f. TSI did not provide any answer to Question 26(A). In the space for its response to Question 26(B), TSI wrote “Unclear” and left the remainder of the answer space blank. TSI did not attach any statements or explanation for its failure to respond to Questions 26(A), 26(B), and 26(C).
- g. TSI did not comply with 6 RCNY § 1-01.1 by failing to provide complete information in response to Questions 26(A), 26(B), and 26(C) of the 2013 Renewal Form.
- h. Since January 1, 2008 TSI has attempted to collect one payday loan account from a New York City resident.