IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

UNITED STATES OF AMERICA *ex rel* LENORA JONES and PATRICIA J. WILLOUGHBY,	)	**FILED IN CAMERA AND UNDER SEAL UNDER THE FALSE CLAIMS ACT**
Plaintiffs,	)	
v.	)	**Case No. 3:07CV290-HEH**
COLLEGIATE FUNDING SERVICES, INC., COLLEGIATE FUNDING SERVICES, LLC, CFS-SUNTECH SERVICING, LLC, J.P. MORGAN CHASE & CO., and JPMORGAN CHASE BANK (a.k.a. "JPMC BANK")	)	**Jury Demanded**
Defendants	)	

SECOND AMENDED COMPLAINT

Qui tam Relators Lenora Jones and Patricia J. Willoughby, pursuant to Rule 15(a) of the Federal Rules of Civil Procedure, hereby file (through their undersigned attorneys) the following as their Second Amended Complaint in this action (earlier transferred to this Court from the Northern District of Illinois):

1. This is a civil action brought against each of the Defendants named above, and on behalf of the United States of America, through the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3729-3732 (as amended by the False Claims Act Amendments of 1986), to recover damages and civil penalties from each such Defendant.

Venue and Jurisdiction

2. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1345 and 31 U.S.C. §§ 3730(b) and 3732(a).

3. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and (c), and 31 U.S.C. §§ 3730(b) and 3732(a), the Defendants having established and having operated the corporate headquarters of Defendant Collegiate Funding Services, Inc. and Defendant Collegiate Funding Services, LLC, in Fredericksburg, Virginia, within this District and Division, from which the schemes and activities challenged in this action were organized and directed.

The Parties

4. Relator Lenora Jones, an adult resident of Lakeland, Florida, was employed by the Defendant Collegiate Funding Services LLC, as a "Financial Specialist" between August of 2002 and approximately June of 2006, engaged full-time in marketing directly to college students loans designed to "consolidate" pre-existing student loans. Jones was trained and supervised pursuant to the nationally standardized marketing practices undertaken by the Defendants by and through Collegiate Funding Services LLC.

5. Relator Patricia Jane Willoughby, an adult resident of Dunedin, Florida, was employed between approximately October of 2000 and June of 2001, by Defendant Collegiate Funding Services, LLC as a marketing representative engaged full-time in soliciting college students, their parents and other borrowers for student loans through Collegiate Funding Services, LLC. Willoughby was trained and supervised pursuant to the nationally standardized marketing practices undertaken by the Defendants by and through Collegiate Funding Services, LLC.

6. Defendant Collegiate Funding Services, Inc., is a Delaware corporation with its principal place of business at 10304 Spotsylvania Avenue, Suite 100, Fredericksburg, Virginia.

7. Defendant Collegiate Funding Services, LLC, is a limited liability company organized under the laws of the Commonwealth of Virginia, which maintains as its principal place of business the address of 10304 Spotsylvania Avenue, Suite 100, Fredericksburg, Virginia. Defendant Collegiate Funding Services, LLC is a wholly owned subsidiary of Defendant Collegiate Funding Services, Inc.

8. Defendant CFS-Suntech Servicing, LLC (hereafter, "CFS-Suntech"), is a limited liability company organized under the laws of the State of Delaware, with its principal place of business located at 100 Riverside Parkway in Fredericksburg, Virginia. CFS-Suntech is a wholly-owned subsidiary of Collegiate Funding Services, LLC (or Collegiate Funding Services, Inc.). CFS-Suntech has acted as an agent of Collegiate Funding Services, LLC (and/or Collegiate Funding Services, Inc.), with respect to activities as a "servicer" and agent of lenders of federally-guaranteed college student loans. Any reference hereafter in this Complaint to "CFS" shall mean each and all of (a) the Defendant Collegiate Funding Services, Inc., (b) the Defendant Collegiate Funding Services, LLC, and (c) CFS-Suntech.

9. Defendant J. P. Morgan Chase & Co. (hereafter, "Chase"), is a Delaware corporation which maintains its principal place of business at 270 Park Avenue, New York, New York, and maintains as its Illinois registered agent C T Corporation System located at 208 South LaSalle Street, Suite 814, Chicago, Illinois. Leading up to the purchase by Chase of CFS in late 2005, or early 2006, Chase agreed with CFS to

maintain and facilitate the marketing and lending schemes described hereafter, which have been marketed since the time of that purchase in the names both of CFS and J P Morgan Chase Student Loans under the direction and control of Chase.

10. Defendant JPMorgan Chase Bank, also known (and hereafter referred to) as "JPMC Bank", maintains its principal place of business at 270 Park Avenue, New York, New York, and may be served with process through C T Corporation System located at 208 South LaSalle Street, Suite 814, Chicago, Illinois. Through an Agreement and Plan of Merger on December 14, 2005, JPMC Bank acquired control over (and the liabilities of, including liability to the United States for the conduct prior to that date and described herein) Defendant Collegiate Funding Services, Inc., and thus indirect control over (and the then-existing liabilities of) Defendants Collegiate Funding Services LLC and CFS-Suntech, resulting in the merger, on or about that date, of Collegiate Funding Services, Inc. into and with JPMC Bank. In the course of the "due diligence" and related communications and agreements engaged in by JPMC Bank in the course of contemplating and consummating that merger transaction, JPMC Bank learned of and agreed to continue the illegal practices by CFS described below, and thus joined the conspiracy to undertake and continue those practices and to make the resulting false claims following that date. By virtue of the same merger, Defendant JPMC became liable as assignee of and successor to the liabilities of the same three CFS Defendants for the conduct which preceded the merger as described below.

Federally-Guaranteed Student Loans

11. Pursuant to Title IV of the Higher Education Act ("HEA"), 20 U.S.C. §§ 1071 *et seq.*, most federally-backed college student loans in the United States have

during all relevant times been funded in the first instance by private financial institutions, and guaranteed and otherwise subsidized by the United States through the U. S. Department of Education ("DOEd") through the Federal Family Education Loan Program ("FFELP"). The FFELP in turn includes Federally Subsidized (and Unsubsidized) "Stafford Loans" (on which the DOEd directly or indirectly pays interest during in-school or other deferment and forebearance periods), Federal PLUS loans (directly to parents of dependent undergraduate college students), Perkins Loans (to students with substantial financial need), and Federal Consolidation Loans. The FFELP loans involved in this case are entirely Federal Consolidation Loans.

12. The United States, through the DOEd, funds insurance or guaranty claims upon default by the student borrower, and also funds interest payments, "special allowance" payments, and other payments to subsidize such college loan obligations, through one (or sometimes two) State Guaranty Agency in each of the states. All payments to private lenders of claims for interest, fees, insurance or guaranty payments by such state guaranty agencies are made from those agencies' reserve funds, all of which are the property of the United States Government. 20 U.S.C. § 1072(g)(1).

13. Any communication to such a State Guaranty Agency of an application for an FFELP student loan (thereby seeking a loan guaranty obligation by the United States through the DOEd and a payment of funds of the United States subject to default on the resulting loan obligation of the borrower), or of any other request for (or determination of eligibility for) actual or contingent payments of interest or fees, is a "claim" within the meaning of 31 U.S.C. § 3729(c) of the False Claims Act.

14. In the course of and as a prerequisite to submitting to any State Guaranty

Agency the required "Claim Form" seeking payment by the Guaranty Agency with funds of the United States DOEd of any guaranty or insurance claim upon any defaulted FFELP student loan, the lender and/or servicer submitting any such claim expressly certifies that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge . . . that the loan(s) included in the claim was (were) made, disbursed (including remittance of origination fees) and serviced in compliance with all federal regulations." CFS also entered agreements with each such State Guaranty Agency under which the agreeing CFS entity represented and certified that as to each claim or submission to each such Agency the CFS entity would comply with all federal regulations applying to each such transaction. As a result of those agreements, the CFS entities also acted as agents of each such Guaranty Agency in marketing and servicing student loan applications pursuant to those agreements.

15. A legal prerequisite to a lawful approval by a State Guaranty Agency of a federal guaranty of an FFELP student loan is that the lender named on the loan application must be an eligible lender. 20 U.S.C. § 1085.

16. A legal prerequisite to serving, or to submitting any claim, as a lawful lender or servicer as to any federally-guaranteed FFELP student loan, in turn, is that no lender (and no marketer or "servicer" acting on behalf of any lender) may offer, directly or indirectly, any payments or other inducements to any individual or entity (including to any educational institution) in order to secure applicants for any FFELP loan. 20 U.S.C. § 1085(d), 20 U.S.C. § 1086(a), 34 CFR § 682.200, 34 CFR § 682.401(e) and 34 CFR § 682.415(b).

17. Any lender or servicer (which has been designated "for exceptional performance" by DOEd) which offers any such payment or other inducement and who makes any claim for federal funds as to any FFELP loan is by Congress' express terms "in violation of section 3729 of Title 31" (being the False Claims Act), by virtue of 20 U.S.C. § 1078-9(g). Any claim submitted by or on behalf of any such lender or servicer is therefore a legally and factually false claim, on which payment is not due, within the meaning of 31 U.S.C. § 3729.

18. A further and separate legal prerequisite to serving, or to submitting any claim, as a lawful lender or servicer as to any federally-guaranteed FFELP student loan, in turn, is that no lender (and no marketer or "servicer" acting on behalf of any lender) may engage in any fraudulent or misleading advertising. 20 U.S.C. § 1085(d), 20 U.S.C. § 1086(a), 34 CFR § 682.200, 34 CFR § 682.401(e) and 34 CFR § 682.415(b).

19. Any lender or servicer (which has been designated "for exceptional performance" by DOEd) which engages in any fraudulent or misleading advertising and which makes any claim for federal funds as to any FFELP loan is by Congress' express terms "in violation of section 3729 of Title 31" (being the False Claims Act), by virtue of 20 U.S.C. § 1078-9(g). Any claim submitted by or on behalf of any such lender or servicer is therefore a legally and factually false claim on which no payment is due, within the meaning of 31 U.S.C. § 3729.

