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FDIC Announces Settlement with Cross River Bank, Teaneck, New Jersey, and Freedom Financial Asset Management, LLC, San Mateo, California, for Unfair and Deceptive Practices

Settlement awards restitution to harmed consumers and requires the bank to provide increased oversight of third-party providers

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The Federal Deposit Insurance Corporation (FDIC) announced settlements with Cross River Bank, Teaneck, New Jersey, and its institution-affiliated party, Freedom Financial Asset Management, LLC (FFAM), San Mateo, California, for unfair and deceptive practices in violation of Section 5 of the Federal Trade Commission (FTC) Act related to the marketing and origination of Consolidation Plus Loans (C+ Loans). In addition, the FDIC found the bank and FFAM violated the Truth in Lending Act (TILA) and Electronic Fund Transfer Act (EFTA).

As part of the settlement, Cross River Bank and FFAM stipulated to the issuance of respective Consent Orders, Orders for Restitution, and Orders to Pay Civil Money Penalties (collectively, FDIC Orders). The FDIC Orders require restitution to harmed consumers. Although the exact amount of restitution has not yet been finally determined, $20 million has been placed in a segregated account for the purpose of providing restitution to harmed consumers. Additionally, the FDIC Orders assess civil money penalties of $641,750 against the bank, and $493,500 against FFAM.

Cross River Bank originates C+ Loans, an unsecured debt consolidation loan product, through FFAM. C+ Loans are offered exclusively to consumers who contract with Freedom Debt Relief (FDR), a FFAM-affiliated debt settlement company. C+ Loans were marketed as a way for consumers to quickly resolve their outstanding debts. Consumers are charged a settlement fee of up to 25 percent of each debt enrolled in FDR's program.

The FDIC determined that Cross River Bank and FFAM violated federal law prohibiting unfair and deceptive practices, by, among other things:

- Requiring borrowers to sign loan documents without knowing the essential terms and conditions of the loan;
- Failing to inform borrowers that certain major creditors will not negotiate debts with FDR and including related debt settlement fees into C+ Loans, when in fact, borrowers had to negotiate such debts themselves;
- Misrepresenting to consumers that the C+ Loans would result in the settlement of all their debts within 30 to 45 days or 30 to 90 days, which was not true for nearly half of the consumers; and
- Misrepresenting that the consumers' creditworthiness would improve by obtaining a C+ Loan.

As the originator of these loans, Cross River Bank is responsible for ensuring the C+ Loans program operates in compliance with all applicable laws.

The FDIC Orders require Cross River Bank and FFAM to develop and implement a restitution plan that covers borrowers who, from 2013 to the present, received loans originated by the bank through FFAM, and were harmed by the practices identified as being unfair and deceptive. The restitution plan must be submitted to the FDIC for review and non-objection, and restitution calculations will be verified by an independent third-party. **Consumers who are eligible for relief under the settlement are not required to take any action to receive restitution.**

In addition to the payment of restitution to harmed consumers and civil money penalties, the FDIC Orders also require Cross River Bank and FFAM to take affirmative steps to ensure compliance with the FTC Act, as well as TILA and EFTA. Cross River Bank's Order also requires adequate oversight of its third-party providers; a Compliance Management System that effectively identifies, addresses, monitors, and controls consumer protection risks associated with third-party activities; and sufficient resources to oversee third-party relationships.

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dom Financial Asset Management, LLC, and Cross River Bank: Consent Order, Order for Restitution, and Order to Civil Money Penalty

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 5,670 as of December 31, 2017. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars—insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). **PR-21-2018**
