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3 **STATE OF OREGON**
4 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
5 **DIVISION OF FINANCE AND CORPORATE SECURITIES**

6 **BEFORE THE DIRECTOR OF THE DEPARTMENT**
7 **OF CONSUMER AND BUSINESS SERVICES**

8 In the Matter of:

9 **DM-11-0044**

10 **PREFERRED FINANCIAL**
11 **SERVICES, INC.,**

12 **ORDER TO CEASE AND DESIST,**
13 **ORDER ASSESSING CIVIL**
14 **PENALTY, AND CONSENT TO**
15 **ENTRY OF ORDER**

16 Respondent.

17 WHEREAS, the Director of the Department of Consumer and Business Services for the
18 State of Oregon (hereinafter “the Director”), acting pursuant to the Oregon statutes regulating
19 debt management service providers, ORS 697.612 or ORS 697.642 to 697.702, and OAR 441-
20 910-0000 through 441-910-0120, conducted an investigation of Preferred Financial Services,
21 Inc. and concluded that violations of Oregon law have been committed; and

22 WHEREAS Preferred Financial Services, Inc. wishes to resolve this matter with the
23 Director;

24 NOW THEREFORE, as evidenced by the signature(s) subscribed on this Order,
25 Preferred Financial Services, Inc. hereby CONSENTS to entry of this Order upon the Director’s
26 Findings of Fact and Conclusions of Law as stated hereinafter.

I.

FINDINGS OF FACT

The Director FINDS that:

1. Preferred Financial Services, Inc. (hereinafter “Respondent” or “PFS”) is a
Massachusetts company with offices located at 300 Brickstone Square, Andover, MA 01810.
PFS conducts business under the assumed business name Preferred Financial Services, and
maintains the website www.pfs1.net. The business name Preferred Financial Services, Inc. has





1 not been registered with the Oregon Secretary of State as either a corporation or assumed
2 business name.

3 2. At all times relevant to this matter, PFS received money or other valuable
4 consideration in return for receiving or offering to receive funds from a consumer for the purpose
5 of distributing the funds among the consumer's creditors in full or partial payment of the
6 consumer's debts or obtaining or attempting to obtain as an intermediary on a consumer's behalf
7 a concession from a creditor including a reduction in the principal, interest, penalties or fees
8 associated with a debt.

9 3. From January 1, 2011 to date, Respondent, by and through its employees, contacted
10 Oregon residents offering debt management services. Respondent, by and through its employees,
11 contacted Oregon residents by telephone, electronic mail, and United States mail. Respondent,
12 by and through its employees, directed Oregon residents to review its website.

13 4. Respondent represented on its website that "Preferred Financial Services is a debt
14 settlement company. We will alleviate your debt through negotiating settlements and payoffs
15 with your creditors."

16 5. Between January 1, 2011 and present, Respondent entered into debt management
17 service agreements with not less than 37 Oregon residents.

18 6. Each of these Oregon customers was charged more than \$50 as an initial account
19 setup fee.

20 7. At no time material to this Order, or at any time in negotiating or performing debt
21 management services for its Oregon customers, had Respondent PFS obtained a bond issued by
22 one or more corporate sureties authorized to do business in Oregon pursuant as required by
23 Oregon law.

24 8. At no time material to this Order was Respondent registered with the Director to
25 engage in debt management services in Oregon.

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1 **II.**

2 **CONCLUSIONS OF LAW**

3 The Director CONCLUDES that:

4 9. Respondent PFS performed debt management services as defined by ORS
5 697.602(2)(d) by receiving money or other valuable consideration or expecting to receive money
6 or other valuable consideration in return for obtaining or attempting to obtain as an intermediary
7 on a consumer's behalf a concession from a creditor including, but not limited to, a reduction in
8 the principal, interest, penalties or fees associated with a debt.

9 10. Respondent PFS violated ORS 697.612(1) by engaging in the business of debt
10 management service provider for 37 Oregon residents without being registered with the Director
11 pursuant to ORS chapter 697.

12 11. Respondent PFS violated ORS 697.642(1) when it performed debt management
13 services for 37 Oregon residents without first filing a bond issued by one or more corporate
14 sureties authorized to do business in Oregon. Each time Respondent performed or attempted to
15 perform a debt management service in Oregon without first filing a bond is a separate and
16 distinct violation of ORS 697.642(1).

17 12. Respondent PFS violated ORS 697.692 by charging 37 Oregon consumers each an
18 initial fee of more than \$50 for debt management services. Each time Respondent charged an
19 Oregon consumer an initial fee more \$50 is a separate and distinct violation of ORS 697.692.

20 **III.**

21 **ORDER**

22 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDER:

23 Cease and Desist Order

24 13. Pursuant to the authority of ORS 697.825(1)(a), the Director hereby ORDERS
25 Respondent Preferred Financial Services, Inc. ("PFS") to CEASE AND DESIST from violating
26 any provision of the Oregon statutes regulating debt management service providers, ORS chapter

1 697, and any rule, order, or policy issued by the Director under ORS chapters 697.