20. A further and separate legal prerequisite to serving, or to submitting any claim, as a lawful lender or servicer as to any federally-guaranteed Consolidation Loan, in turn, is (or was, until the July 2006 legislative repeal of the "single holder rule") that no lender (and no marketer or "servicer" acting on behalf of any lender) could be a party

to a consolidation loan unless the same lender then held an outstanding loan of that same borrower which was itself selected by that borrower for consolidation through and into the consolidation loan (unless the same borrower had multiple different holders of such underlying student loans). 20 U.S.C. § 1078-3(a)(prior to 2006).

21. Any lender or servicer (which has been designated "for exceptional performance" by DOEd) which prior to July 1, 2006 submitted any application for any Federal Consolidated Loan in violation of the same "Single Holder Rule", or which made any claim for federal funds as to any such Consolidation loan was "in violation of section 3729 of Title 31" (being the False Claims Act), by virtue of 20 U.S.C. § 1078-9(g). Any claim submitted by or on behalf of any such lender or servicer was therefore a legally and factually false claim on which no payment is due, within the meaning of 31 U.S.C. § 3729.

First Pattern of Violations by CFS: Illegal Financial Inducements to Schools

22. As part of a "Confidential Investor Presentation" by CFS in March of 2005, CFS expressly assured potential investors that CFS had a "distinct competitive advantage" relative to other FFELP consolidation loan lenders because of its "1,000+ school and affinity partnerships" giving it a distinct "ability to reach graduating students before competitors."

23. As an essential part of many such "preferred lender" agreements with educational institutions, CFS has engaged in a pattern of offering and paying, to and for the financial benefit of units or entities controlled by or affiliated with post-secondary education institutions receiving proceeds from FFELP student loans (and/or to their employees), monetary amounts and other inducements in order to secure applications

for FFELP loans. One of the patterns of such "preferred lender" agreements has involved written agreements under which CFS has made quarterly (or other regular) payments to alumni offices of (and/or alumni associations affiliated with) schools granting CFS "preferred lender" advantages, the amounts of which have been tied to and governed by the number of FFELP loan applications received by CFS from students at, or graduates of, those "preferred lender" schools. In consideration of those payments, the schools and their financial aid offices and personnel have agreed to steer students and graduates to CFS for loan applications, to steer students and graduates to the CFS website for discharge of the students' "exit counseling" for graduating students, and otherwise to promote and market CFS as a "preferred" lender.

24. Relator Patricia J. Willoughby is aware, as one specific example of this pattern of "preferred lender" agreements with schools, that during 2003-2004, CFS entered and maintained, with an entity affiliated and identified with Norfolk State University, in Norfolk, Virginia (namely that University's affiliated and official "Alumni Association"), by arrangement and agreement with student financial assistance officials at that University, a written agreement under which CFS each quarter sent to that University's Office of Alumni Relations, for the benefit of that Alumni Association's account, an amount of money equal to $100.00 (or $125.00) for each student or graduate of Norfolk State University who during the three-month quarter had applied to CFS for an FFELP consolidation loan of which CFS was or would be the lender. Such payments for the benefit of Norfolk State University were made on a per-application, *quid-pro-quo* basis in order to induce, and in consideration of promises and activities by student financial aid officials of that University to cause, referrals of students and

graduates by University officials to CFS (as a "preferred lender" of the University) for consolidation loans. Such resulting referral activities by such University officials included communications to students and graduates of "Grad Packs" and other promotional publications advertising CFS and its lending activities and opportunities, and recommendations by such University officials that students and graduates use the CFS website to obtain information about consolidation loans and to satisfy the "exit counseling" requirement imposed on such students. CFS maintained such payment and inducement arrangements and detailed written contracts with entities affiliated with many other higher-education institutions as part of its "preferred lender" agreements with many higher education institutions throughout the United States.

25. Each of the "preferred lender" agreements entered by CFS promising or providing for payments to educational institutions, alumni associations, or other units or persons affiliated with or benefitting such schools, and each and every payment or other transfer of value made to any such school, association, unit or individual affiliated with any such school or association, violated federal statutes and regulations governing the making of federal consolidation loans of the kind solicited and entered by CFS, including 20 U.S.C. § 1085(d)(5), which prohibits lenders from offering, "directly or indirectly, points, premiums, payments, or other inducements, to any educational institution or individual in order to secure applicants for loans" under Title IV of the HEA, including federal consolidation loans.

26. CFS and other major private FFELP lenders were warned in writing by the DOEd through an official "Dear Colleague" letter communicated by the DOEd Deputy Assistant Secretary for Student Financial Assistance in February of 1989 that this

statutory language was "broadly intended to prohibit the direct or indirect offering or payment of any kind of financial incentive by a lender to any entity or person to secure applicants for (Title IV, Part B) loans . . . regardless of the form of the incentive or its mode of payment."

27. CFS and other major private FFELP lenders were again told by the DOEd in March of 1995 through a further "Dear Colleague" letter communicated that month by the Senior Advisor to the DOEd Secretary that the same statutory language was to be treated as a 'prohibition on inducements to schools by lenders", and that the prohibition "must be observed". CFS and other such lenders were then expressly told: "Loan decisions by students may affect their entire lives significantly, and such decisions should be based on the merits of the loans and not on extraneous factors, particularly not on monetary benefits given to the schools on which students often rely in such matters. In this respect it does not matter whether the lender offers the monetary benefit to the school directly or simply arranges for the school to receive the benefit from a third party." CFS was otherwise told then as follows: "The Department considers lender activity exceeding these statutory limitations as extremely serious and will not tolerate its continuance. Arrangements designed to enable schools to evade the statutory limitations on their lending activities or to confer a monetary benefit on them to induce the securing of FFELP loan applicants must be ceased immediately." The Defendants have never been told by DOEd that this interpretation of the statutory and regulatory prohibition on inducements to schools for loan applicants had any meaning or effect different from the meaning and effect described in the DOEd's own language quoted in this paragraph and in the immediately preceding paragraph.

28. Though the inducement prohibition set forth in 20 U.S.C. § 1085(d)(5) is in one respect a statute authorizing the DOEd Secretary to pursue a particular administrative remedy of removing a lender's status as an "eligible lender" upon a finding that the inducement prohibition has been violated, nothing about that statute, and nothing about the DOEd's interpretations of the substantive terms of the statute as quoted above, means that the administrative sanction of removal from "eligible lender" status is the only remedy available to the United States for violation of those substantive terms. As CFS and other major FFELP lenders knew throughout all times relevant to this proceeding, substantive obedience to the statute's substantive language defining the inducement prohibition itself was among the statutory and regulatory requirements applying to lender conduct in the solicitation of applications for, and the making of, federal consolidation or other FFELP loans.

(1)(a) False Certifications on Federal Guaranty Insurance "Claim Form"

29. As a legally necessary part of each and every "Claim Form" through which Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, asserted a claim to applicable Guaranty Agencies (and/or to the DOEd) for payment with funds of the United States on any federal guaranty or insurance agreement upon the default of any required payments on a federal consolidation loan made by CFS, CFS as lender (directly or through CFS-Suntech as servicer and agent) signed and made an explicit statement that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge, that the information in this claim is true and accurate and that the loan(s)

included in the claim was (were) made . . . in compliance with all federal regulations and appropriate guarantor rules." A duplicate of that "Claim Form" is attached to this First Amended Complaint as Exhibit A hereto.

30. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or alumni of institutions to which or to whom CFS had paid or transferred monetary inducements in violation of 20 U.S.C. § 1085(d)(5) and the remaining authorities for the inducement prohibition described above. All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, such loan insurance claims paid to CFS with funds of the United States. If Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

(1)(b) False Certifications on Federal Consolidation Loan Verification Certificates

31. As a legally necessary part of initially making and undertaking each and every individual federal consolidation loan, and of being entitled to receive payment with funds of the United States for any interest payments, "special allowance" payments, or insurance or guaranty payments as to each such loan, Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, was required

to and did sign and submit to he applicable Guaranty Agencies (and/or to the DOEd), a "Federal Consolidation Loan Verification Certificate" which, as required by 20 U.S.C. § 1078-3(b)(3), included an express certification by CFS as follows: "Each such loan was made and serviced in compliance with all applicable laws and regulations." A duplicate of that Verification Certificate is attached to this First Amended Complaint as Exhibit B hereto. In order for any individual consolidation loan to be "covered" by federal insurance, the loan itself had to be "covered by a certificate" which included that explicit certification. 20 U.S.C. § 1078-3(a)(2).

32. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or graduates of schools to which, to whom, or for which CFS had paid or transferred monetary inducements in violation of 20 U.S.C. § 1085(d)(5) and the remaining authorities for the inducement prohibition described above. All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, all such interest payments, "special allowance" payments, and loan insurance claims paid to CFS with funds of the United States. If the Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

1(c): *Per se* FCA Violations by and through CFS-Suntech

33. All or substantially all of the claims for interest payments, "special

allowance" payments, and loan default insurance (or "guaranty") payments submitted to the guaranty agencies and the DOEd since the formation of CFS in l998 have been submitted by and through CFS-Suntech (before and after its acquisition by CFS) as servicer and thus as agent of CFS as lender and principal. CFS as lender is obligated by statute to "monitor the activities" of its servicer, and is thus the principal of the servicer with respect to the servicer's submission of all such claims on behalf of the lender. 20 U.S.C. § 1086(a)(2). At the times of all or substantially all of those submissions of claims on behalf of CFS, CFS-Suntech has been designated an "exceptional performance" loan servicer by the DOEd. As a result of submitting its insurance guaranty claims for payment through its servicer and agent CFS-Suntech, and by virtue of that "exceptional performance" designation of CFS-Suntech, CFS receives "99 percent of the unpaid principal and interest of all loans for which claims are submitted for payment by that eligible lender or servicer," rather than the lower percent that CFS would receive if its insurance payment claims were not being submitted by or through a servicer with that DOEd designation. 20 U.S.C. § 1078-9(b)(1).

34. With respect to claims made through (or other activities of) student loan lenders or servicers having that "exceptional performance" designation, Congress decided expressly to provide that non-compliance with "applicable program regulations shall be considered in violation of section 3729 of Title 31," which of course is the substantive provision of the False Claims Act. In submitting claims for insurance payments, special allowance payments, and interest payments to guaranty agencies and to DOEd on behalf of and as agent of its principal CFS, notwithstanding (and with knowledge of or reckless disregard as to the fact of) violations by its corporate affiliate

and principal CFS of the statutory inducement provisions as set forth above, CFS-Suntech committed *per se* violations of the False Claims Act, 31 U.S.C. § 3729, and each of the CFS entities conspired with their agent and affiliate CFS-Suntech to commit those *per se* violations.

Second Pattern of Violations by CFS: On-Line "Exit Counseling" to Induce Schools and Mislead Students

35. As a legal condition of a school's eligibility to receive proceeds from FFELP loans, each school is required by statute to devote the resources necessary to provide truthful and neutral "exit counseling" to each and every FFELP student borrower shortly before their graduation from the school, and to require each such graduating student to receive such exit counseling concerning which lending alternatives are in the best interests of the graduating students. 20 U.S.C. § 1092(b); 34 C.F.R. § 682.604(g).

36. In order for any such mandatory exit counseling for each such graduating student to satisfy and discharge each school's (and each student's) "exit counseling" obligation, the counseling must include communications personalized to the student concerning "such debt and management strategies *as the institution determines are designed to facilitate the repayment of such indebtedness"* of the particular student, disclosure of "the average anticipated monthly repayments" arising from the particular student's indebtedness, "a review of the repayment options available" to the particular student, and all "terms and conditions under which the student may obtain partial cancellation" of the particular student's indebtedness through entering one of the public service vocations set forth in 20 U.S.C. § 1087ee(2).

37. In order to induce schools and their financial aid offices to steer to CFS

applicants for federal consolidation loans to be entered with CFS (to the exclusion of all other lenders), CFS has entered agreements and arrangements with schools throughout the United States (including the 177 schools named in the next paragraph hereof) under which CFS agrees to discharge at CFS's expense the colleges' legal duty to provide exit counseling to its graduating students. This arrangement is of substantial economic benefit to each such school, and is a prohibited inducement of schools in order to secure loan applicants in violation of 20 U.S.C. § 1085(d)(5). As CFS and other major lenders were told as a result of a February 1989 "Dear Colleague" letter form the Deputy Assistant Secretary for Student Financial Assistance, that statutory prohibition outlaws conduct in which a lender "performs, without appropriate compensation, functions that the school is required to perform under the Part B Programs." Neutral and personalized exit counseling for each graduating student is one of those functions.

38. CFS entered such inducement agreements to provide at CFS' expense purported "exit counseling" with the following schools: Alabama State University, American River College, Andrews University, Asbury College, Asbury Theological Seminary, Ave Maria School of Law, Averett University (Non-Traditional), Averett University (Traditional), Babson College, Baruch College, Benedict College, Bethune-Cookman College, Bowling Green State University, Brooks College, California Baptist University, California Lutheran University, California School of Prof. Psychology/Alliant University, California State University, (Dominguez Hills), California State University (Fullerton), Cambridge College, Capella University, Central Arizona College, Chaminade University of Honolulu, Charles R. Drew University of Medicine and Science, Chicago State University, Chubb Institute, Clark College,

Clearwater Christian College, Colby-Sawyer College, College of Visual Arts, Computer Education Institute - Anaheim Campus, Computer Education Institute - Carson Campus, Computer Education Institute - Irwindale Campus, Computer Education Institute - Lake Forest Campus, Computer Education Institute - Los Angeles Campus, Computer Education Institute - Pomona Campus, Computer Education Institute - Riverside Campus, Computer Education Institute - San Diego Campus, Computer Education Institute - San Fernando Campus, Computer Education Institute - San Marcos Campus, Coppin State College, Cranbrook Academy of Art, Curry College, Drexel University, Duke University School of Law, East Texas Baptist University, Eastern Kentucky University, El Paso Community College, Emerson College, Endicott College, Fielding Graduate University, Fisher College, Florida Hospital College of Health Sciences, Florida State University, Freed-Hardeman University, Golden Gate University of Law, Goucher College, Grambling State University, Hardin-Simmons University, Holy Cross College, Hope International University, Houston Community College System - Coleman College, Houston Community College System - Central College, Houston Community College System - Northeast College, Houston Community College System - Northwest College, Houston Community College System - Southeast College, Houston Community College System - Southwest College, Houston Community College System - Stafford College, Husson College, Idaho State University Illinois Institute of Technology Downtown Campus, Illinois Institute of Technology Main Campus, James Madison University, Kapiolani Community College, Kendall College, Kettering University, Linfield School of Nursing, Loyola University, Marymount University, McMurry University, Merrimack College, Midwestern University Glendale

Campus, Mount Ida College, Mount Olive College, MTI College of Business and Technology, Muhlenberg College, National Hispanic University, National University Norfolk State University, Northeastern State University, Northeastern University, Oklahoma State University - Oklahoma City, Olivet College, Oral Roberts University, Oregon Health Sciences University, Our Lady of the Lake University, Pacific Northwest College of Art, Pacific Oaks College, Palm Beach Atlantic University, Phillips Graduate Institute, Pitzer College, Potomac College, Prescott College, Providence College, Pulaski Technical College, Randolph-Macon College, Remmington College, Riverside Community College, Rochester College, Rose State College, San Antonio College, Saybrook Graduate School and Research Center, School of Visual Arts, Schreiner University, Simpson College, Sojourner-Douglass College, Southeastern College, Southwestern University, Spelman College, St. Andrews Presbyterian College, St. Edward's University (TX), St. John's College (MD), St. Matthew's University School of Medicine, Stonehill College, Stratford University, Strayer University, SUNY Stony Brook School of Medicine, Texas A&M University - Corpus Chrisi, Texas A&M University - Galveston, Texas A&M University - Kingsville, Texas College of Traditional Chinese Medicine, Texas State University - San Marcos, Texas Wesleyan University, Texas Women's University School of Law, The Catholic University of America, Trinity University, University of Arizona, University of California - Hastings College of the Law, University of Dubuque, University of Findlay, University of Hawai'i - West O'ahu, University of Houston (Main Campus), University of Houston - Downtown, University of Laverne College of Law, University of Maine (Ft. Kent), University of Maine (Orono), University of Main at Presque Isle, University of Mary Hardin Baylor, University of Mary

Washington, University of Montevallo, University of North Carolina at Charlotte, University of North Carolina at Greensboro, University of North Carolina at Pembroke, University of Oklahoma Health Sciences Center, University of Phoenix, University of Saint Francis (Fort Wayne), University of San Francisco School of Law, University of South Carolina - Columbia, University of Southern Maine, University of St. Thomas, University of Texas (El Paso), University of Texas at Austin , University of Texas at Brownsville, University of the Incarnate World, University of Tulsa, University of Virginia, Utica School of Commerce, Victoria College, Virginia State University, Virginia Tech, Warner Southern College, Wellesley College, Western Baptist College, Western International University, Wharton County Junior College, Whittier College, William Mitchell College of Law, Woodbury University, and Xavier University of Louisiana. As part of their agreement and arrangement with CFS, student financial officials at such schools steered and referred graduating students to the CFS website in order to complete the students' required exit counseling.

39. Though CFS had represented to such schools that it would provide at CFS's expense the required exit counseling to graduating students through its internet website, CFS proceeded to design and to offer purported "exit counseling" material on its website which (a) did not comply with the minimum statutory requirements for such exit counseling, (b) was in fact misleading, and (c) was designed not to provide neutral or personalized advice or counseling to students, but to steer students toward applying online for a consolidation loan exclusively with CFS. Though the statute authorizes use by "an institution of higher education" of on-line communications to discharge the school's own exit counseling obligation, such electronic "counseling" must constitute

"*personalized* exit counseling." (20 U.S.C. § 1092(b); Emphasis added). The CFS on-line material, illustrated through the material attached hereto as Exhibit C, provided no such thing.

40. In violation of the statutory requirement that exit counseling "shall include . . . such debt and management strategies as the *institution* determines are designed to facilitate the repayment of such indebtedness," the CFS on-line exit counseling offered strategies - principally the "strategy" of a federal consolidation loan through CFS and CFS alone - determined not by the student's institution in the student's interests but instead by CFS in CFS's interest. 20 U.S.C. § 1092(b)(1)(A)(i)(emphasis added).

41. In violation of the further statutory requirement that exit counseling "shall include . . . the average anticipated monthly payments" which the individual student should anticipate, the CFS on-line exit counseling material is not customized for the circumstances of the individual student, and does not provide the student with information about the anticipated monthly repayment amounts specifically applying to the student. It states instead that "(y)our lender will communicate to you the exact repayment terms and monthly payment" as to the student's existing loan(s).

42. In violation of the further statutory requirement that exit counseling "shall include . . . the terms and conditions under which the student may obtain partial cancellation . . . of the principal and interest pursuant to sections . . . 1087ee of this title," the CFS on-line exit counseling material fails to disclose that if the student enters a consolidation loan which includes paying off a Perkins loan, the student would thereby lose their right to have a fraction (or even the entirety) of their loan cancelled and forgiven if the student were to enter a designated "public service" vocation including

service as a full-time teacher in certain public school districts, or as a Head Start program staff member, or as a member of the U. S. Armed Forces, or as a police officer, or as a nurse or medical technician. (Though the CFS on-line material discloses that these cancellation opportunities are available under Perkins loans, it does not disclose that those opportunities would be forfeited if the student selected, as urged by the CFS on-line material, to consolidate a Perkins loan obligation into a CFS federal consolidation loan.)