2 Order Assessing Civil Penalty

3 14. Pursuant to the authority of ORS 697.832, the Director may assess a CIVIL
4 PENALTY in an amount of not more than \$5,000 per violation against any person who violates
5 ORS 697.612 or ORS 697.642 to 697.702, rules adopted pursuant to ORS 697.632 or any order
6 issued under ORS 697.825.

7 15. Pursuant to ORS 697.832, the Director hereby assesses Respondent PFS a CIVIL
8 PENALTY in the amount of \$79,000 (seventy-nine thousand dollars) as follows:

9 A. A CIVIL PENALTY of \$5,000 (five thousand dollars) for violation of the registration
10 provisions of ORS 697.602(2)(d) by engaging in the business of performing debt management
11 service without being registered with the Director pursuant to ORS chapter 697;

12 B. A CIVIL PENALTY of \$1,000 (one thousand dollars) each for 37 violations of ORS
13 697.642(1), performing debt management services without first filing a bond as required by
14 ORS chapter 697; and

15 C. A CIVIL PENALTY of \$1,000 (one thousand dollars) each for 37 violations of ORS
16 697.692, charging consumers an initial fee of more than \$50 for debt management services.

17 Suspension of Civil Penalty

18 16. The Director agrees to SUSPEND the collection of the CIVIL PENALTY assessed
19 herein providing that Respondent Preferred Financial Services, Inc. complies with all of the
20 following terms and conditions:

21 A. Within 60 days from the effective date of this Consent Order, Respondent Preferred
22 Financial Services, Inc. shall refund the monies paid by each Oregon client to PFS over and
23 above the fee structure set out in ORS chapter 697, less any amounts paid to the client's
24 creditors. A cover letter from PFS must accompany the payment of any refund explaining that
25 the client's funds are being refunded against the fee structure in ORS chapter 697 because the
26 State of Oregon, Division of Finance and Corporate Securities ("the Division") determined that

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 PFS was not in compliance with Oregon law. PFS shall provide the Division with satisfactory
2 proof of the refunds and copies of the cover letters to the Oregon clients.

3 B. Within 60 days from the effective date of this Consent Order, Respondent Preferred
4 Financial Services, Inc. must either: (i) register with the Director as a debt management service
5 provider pursuant to ORS 697.632, or (ii) place a prominent disclaimer on its website, the
6 websites of all affiliated companies, and in all promotional materials published by of for
7 Preferred Financial Services, Inc., to the effect that its debt management services are not
8 available to Oregon residents.

9 C. Comply with all terms and conditions set out in the Consent Order and commit no
10 new violations of the Oregon statutes regulating debt management service providers, ORS
11 697.612 or ORS 697.642 to 697.702, the rules adopted pursuant to ORS 697.632, or any order
12 issued under ORS 697.825.

13 17. If Respondent Preferred Financial Services, Inc. commits no new violations during
14 the three-year period from the effective date of this Consent Order, the Director WAIVES the
15 collection of the suspended CIVIL PENALTY assessed herein.

16 18. The Director reserves the right to immediately impose the suspended CIVIL
17 PENALTY upon a determination that Respondent Preferred Financial Services, Inc. has violated
18 any term of this Consent Order.

19 19. The entry of this Consent Order in no way limits further remedies which may be

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1 available to the Director under Oregon law.

2 IT IS SO ORDERED.

3 Dated this 27th day of July, 2011 at Salem, Oregon.

4 SCOTT L. HARRA, Acting Director
5 Department of Consumer and Business Services

6 */s/ David C. Tatman*

7 David C. Tatman, Administrator
8 Division of Finance and Corporate Securities

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CORPORATE CONSENT TO ENTRY OF ORDER

I, Wayne A. Ahlquist, state that I am an officer of Preferred Financial Services, Inc. (“Respondent”), and I am authorized to act on its behalf; that I have read the foregoing Consent Order and that I know and fully understand the contents hereof; that I and this entity have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that Respondent, voluntarily and without any force or duress, consents to the entry of this Consent Order, expressly waiving any right to a hearing in this matter; that Respondent neither admits nor denies the Findings of Fact and Conclusions of Law in the foregoing Consent Order; that Respondent understands that the Director reserves the right to take further actions to enforce this Consent Order or to take appropriate action upon discovery of other violations of the Oregon statutes regulating debt management service providers, ORS 697.612 or ORS 697.642 to 697.702, the rules adopted pursuant to ORS 697.632, or any order issued under ORS 697.825, and that Respondent will fully comply with the terms and conditions stated herein.

Respondent further assures the Director that neither Respondent, nor its officers, directors, employees or agents, will offer or provide debt management services in Oregon unless such activities are in full compliance with chapter 697 of the Oregon Revised Statutes.

Respondent understands that this Consent Order is a public document.

By: */s/ Wayne A. Ahlquist*
Wayne A. Ahlquist

Office Held: _____

CORPORATE ACKNOWLEDGMENT

State of New Hampshire

County of Belnap

There appeared before me this 1st day of July, 2011, Wayne A. Ahlquist, who was first duly sworn on oath, and stated that he was and is an officer of Preferred Financial Services, Inc., and that he is authorized and empowered to sign this Consent Order on behalf of Preferred Financial Services, Inc. and to bind it to the terms hereof.

/s/ Kathleen A. Braley
Signature of Notary Public

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