43. While the CFS on-line exit counseling material includes a list of "Reasons for student loan consolidation" (including the representation that "consolidating can improve your financial 'debt to income ratio' picture for future purchases"), CFS includes no such list of reasons why a particular student may not want to enter a consolidation loan. Similarly, while the same CFS on-line material asks students to answer as to "the advantages of a federal consolidation loan" (with the 'correct' answer being "all of the above," with the other alternative answers being "reduced monthly payment," "convenience of a single monthly payment," and "flexible repayment options"), there is no such question as to the possible disadvantages to particular students of entering a consolidation loan. The students engaged in "exit counseling" on the CFS website are also lead to respond by answering "always true" to the statement: "By consolidating your eligible Federal student debt into a single consolidation loan, you are responsible for one low payment to one servicer each month instead of multiple payments to multiple servicers." Without regard to the particular circumstances or obligations of individual students told by their schools to use CFS on-line exit counseling, the CFS material also represents to those students as follows: "If you feel that you could benefit

from a lower monthly student loan payment as you establish yourself after college, a Federal Consolidation Loan is probably right for you."

44. CFS uses its "exit counseling" material to induce students to seek an application from CFS for a consolidation loan, and offers no information about any other possible consolidation lender (and no information about alternative interest rates offered by any such alternative lenders). Students using the CFS on-line "exit counseling" for their mandatory exit counseling are required to read that "Collegiate Funding Services is available to help you with your consolidation questions and pre-application. Please check the appropriate box below." No "box" and no material is available for the student to communicate that they *decline* to undertake a federal consolidation loan with CFS. The only options offered by CFS to the students during this part of the *mandatory* "exit counseling" on-line session are: (1) to order a consolidation loan application from CFS, (2) to ask for a phone call from a CFS sales recruiter, or (3) to delay until "the end of my exit counseling session" any decision about whether to apply to CFS for a consolidation loan.

45. In inducing participating students to utilize material on the CFS website which purports to be specific to their school, and which repeats the name, school colors, and school logo or mascot of their school, the CFS on-line exit counseling material is further misleading in that it implies authorship by the school itself for the benefit of its graduating students, when in fact the "exit counseling" material is authored entirely by CFS for its own commercial purposes and only to induce applications to CFS for consolidation loans. Also concealed from students participating in the CFS on-line "exit counseling" is the fact that their schools received consideration from CFS in

exchange for referring their students to CFS for mandatory "counseling" of the students. For this and for the remaining reasons set forth above, the CFS on-line "exit counseling" material violates the substantive prohibition on "misleading advertising" by lenders set forth in 20 U.S.C. § 1085(d)(5)(D).

2(a): False Certifications on Federal Insurance Payment "Claim Forms"

46. As a legally necessary part of each and every "Claim Form" through which Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of their of both such lenders, asserted a claim to applicable Guaranty Agencies (and/or to the DOEd) for payment with funds of the United States on any federal guaranty or insurance agreement upon the default of any required payments on a federal consolidation loan made by CFS, CFS as lender (directly or through CFS-Suntech as servicer and agent) signed and made an explicit statement that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge, that the information in this claim is true and accurate and that the loan(s) included in the claim was (were) made . . . in compliance with all federal regulations and appropriate guarantor rules." A duplicate of that "Claim Form" is attached to this First Amended Complaint as Exhibit A hereto.

47. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or alumni who participated in the on-line CFS "exit counseling" at schools for whom CFS purported to provide such on-line counseling. All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, such loan insurance

claims paid to CFS with funds of the United States. If Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

2(b): False Certifications on Federal Consolidation Loan Verification Certificates

48. As a legally necessary part of initially making and undertaking each and every individual federal consolidation loan, and of being entitled to receive payment with funds of the United States for any interest payments, "special allowance" payments, or insurance or guaranty payments as to each such loan, Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, was required to and did sign and submit to the applicable Guaranty Agencies (and/or to the DOEd), a "Federal Consolidation Loan Verification Certificate" which, as required by 20 U.S.C. § 1078-3(b)(3), included an express certification by CFS as follows: "Each such loan was made and serviced in compliance with all applicable laws and regulations." A duplicate of that Verification Certificate is attached to this First Amended Complaint as Exhibit B hereto. In order for any individual consolidation loan to be "covered" by a federal insurance obligation of the United States, the loan itself had to be "covered by a certificate" which included that explicit certification. 20 U.S.C. § 1078-3(a)(2).

49. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or alumni who participated in

the on-line CFS "exit counseling" at schools for whom CFS purported to provide such on-line counseling. All such statements, certifications and records were made in order to get payments, "special allowance" payments, and loan insurance claims paid to CFS with funds of the United States. If the Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been found to have been an ineligible lender, and would have become obligated to re-pay funds of the United States received since the time that CFS, by virtue of its conduct, was no longer an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

2(c): *Per se* FCA Violations by and through CFS-Suntech

50. All or substantially all of the claims for interest payments, "special allowance" payments, and loan default insurance (or "guaranty") payments submitted to the guaranty agencies and the DOEd since the formation of CFS in l998 have been submitted by and through CFS-Suntech (before and after its acquisition by CFS) as servicer and thus as agent of CFS as lender and principal. CFS as lender is obligated by statute to "monitor the activities" of its servicer, and is thus the principal of the servicer with respect to the servicer's submission of all such claims on behalf of the lender. 20 U.S.C. § 1086(a)(2). At the times of all or substantially all of those submissions of claims on behalf of CFS, CFS-Suntech has been designated an "exceptional performance" loan servicer by the DOEd. As a result of submitting its insurance guaranty claims for payment through its servicer and agent CFS-Suntech, and by virtue of that "exceptional performance" designation of CFS-Suntech, CFS receives "99 percent of the unpaid principal and interest of all loans for which claims are

submitted for payment by that eligible lender or servicer," rather than the lower percent that CFS would receive if its insurance payment claims were not being submitted by or through a servicer with that DOEd designation. 20 U.S.C. § 1078-9(b)(1).

51. With respect to claims made through (or other activities of) student loan lenders or servicers having that "exceptional performance" designation, Congress decided expressly to provide that non-compliance with "applicable program regulations shall be considered in violation of section 3729 of Title 31," which of course is the substantive provision of the False Claims Act. In submitting claims for insurance payments, special allowance payments, and interest payments to guaranty agencies and to DOEd on behalf of and as agent of its principal CFS, notwithstanding (and with knowledge of or reckless disregard as to the fact of) violations by its corporate affiliate and principal CFS of the statutory prohibitions on inducements to schools and misleading advertising as set forth above (through the CFS "exit counseling" process and material), CFS-Suntech committed *per se* violations of the False Claims Act, 31 U.S.C. § 3729, and each of the remaining Defendants conspired with their agent and affiliate CFS-Suntech to commit those *per se* violations.

Third Pattern of Violations by CFS: Misleading Advertising to Students

52. CFS during all times relevant to this proceeding has been prohibited by 20 U.S.C. § 1085(d)(5) from engaging in "fraudulent or misleading advertising" in the solicitation of applications for FFELP loans.

53. As a routine part of its direct marketing to college students for applications

for Federal Consolidation Loans, CFS, in violation of that statutory requirement, has engaged in misleading advertising in the form of direct mail solicitations to college students and college graduates, utilizing printed envelopes and other printed materials designed to cause readers falsely to perceive that such mailings are official communications from the Federal Government, through representations that an entity called "Federal Loan Consolidation" is the purported sender of the mailed solicitations (when in fact the sender is CFS), through representations that such mailed solicitations are a "Final Notice" of required action on the part of the student recipients (or are otherwise a governmental or official "Student Loan Notification" of required action on the part of the student recipients), and through representations that a student's loan payments can be lowered by a substantial fraction (while concealing that the payment obligation period would be substantially longer if the student converted to a Federal Consolidated Loan obligation).

54. CFS trained and instructed its telephone recruiters, including the Relators in this proceeding, to represent to prospective borrowers, when such borrowers had received from CFS such direct mail solicitations and called CFS to ask if CFS were an official governmental body, that CFS was "licensed and backed by the federal government," a representation which was false and misleading.

3(a): False Certifications on Federal Insurance Payment "Claim Forms"

55. As a legally necessary part of each and every "Claim Form" through which Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, asserted a claim to applicable Guaranty Agencies (and/or to the

DOEd) for payment with funds of the United States on any federal guaranty or insurance agreement upon the default of any required payments on a federal consolidation loan made by CFS, CFS as lender (directly or through CFS-Suntech as servicer and agent) signed and made an explicit statement that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge, that the information in this claim is true and accurate and that the loan(s) included in the claim was (were) made . . . in compliance with all federal regulations and appropriate guarantor rules." A duplicate of that "Claim Form" is attached to this First Amended Complaint as Exhibit A hereto.

56. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or graduates as a result of misleading direct mail solicitations of the kind described above (representing or implying that the mailing was from an official governmental source, or that action by the recipient was required or necessary), made in violation of 20 U.S.C. § 1085(d)(5). All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, such loan insurance claims paid to CFS with funds of the United States. If Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would also have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

3(b): False Certifications on Federal Consolidation Loan Verification Certificates

57. As a legally necessary part of initially making and undertaking each and every individual federal consolidation loan, and of being entitled to receive payment with funds of the United States for any interest payments, "special allowance" payments, or insurance or guaranty payments as to each such loan, Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, was required to and did sign and submit to the applicable Guaranty Agencies (and/or to the DOEd), a "Federal Consolidation Loan Verification Certificate" which, as required by 20 U.S.C. § 1078-3(b)(3), included an express certification by CFS as follows: "Each such loan was made and serviced in compliance with all applicable laws and regulations." A duplicate of that Verification Certificate is attached to this First Amended Complaint as Exhibit B hereto. In order for any individual consolidation loan to be "covered" by a federal insurance obligation of the United States, the loan itself had to be "covered by a certificate" which included that explicit certification. 20 U.S.C. § 1078-3(a)(2).

58. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or graduates who received misleading direct mail solicitations of the kind described above (representing or implying that the mailing was from an official governmental source, or that action by the recipient was required or necessary), made in violation of 20 U.S.C. § 1085(d)(5). All such statements, certifications and records were made in order to get interest payments, "special allowance" payments, and loan insurance claims paid to CFS with funds of the United States. If the Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims for funds would have been paid to CFS. If DOEd

representatives had known of the truth of such violations, CFS would also have been found to have been an ineligible lender, and would have become obligated to re-pay funds of the United States received since the time that CFS, by virtue of its conduct, was no longer an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

3(c): *Per se* FCA Violations by and through CFS-Suntech

59. All or substantially all of the claims for interest payments, "special allowance" payments, and loan default insurance (or "guaranty") payments submitted to the guaranty agencies and the DOEd since the formation of CFS in l998 have been submitted by and through CFS-Suntech (before and after its acquisition by CFS) as servicer and thus as agent of CFS as lender and principal. CFS as lender is obligated by statute to "monitor the activities" of its servicer, and is thus the principal of the servicer with respect to the servicer's submission of all such claims on behalf of the lender. 20 U.S.C. § 1086(a)(2).

60. At the times of all or substantially all of those submissions of claims on behalf of CFS, CFS-Suntech has been designated an "exceptional performance" loan servicer by the DOEd. As a result of submitting its insurance guaranty claims for payment through its servicer and agent CFS-Suntech, and by virtue of that "exceptional performance" designation of CFS-Suntech, CFS receives "99 percent of the unpaid principal and interest of all loans for which claims are submitted for payment by that eligible lender or servicer," rather than the lower percent that CFS would receive if its insurance payment claims were not being submitted by or through a servicer with that DOEd designation. 20 U.S.C. § 1078-9(b)(1).

61. With respect to claims made through (or other activities of) student

loan lenders or servicers having that "exceptional performance" designation, Congress decided expressly to provide that non-compliance with "applicable program regulations shall be considered in violation of section 3729 of Title 31," which of course is the substantive provision of the False Claims Act. In submitting claims for insurance payments, special allowance payments, and interest payments to guaranty agencies and to DOEd on behalf of and as agent of its principal CFS, notwithstanding (and with knowledge of or reckless disregard as to the fact of) violations by its corporate affiliate and principal CFS of the statutory prohibitions on misleading advertising through direct mail solicitations as set forth above, CFS-Suntech committed *per se* violations of the False Claims Act, 31 U.S.C. § 3729, and each of the remaining Defendants conspired with their agent and affiliate CFS-Suntech to commit those *per se* violations.

Fourth Pattern of CFS Violations: Inducements to Recruiters Tied to Volumes of Loan Applications Obtained

62. Continually since its formation in the late 1990s and throughout all of its activities as a lender and servicer of FFELP student loans, CFS has offered and paid, directly to the individuals it trains to solicit and secure applicants for FFELP loans, bonus payments based directly on the numbers of FFELP student loan applications initiated by each such individual.

63. During the period of time CFS employed Relator Lenora Jones, for instance, CFS paid individual telephone marketers a "bonus" of ten dollars ($10.00) for each FFELP student loan application initiated (or "APIs") by that individual, if during that individual's work day that individual initiated between 10 and 14 such loan applications. The amount of that per-application bonus incentive was doubled to twenty dollars

($20.00) if the marketer succeeded not only in initiating a student loan application, but also in causing the student borrower to "go online" and apply electronically through a computer for the loan through CFS as a result of the marketer's telephone call. An individual who initiated between 20 and 29 such applications during a work day were granted a bonus of $15.00 per application (and thus $15.00 per "API", and $25.00 if the call resulted in an electronically-signed loan application). Relator Jones worked for CFS as one of approximately 500 such bonus-aid marketers engaged full time in telephonic solicitation of FFELP student loan applications at the same Florida location. All such individuals were compensated on such a bonus system directly dependent on the number of FFELP loan applications initiated by each such individual.

(4)(a) False Certifications on Federal Guaranty Insurance "Claim Form"

64. As a legally necessary part of each and every "Claim Form" through which Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, asserted a claim to applicable Guaranty Agencies (and/or to the DOEd) for payment with funds of the United States on any federal guaranty or insurance agreement upon the default of any required payments on a federal consolidation loan made by CFS, CFS as lender (directly or through CFS-Suntech as servicer and agent) signed and made an explicit statement that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge, that the information in this claim is true and accurate and that the loan(s) included in the claim was (were) made . . . in compliance with all federal regulations and appropriate guarantor rules." A duplicate of that "Claim Form" is attached to this First

Amended Complaint as Exhibit A hereto.

65. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students, alumni or other borrowers as a result of direct telemarketing to student prospects by CFS recruiters, in violation of 20 U.S.C. § 1085(d)(5) and the remaining authorities for the inducement prohibition described above. All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, such loan insurance claims paid to CFS with funds of the United States. If Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

(4)(b) False Certifications on Federal Consolidation Loan Verification Certificates

66. As a legally necessary part of initially making and undertaking each and every individual federal consolidation loan, and of being entitled to receive payment with funds of the United States for any interest payments, "special allowance" payments, or insurance or guaranty payments as to each such loan, Defendant Collegiate Funding Services, Inc. (and/or Defendant Collegiate Funding Services, LLC) as lender, and Defendant CFS-Suntech as servicer for and agent of both such lenders, was required to and did sign and submit to the applicable Guaranty Agencies (and/or to the DOEd), a "Federal Consolidation Loan Verification Certificate" which, as required by 20 U.S.C. § 1078-3(b)(3), included an express certification by CFS as follows: "Each such loan was

made and serviced in compliance with all applicable laws and regulations." A duplicate of that Verification Certificate is attached to this First Amended Complaint as Exhibit B hereto. In order for any individual consolidation loan to be "covered" by federal insurance, the loan itself had to be "covered by a certificate" which included that explicit certification. 20 U.S.C. § 1078-3(a)(2).

67. All such statements, certifications and records were false, with respect to all federal consolidation loans made by CFS to students or graduates as a result of direct telemarketing solicitations by CFS recruiters, in violation of 20 U.S.C. § 1085(d)(5) and the remaining authorities for the inducement prohibition described above. All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, all such interest payments, "special allowance" payments, and loan insurance claims paid to CFS with funds of the United States. If the Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

4(c): *Per se* FCA Violations by and through CFS-Suntech

68. All or substantially all of the claims for interest payments, "special allowance" payments, and loan default insurance (or "guaranty") payments submitted to the guaranty agencies and the DOEd since the formation of CFS in l998 have been submitted by and through CFS-Suntech (before and after its acquisition by CFS) as

servicer and thus as agent of CFS as lender and principal. CFS as lender is obligated by statute to "monitor the activities" of its servicer, and is thus the principal of the servicer with respect to the servicer's submission of all such claims on behalf of the lender. 20 U.S.C. § 1086(a)(2). At the times of all or substantially all of those submissions of claims on behalf of CFS, CFS-Suntech has been designated an "exceptional performance" loan servicer by the DOEd. As a result of submitting its insurance guaranty claims for payment through its servicer and agent CFS-Suntech, and by virtue of that "exceptional performance" designation of CFS-Suntech, CFS receives "99 percent of the unpaid principal and interest of all loans for which claims are submitted for payment by that eligible lender or servicer," rather than the lower percent that CFS would receive if its insurance payment claims were not being submitted by or through a servicer with that DOEd designation. 20 U.S.C. § 1078-9(b)(1).

69. With respect to claims made through (or other activities of) student loan lenders or servicers having that "exceptional performance" designation, Congress decided expressly to provide that non-compliance with "applicable program regulations shall be considered in violation of section 3729 of Title 31," which of course is the substantive provision of the False Claims Act. In submitting claims for insurance payments, special allowance payments, and interest payments to guaranty agencies and to DOEd on behalf of and as agent of its principal CFS, notwithstanding (and with knowledge of or reckless disregard as to the fact of) violations by is corporate affiliate and principal CFS of the statutory inducement provisions as set forth above, CFS-Suntech committed *per se* violations of the False Claims Act, 31 U.S.C. § 3729, and each of the CFS entities conspired with their agent and affiliate CFS-Suntech to commit

those *per se* violations.

Fifth Pattern of CFS Violations: Consolidation Loans in Violation of "Single-Holder Rule"

70. Statutory provisions referred to as the "Single-Holder Rule" prohibited CFS and other consolidation lenders, until the repeal of that Rule effective July 2006, from making or entering a federal consolidation loan to consolidate student loans held entirely by a single lender other than CFS. 20 U.S.C. § 1078-3(b)(1)A).

71. The same statutory provisions also prohibited CFS from making or entering a federal consolidation loan to consolidate student loans made with multiple lenders other than CFS, unless the student/borrower "certifie(d) that the borrower ha(d) sought and ha(d) been unable to obtain a consolidation loan with income-sensitive repayment terms from the holders of the outstanding loans of that borrower." 20 U.S.C. § 1078-3(b)(1)A).

72. Prior to the congressional repeal of the "single holder rule" effective July 1, 2006, CFS recklessly and routinely disregarded the single holder rule by soliciting and submitting Federal Consolidation Loan applications from borrowers who were consolidating FFELP loans held entirely by a single lender other than CFS.

73. Throughout the same period, CFS has also solicited and submitted Federal Consolidation Loan applications from borrowers who CFS caused falsely to certify to having been unable to obtain a consolidation loan from the existing holder of their outstanding loans to be consolidated. Indeed, all such certifications were made with reckless disregard for whether or not they were true.

(5)(a) False Certifications on Federal Guaranty Insurance "Claim Form"

74. As a legally necessary part of each and every "Claim Form" through which CFS asserted a claim to applicable Guaranty Agencies (and/or to the DOEd) for payment with funds of the United States on any federal guaranty or insurance agreement upon the default of any required payments on a federal consolidation loan made by CFS, CFS as lender (directly or through CFS-Suntech as servicer and agent) signed and made an explicit statement that "by submitting this claim to the guarantor for reimbursement, the lender/holder certifies, to the best of its knowledge, that the information in this claim is true and accurate and that the loan(s) included in the claim was (were) made . . . in compliance with all federal regulations and appropriate guarantor rules." A duplicate of that "Claim Form" is attached to this First Amended Complaint as Exhibit A hereto.

75. All such statements, certifications and records made prior to July 1, 2006, were false, with respect to all federal consolidation loans made by CFS to consolidate loans previously held entirely by a single lender other than CFS, in violation of 20 U.S.C. § 1078-3(b)(1). All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, such loan insurance claims paid to CFS with funds of the United States. If Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims for funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

(5)(b) False Certifications on Federal Consolidation Loan Verification Certificates

76. As a legally necessary part of initially making and undertaking each and every individual federal consolidation loan, and of being entitled to receive payment with funds of the United States for any interest payments, "special allowance" payments, or insurance or guaranty payments as to each such loan, CFS was required to and did sign and submit to he applicable Guaranty Agencies (and/or to the DOEd), a "Federal Consolidation Loan Verification Certificate" which, as required by 20 U.S.C. § 1078-3(b)(3), included an express certification by CFS as follows: "Each such loan was made and serviced in compliance with all applicable laws and regulations." A duplicate of that Verification Certificate is attached to this First Amended Complaint as Exhibit B hereto. In order for any individual consolidation loan to be "covered" by federal insurance, the loan itself had to be "covered by a certificate" which included that explicit certification. 20 U.S.C. § 1078-3(a)(2).

77. All such statements, certifications and records made on loans consolidated before July 1, 2006 were false, with respect to all federal consolidation loans made by CFS to consolidate loans previously held entirely by a single lender other than CFS, in violation of 20 U.S.C. § 1078-3(b)(1). All such statements, certifications and records were made in order to get, and as a legally necessary and material prerequisite to get, all such interest payments, "special allowance" payments, and loan insurance claims paid to CFS with funds of the United States. If the Guaranty Agency or DOEd representatives had known of the truth of such violations, no such claims or funds would have been paid to CFS. If DOEd representatives had known of the truth of such violations, CFS would have been obligated to re-pay funds of the United States received since the time that CFS would have been found not to have

been an eligible lender pursuant to 20 U.S.C. § 1085(d)(5).

(5)(c): *Per se* FCA Violations by and through CFS-Suntech

78. All or substantially all of the claims for interest payments, "special allowance" payments, and loan default insurance (or "guaranty") payments submitted to the guaranty agencies and the DOEd since the formation of CFS in l998 have been submitted by and through CFS-Suntech (before and after its acquisition by CFS) as servicer and thus as agent of CFS as lender and principal. CFS as lender is obligated by statute to "monitor the activities" of its servicer, and is thus the principal of the servicer with respect to the servicer's submission of all such claims on behalf of the lender. 20 U.S.C. § 1086(a)(2). At the times of all or substantially all of those submissions of claims on behalf of CFS, CFS-Suntech has been designated an "exceptional performance" loan servicer by the DOEd. As a result of submitting its insurance guaranty claims for payment through its servicer and agent CFS-Suntech, and by virtue of that "exceptional performance" designation of CFS-Suntech, CFS receives "99 percent of the unpaid principal and interest of all loans for which claims are submitted for payment by that eligible lender or servicer," rather than the lower percent that CFS would receive if its insurance payment claims were not being submitted by or through a servicer with that DOEd designation. 20 U.S.C. § 1078-9(b)(1).

79. With respect to claims made through (or other activities of) student loan lenders or servicers having that "exceptional performance" designation, Congress decided expressly to provide that non-compliance with "applicable program regulations shall be considered in violation of section 3729 of Title 31," which of course is the substantive provision of the False Claims Act. In submitting claims for insurance

payments, special allowance payments, and interest payments to guaranty agencies and to DOEd on behalf of and as agent of its principal CFS, with respect to all federal consolidation loans made by CFS to consolidate loans previously held entirely by a single lender other than CFS, in violation of and in reckless disregard of the statutory requirements of the "Single Holder Rule," CFS-Suntech committed *per se* violations of the False Claims Act, 31 U.S.C. § 3729, and each of the CFS entities conspired with their agent and affiliate CFS-Suntech to commit those *per se* violations.

Count 1: Causing False Certifications and Statements to be Used to Get False Insurance Guaranty Claims Paid on Loans Involving Schools Paid Inducements by CFS.

80. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

81. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 1.

82. By virtue of the acts and conduct described above (and particularly through Paragraphs 21 through 33 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Claim Form" presented to claim and collect insurance or guaranty proceeds as a result of defaults on

consolidation loans made with students or graduates of schools (or their affiliates or employees) which were the subject of inducement promises and payments as described in Paragraphs 21 through 33 above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

83. By virtue of, and as a result of, the false insurance claims paid or approved as to loans made involving such schools as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 2: Causing False Certifications and Statements to be Used to Get All Claims Paid on Loans Involving Schools Paid Inducements by CFS.

84. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

85. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 2.

86. By virtue of the acts and conduct described above (and particularly through Paragraphs 21 through 33 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used

since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Federal Consolidation Loan Verification Certificate" presented with the applications for each and every consolidation loan made with students or graduates of schools and other borrowers which were the subject of inducement promises and payments as described in Paragraphs 21 through 33 above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

87. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans made involving such schools as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 3: Causing False Certifications and Statements to be Used to Get Payments on All Claims Made by CFS-Suntech through *Per Se* Violations of the False Claims Act.

88. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

89. The Plaintiff hereby re-alleges and incorporates by reference all

allegations within Paragraphs 11 through 79 as a part of this Count 3.

90. By virtue of the acts and conduct described above (and particularly through Paragraphs 21 through 33 above), CFS and Chase have caused CFS-Suntech, during periods when CFS-Suntech had "Exceptional Performance" designation as described above, to knowingly make, and CFS-Suntech has knowingly made, or caused to be made and used, false certifications of regulatory compliance with respect to and in the course of false claims submitted by CFS-Suntech for interest payments, special allowance payments, and guaranty insurance payments, as to each and every consolidation loan made with students or graduates of schools or other borrowers which were the subject of inducement promises and payments as described in Paragraphs 21 through 33 above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, which by the express terms of Congress in 20 U.S.C. § 1078-9(e) "shall be considered in violation of section 3729 of Title 31," and specifically in violation of 31 U.S.C. § 3729(a)(2).

91. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans made involving such schools as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 4: Causing False Certifications and Statements

to be Used to Get False Insurance Guaranty Claims Paid on Consolidation Loans Resulting from CFS "Exit Counseling"

92. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

93. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 4.

94. By virtue of the acts and conduct described above (and particularly through Paragraphs 34 through 50 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Claim Form" presented to claim and collect insurance or guaranty proceeds as a result of defaults on consolidation loans made with students or graduates of schools, including the schools named in Paragraph 37 above, for which (or in the name of which) CFS offered purported on-line "exit counseling" to post-secondary institutions as described above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

95. By virtue of and as a result of the false insurance claims paid or approved as to loans made involving such schools as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the

amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 5: Causing False Certifications and Statements to be Used to Get All Claims Paid on Loans Resulting from "Exit Counseling" by CFS

96. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

97. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 5.

98. By virtue of the acts and conduct described above (and particularly through Paragraphs 34 through 50 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every ""Federal Consolidation Loan Verification Certificate" presented with the applications for each and every consolidation loan made with students or graduates of schools and other borrowers, including the schools named in Paragraph 37 above, for which (or in the name of which) CFS offered purported on-line "exit counseling" to post-secondary institutions, as described above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in

violation of 31 U.S.C. § 3729(a)(2).

99. By virtue of, and as a result of, the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans made involving such schools for which (or in the name of which) CFS offered purported "exit counseling," as a result of the knowing making or use of such false certifications, records, and other statements made or caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 6: Causing False Certifications and Statements to be Used to Get Payments on All Claims Made by CFS-Suntech through *Per Se* Violations of the False Claims Act.

100. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

101. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 6.

102. By virtue of the acts and conduct described above (and particularly through Paragraphs 34 through 50 above), CFS and Chase have caused CFS-Suntech, during periods when CFS-Suntech had "Exceptional Performance" designation as described above, to knowingly make, and CFS-Suntech has knowingly made, or caused to be made and used, false certifications of regulatory compliance with respect to and in the course of false claims submitted by CFS-Suntech for interest payments,

special allowance payments, and guaranty insurance payments, as to each and every consolidation loan made with students or graduates of schools or other borrowers as a result of on-line "exit counseling" offered by CFS for or in the name of the schools itemized in Paragraph 37 above (and other such schools), representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, which by the express terms of Congress in 20 U.S.C. § 1078-9(e) "shall be considered in violation of section 3729 of Title 31," and specifically in violation of 31 U.S.C. § 3729(a)(2).

103. By virtue of, and as a result of, the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans made involving such schools and such "exit counseling" as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 7: Causing False Certifications and Statements to be Used to Get False Insurance Guaranty Claims Paid on Consolidation Loans Solicited through Misleading Direct Mail Advertising

104. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

105. The Plaintiff hereby re-alleges and incorporates by reference all

allegations within Paragraphs 11 through 79 as a part of this Count 7.

106. By virtue of the acts and conduct described above (and particularly through Paragraphs 51 through 60 above), CFS (including CFS-Suntech), since its origin in l998 has knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Claim Form" presented to claim and collect insurance or guaranty proceeds as a result of defaults on consolidation loans originally solicited through misleading direct mail advertising in violation of the statutory obligations described in Paragraphs 51 through 60 above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such misleading advertising, in violation of 31 U.S.C. § 3729(a)(2).

107. By virtue of and as a result of the false insurance claims paid or approved as to loans solicited through such misleading advertising, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 8: Causing False Certifications and Statements to be Used to Get All Claims Paid on Loans Solicited Through CFS' Misleading Direct Mail Advertising

108. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

109. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 8.

110. By virtue of the acts and conduct described above (and particularly through Paragraphs 51 through 60 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every ""Federal Consolidation Loan Verification Certificate" presented with the applications for each and every consolidation loan solicited through misleading direct mail advertising of the kind described in Paragraphs 51 through 60 above, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

111. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans applications for which were solicited through such misleading direct mail advertising, as a result of the knowing making or use of such false certifications, records, and other statements made or caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and

not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 9: Causing False Certifications and Statements to be Used to Get Payments on All Claims Made by CFS-Suntech on Loans Solicited through Misleading Direct Mail Advertising through *Per Se* Violations of the False Claims Act.

112. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

113. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 9.

114. By virtue of the acts and conduct described above (and particularly through Paragraphs 51 through 60 above), CFS and Chase have caused CFS-Suntech, during periods when CFS-Suntech had "Exceptional Performance" designation as described above, to knowingly make, and CFS-Suntech has knowingly made, or caused to be made and used, false certifications of regulatory compliance with respect to and in the course of false claims submitted by CFS-Suntech for interest payments, special allowance payments, and guaranty insurance payments, as to each and every consolidation loan application which was solicited by CFS through misleading direct mail advertising, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, which by the express terms of Congress in 20 U.S.C. § 1078-9(e) "shall be considered in violation of section 3729 of Title 31," and specifically in violation of 31 U.S.C. § 3729(a)(2).

115. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest

payments, as to all loans applications for which were originally solicited through misleading direct mail advertising, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 10: Causing False Certifications and Statements to be Used to Get False Insurance Guaranty Claims Paid on Consolidation Loans Solicited through Bonus-Compensated Recruiters

116. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

117. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 10.

118. By virtue of the acts and conduct described above (and particularly through Paragraphs 61 through 68 above), CFS (including CFS-Suntech), since its origin in l998 has knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Claim Form" presented to claim and collect insurance or guaranty proceeds as a result of defaults on consolidation loans originally solicited through telephonic solicitations by recruiters employed by CFS and paid in part

based on bonuses determined through the volume of applications gained through such marketing, in violation of the statutory obligations described in Paragraphs 61 through 68 above, yet representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

119. By virtue of and as a result of the false insurance claims paid or approved as to loans solicited through such inducement-based direct telephonic solicitations, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 11: Causing False Certifications and Statements to be Used to Get All Claims Paid on Loans Solicited Through Bonus-Compensated Recruiters

120. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

121. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 11.

122. By virtue of the acts and conduct described above (and particularly through Paragraphs 61 through 68 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or

caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every ""Federal Consolidation Loan Verification Certificate" presented with the applications for each and every consolidation loan solicited telephonically through recruiters paid by CFS in part through bonuses tied to volumes of loan applications obtained through such solicitations, yet representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, in violation of 31 U.S.C. § 3729(a)(2).

123. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all such loans (applications for which were solicited through such inducement-based recruitment efforts), as a result of the knowing making or use of such false certifications, records, and other statements made or caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 12: Causing False Certifications and Statements to be Used to Get Payments on All Claims Made by CFS-Suntech on Loans Solicited through Bonus-Compensated Recruiters through *Per Se* Violations of the False Claims Act.

124. This is a claim on behalf of the United States under the False Claims Act,

31 U.S.C. §§ 3729-33, as amended.

125. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 12.

126. By virtue of the acts and conduct described above (and particularly through Paragraphs 61 through 68 above), CFS and Chase have caused CFS-Suntech, during periods when CFS-Suntech had "Exceptional Performance" designation as described above, to knowingly make, and CFS-Suntech has knowingly made, or caused to be made and used, false certifications of regulatory compliance with respect to and in the course of false claims submitted by CFS-Suntech for interest payments, special allowance payments, and guaranty insurance payments, as to each and every consolidation loan applications for which were originally solicited by CFS recruiters paid in part through bonuses tied to the volume of resulting loan applications, representing and certifying (with knowing falsity) to compliance by CFS with statutes and regulations prohibiting such inducements, which by the express terms of Congress in 20 U.S.C. § 1078-9(e) "shall be considered in violation of section 3729 of Title 31," and specifically in violation of 31 U.S.C. § 3729(a)(2).

127. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans applications for which were originally solicited through such bonus-compensated recruiters, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more

than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 13: Causing False Certifications and Statements to be Used to Get False Insurance Guaranty Claims Paid on Consolidation Loans Made in Violation of the Single-Holder Rule

128. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

129. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 13.

130. By virtue of the acts and conduct described above (and particularly through Paragraphs 69 through 78 above), CFS (including CFS-Suntech), since its origin in l998 has knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every "Claim Form" presented to claim and collect insurance or guaranty proceeds as a result of defaults on consolidation loans made in violation of or in reckless disregard for the requirements of the Single-Holder Rule as described in Paragraphs 69 through 78 above, representing and certifying (with knowing falsity) to compliance by CFS with all Higher Education Act statutes and regulations, in violation of 31 U.S.C. § 3729(a)(2).

131. By virtue of and as a result of the false insurance claims paid or approved

as to consolidation loans made in violation of or in reckless disregard for the Single-Holder Rule, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 14: Causing False Certifications and Statements to be Used to Get All Claims Paid on Loans Made in Violation of the Single-Holder Rule

132. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

133. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 14.

134. By virtue of the acts and conduct described above (and particularly through Paragraphs 69 through 78 above), CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on the face of each and every ""Federal Consolidation Loan Verification Certificate" presented with the applications for each and every consolidation loan made in violation of the Single-Holder Rule, yet representing

and certifying (with knowing falsity) to compliance by CFS with all Higher Education Act statutes and regulations, in violation of 31 U.S.C. § 3729(a)(2).

135. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all such loans made in violation of the Single-Holder Rule, as a result of the knowing making or use of such false certifications, records, and other statements made or caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 15: Causing False Certifications and Statements to be Used to Get Payments on All Claims Made by CFS-Suntech on Loans Made in Violation of the Single-Holder Rule as *Per Se* Violations of the False Claims Act.

136. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

137. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 15.

138. By virtue of the acts and conduct described above (and particularly through Paragraphs 69 through 78 above), CFS and Chase have caused CFS-Suntech, during periods when CFS-Suntech had "Exceptional Performance" designation as described above, to knowingly make, and CFS-Suntech has knowingly made, or caused to be made and used, false certifications of regulatory compliance with respect

to and in the course of false claims submitted by CFS-Suntech for interest payments, special allowance payments, and guaranty insurance payments, as to each and every consolidation loan made in violation of or in reckless disregard for the Single-Holder Rule, representing and certifying (with knowing falsity) to compliance by CFS with all Higher Education Act statutes and regulations, which by the express terms of Congress in 20 U.S.C. § 1078-9(e) "shall be considered in violation of section 3729 of Title 31," and specifically in violation of 31 U.S.C. § 3729(a)(2).

139. By virtue of and as a result of the false claims for insurance coverage and payments, false claims for special allowance payments, and false claims for interest payments, as to all loans made in violation of the Single-Holder Rule, as a result of the knowing making or use of such false certifications, records, and other statements caused by the Defendants, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 16 - Presentation of False Claims for Insurance Guaranty Payments

140. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

141. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 16.

142. By virtue of the acts and conduct described above, and particularly through Paragraphs 21 through 33 above, CFS since its origin in l998 (and CFS-

Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for payments on the insurance or guaranty obligation of the DOEd and the Guaranty Agencies (as the agent of DOEd) upon the defaults by borrowers on their payment obligations on FFELP consolidation loans involving (and the original proceeds of which were disbursed to) schools promised or paid inducements by CFS in violation of applicable statutes and regulations as described above.

143. By virtue of the acts and conduct described above, and particularly through Paragraphs 34 through 50 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for payments on the DOEd's insurance or guaranty obligation upon the defaults by borrowers on their payment obligations on FFELP consolidation loans involving (and the original proceeds of which were disbursed to) schools for which (or in the name of which) CFS conducted on-line "exit counseling" in violation of applicable statutes and regulations as described above.

144. By virtue of the acts and conduct described above, and particularly

through Paragraphs 51 through 60 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for payments on the DOEd's insurance or guaranty obligation upon the defaults by borrowers on their payment obligations on FFELP consolidation loans solicited through misleading direct mail advertisements in violation of applicable statutes and regulations as described above.

145. By virtue of the acts and conduct described above, and particularly through Paragraphs 61 through 68 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for payments on the DOEd's insurance or guaranty obligation upon the defaults by borrowers on their payment obligations on FFELP consolidation loans solicited through or by CFS recruiters paid in part through bonuses tied to the volume of FFELP applications generated through such solicitations, in violation of applicable statutes and regulations as described above.

146. By virtue of the acts and conduct described above, and particularly

through Paragraphs 69 through 78 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for payments on the DOEd's insurance or guaranty obligation upon the defaults by borrowers on their payment obligations on FFELP consolidation loans made in violation of or in reckless disregard for the requirements of the Single-Holder Rule, in violation of applicable statutes and regulations as described above.

147. By virtue of and as a result of those five categories of false claims presented or caused to be presented by each such Defendant, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 17 - Presentation of False Claims for Loan Interest and Special Allowance Payments

148. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

149. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 17.

150. By virtue of the acts and conduct described above, and particularly

through Paragraphs 21 through 33 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for interest payments and each and every claim for "special allowance" payments resulting from consolidation loans involving (and the original proceeds of which were disbursed to) schools promised or paid inducements by CFS in violation of applicable statutes and regulations as described above.

151. By virtue of the acts and conduct described above, and particularly through Paragraphs 34 through 50 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for interest payments and "special allowance" payments as a result of FFELP consolidation loans involving (and the original proceeds of which were disbursed to) schools for which (or in the name of which) CFS conducted on-line "exit counseling" in violation of applicable statutes and regulations as described above.

152. By virtue of the acts and conduct described above, and particularly through Paragraphs 51 through 60 above, CFS since its origin in l998 (and CFS-

Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for interest payments and "special allowance" payments resulting from FFELP consolidation loans solicited through misleading direct mail advertisements in violation of applicable statutes and regulations as described above.

153. By virtue of the acts and conduct described above, and particularly through Paragraphs 61 through 68 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for interest payments and "special allowance" payments resulting from FFELP consolidation loans solicited through or by CFS recruiters paid through bonuses tied to the volume of FFELP applications generated through such solicitations, in violation of applicable statutes and regulations as described above.

154. By virtue of the acts and conduct described above, and particularly through Paragraphs 69 through 78 above, CFS since its origin in l998 (and CFS-Suntech since its acquisition by CFS) have knowingly presented and have knowingly caused to be presented, and Chase has knowingly caused to be presented since its

acquisition of CFS, false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(1), through each and every claim for interest payments and "special allowance" payments resulting from FFELP consolidation loans made in violation of or in reckless disregard for the requirements of the Single-Holder Rule, in violation of applicable statutes and regulations as described above.

155. By virtue of and as a result of those five categories of false claims for interest payments and "special allowance" payments presented or caused to be presented by each such Defendant, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 18 - Conspiracy to Get False Insurance Claims Paid

156. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

157. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 18.

158. By virtue of the acts and conduct described above, and particularly through Paragraphs 21 through 33 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase has agreed and conspired during its due diligence decision-making preliminary

to (and since) purchasing CFS, with schools, alumni associations and school officials promised or receiving inducements as described in those paragraphs, to defraud DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for insurance payments upon defaults by borrowers of their obligations on consolidation loans involving (and the original proceeds of which were disbursed to) schools promised or paid inducements by CFS in violation of applicable statutes and regulations as described above.

159. By virtue of the acts and conduct described above, and particularly through Paragraphs 34 through 50 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase during its due diligence preliminary to (and since) its acquisition of CFS has agreed and conspired, with one another and with the schools, alumni associations, and their school and alumni officials, to defraud the DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for insurance payments upon the defaults by borrowers on their obligations to pay FFELP consolidation loans involving (and the original proceeds of which were disbursed to) schools for which (or in the name of which) CFS conducted on-line "exit counseling" in violation of applicable statutes and regulations as described above.

160. By virtue of the acts and conduct described above, and particularly

through Paragraphs 51 through 60 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase has agreed and conspired during the due diligence process preceding (and since) its acquisition of CFS, with one another and with others not named, to defraud the DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for insurance claims upon the defaults by borrowers on their obligations under the terms of FFELP consolidation loans solicited through misleading direct mail advertisements in violation of applicable statutes and regulations as described above.

161. By virtue of and as a result of that conspiracy, resulting in the payments in response to and reliance on those three categories of false claims for insurance proceeds presented or caused to be presented by each such Defendant, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 19 - Conspiracy to Get False Interest and Special Allowance Claims Paid

162. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended.

163. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 19.

164. By virtue of the acts and conduct described above, and particularly

through Paragraphs 21 through 33 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase has agreed and conspired during its due diligence decision-making preliminary to (and since) purchasing CFS, with schools, alumni associations and school officials promised or receiving inducements as described in those paragraphs, to defraud DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for interest payments and each and every claim for "special allowance" payments resulting from consolidation loans involving (and the original proceeds of which were disbursed to) schools promised or paid inducements by CFS in violation of applicable statutes and regulations as described above.

165. By virtue of the acts and conduct described above, and particularly through Paragraphs 34 through 50 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase during its due diligence preliminary to (and since) its acquisition of CFS has agreed and conspired, with one another and with the schools, alumni associations, and their school and alumni officials, to defraud the DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for interest payments and "special allowance" payments as a result of FFELP consolidation loans involving (and the original proceeds of which were disbursed to) schools for which (or in the

name of which) CFS conducted on-line "exit counseling" in violation of applicable statutes and regulations as described above.

166. By virtue of the acts and conduct described above, and particularly through Paragraphs 51 through 60 above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have agreed and conspired, and Chase has agreed and conspired during the due diligence process preceding (and since) its acquisition of CFS, with one another and with others not named, to defraud the DOEd through false and/or fraudulent claims to the DOEd (and to State Guaranty Agencies operating as agents of the DOEd and expending funds of the DOEd and thus of the United States) for payments in violation of 31 U.S.C. § 3729(a)(3), through each and every claim for interest payments and "special allowance" payments resulting from FFELP consolidation loans solicited through misleading direct mail advertisements in violation of applicable statutes and regulations as described above.

167. By virtue of and as a result of that conspiracy, resulting in the payments in response to and reliance on those three categories of false claims for interest payments and "special allowance" payments presented or caused to be presented by each such Defendant, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 20: Causing False Certifications and Other Statements to be Used to Avoid Obligations to Re-Pay Government Insurance Payments

168. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended, and specifically pursuant to 31 U.S.C. § 3729(a)(7) thereof.

169. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 20.

170. By virtue of the acts and conduct described above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd and disbursing funds of the DOEd and thus of the United States), on each "Claim Form" submitted with each insurance guaranty claim upon defaults by borrowers of their consolidation loan obligations, including explicit certifications of CFS compliance with all applicable regulations, and have otherwise concealed their violations of those regulations, in order to avoid any administrative finding by the DOEd that CFS is not an "eligible lender" under the FFELP program pursuant to 20 U.S.C. § 1085(d)(5), and in order to avoid liability for re-payments by CFS to the DOEd for payments made to CFS after the time when CFS would have been determined to have ceased operation as an "eligible lender" pursuant to that statute. But for those explicit and implicit certifications of compliance by CFS, the DOEd would have determined that CFS was not (or had not been) an "eligible lender," with the result that CFS would have been obliged to pay or re-pay to the Government all insurance claim payments made to CFS during the time CFS was not operating in fact as an eligible lender within the meaning of 20 U.S.C. §

1085(d)(5). Those certifications therefore served as false records and statements to conceal and avoid an obligation to pay money to the DOEd, in violation of 31 U.S.C. § 3729(a)(7).

171. By virtue of, and as a result of, the same certifications by CFS of compliance and other statements of concealment in reliance on which, and because of which, the DOEd has continued to pay CFS insurance guaranty payments as if it were a lawfully eligible lender, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the false claims presented or caused to be presented, and other monetary relief as appropriate.

Count 21: Causing False Certifications and Other Statements to be Used to Avoid Obligations to Re-Pay Government Interest and Special Allowance Payments

172. This is a claim on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-33, as amended, and specifically pursuant to 31 U.S.C. § 3729(a)(7) thereof.

173. The Plaintiff hereby re-alleges and incorporates by reference all allegations within Paragraphs 11 through 79 as a part of this Count 21.

174. By virtue of the acts and conduct described above, CFS since its origin in l998 (and CFS-Suntech before and since its acquisition by CFS) have knowingly made and used, or caused to be made and used (and Chase has knowingly caused to be made or used since its acquisition of CFS), false certifications and other false statements to the DOEd (and to State Guaranty Agencies acting as agents of the DOEd

and disbursing funds of the DOEd and thus of the United States), on each "Federal Consolidation Loan Verification Certificate" submitted with each consolidation loan application as a legal condition for receiving interest payments and special allowance payments ultimately from DOEd, including explicit certifications of CFS compliance with all applicable regulations, and have otherwise concealed their violations of those regulations, in order to avoid any administrative finding by the DOEd that CFS is not an "eligible lender" under the FFELP program pursuant to 20 U.S.C. § 1085(d)(5), and in order to avoid liability for re-payments by CFS to the DOEd for payments made to CFS after the time when CFS would have been determined to have ceased operation as an "eligible lender" pursuant to that statute. But for those explicit and implicit certifications of compliance by CFS, the DOEd would have determined that CFS was not (or had not been) an "eligible lender," with the result that CFS would have been obliged to pay or re-pay to the Government all interest payments and all special allowance payments made to CFS during the time CFS was not operating in fact as a lawful eligible lender within the meaning of 20 U.S.C. § 1085(d)(5). Those certifications therefore served as false records and statements to conceal and avoid an obligation to pay money to the DOEd, in violation of 31 U.S.C. § 3729(a)(7).

175. By virtue of and as a result of the same certifications by CFS of compliance and other statements of concealment in reliance on which and because of which the DOEd has continued to pay CFS interest payments and special allowance payments as if it were a lawfully eligible lender, the United States has suffered actual damages and is entitled to recover three times the amount by which it is damaged, plus civil money penalties of not less than $5,500 and not more than $11,000 for each of the

false claims presented or caused to be presented, and other monetary relief as appropriate.

PRAYER FOR RELIEF

WHEREFORE, the United States demands and prays that judgment be entered in favor of the United States:

1. On Counts 1 through 21, under the False Claims Act, against each of the Defendants jointly and severally, for treble (or three times) the amount of the United States' claim payments and other actual damages (including investigative costs), plus civil penalties as are allowable by law for each false claim and for all costs of this civil action;

2. For all costs of this civil action; and

3. For such other and further relief as the Court deems just and equitable.

WHEREFORE, Relators Lenora Jones and Patricia J. Willoughby demand and pray that judgment be entered in their favor as follows:

1. On Counts 1 - 21, under the False Claims Act, for a percentage of all civil penalties and damages obtained from Defendants jointly pursuant to 31 U.S.C. § 3730;

2. Reasonable attorneys' fees, and all costs incurred in the prosecution of this action against the Defendants; and

3. Such other relief as the Court deems just and proper.

Respectfully submitted,

LENORA JONES and PATRICIA J. WILLOUGHBY,
Relators

By their Attorneys,

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