

ORDER NO. 2015-004

IN THE MATTER OF:	§	BEFORE:
	§	
U.S. EQUITY ADVANTAGE	§	
HOLDINGS, INC.	§	
	§	THE BANKING
AND	§	COMMISSIONER OF TEXAS
	§	
ROBERT M. STEENBERGH,	§	
CHIEF EXECUTIVE OFFICER	§	
	§	
ORLANDO, FLORIDA	§	AUSTIN, TRAVIS COUNTY, TEXAS

CONSENT ORDER

On this day, the matter of U.S. Equity Advantage Holdings, Inc. (USEA Holdings), a Florida corporation whose principal address is in Orlando, Florida, and Mr. Robert M. Steenbergh, Chief Executive Officer (collectively, Respondents), was submitted to me, Charles G. Cooper, Banking Commissioner of the State of Texas (Commissioner), for consideration and action.

1. USEA Holdings is a Florida corporation, with its principal address listed as 800 N. Magnolia Avenue, Suite 1275, Orlando, Florida 32803. USEA Holdings is not registered with the Texas Secretary of State.
2. Robert M. Steenbergh is the Chief Executive Officer of Respondents.
3. The Texas Department of Banking (Department) has jurisdiction over Respondents and the subject matter of this proceeding pursuant to Texas Finance Code Chapter 151. The Commissioner has the authority to issue this Consent Order (Order) and to assess administrative penalties pursuant to Texas Finance Code §§ 151.702, 151.706, and 151.707.
4. Respondents have been properly notified regarding their right to an administrative hearing under Texas Finance Code Chapter 151 (Chapter 151). Respondents are represented in this matter by attorney Chris Daniel.
5. The statutory provisions at issue in this matter include Texas Finance Code §§ 151.301 - 151.302, 151.402 - 151.403, 151.702 and 151.706 - 151.707.
6. Any violation of this Order could subject Respondents to additional regulatory or enforcement actions authorized by Texas Finance Code § 151.701, and other provisions of Texas law. Nothing in this Order diminishes the regulatory or enforcement powers of the Department, the Commissioner, or the Finance Commission of Texas under Chapter 151 or other applicable law.

7. Respondents acknowledge that the Commissioner may bring other proceedings against them (including any affiliates) and issue other orders including but not limited to cease and desist orders and orders suspending or revoking a license or authorized delegate designation. By signing this Order, Respondents do not waive their rights to a hearing or other rights listed below as to any proceedings other than the current one.
8. For purposes of this proceeding, Respondents knowingly and voluntarily waive:
 - a. Service upon Respondents of this Order;
 - b. The right to present defenses to the allegations in this proceeding;
 - c. Notice and hearing prior to imposition of this Order;
 - d. The filing of proposed findings of fact and conclusions of law;
 - e. The issuance of a proposal for decision by an administrative law judge;
 - f. The filing of exceptions and briefs with respect to such proposal for decision;
 - g. Any review of this Order by the Texas Finance Commission; and
 - h. Judicial review of this Order as provided by Texas Government Code § 2001.171 et seq., and any other challenge to the validity of this Order.
9. Respondents agree to this Order solely for the purpose of this proceeding, and without admitting or denying any violations of law or regulations. This Order does not constitute an admission by Respondents that Chapter 151 or a rule adopted or order issued under Chapter 151 has been violated.
10. The Commissioner has considered the matter and finds as follows:
 - a. USEA Holdings contracts with borrowers of many types of loans to make loan payments for the borrowers in order to accelerate the repayment of those loans. Pursuant to a written agreement, USEA Holdings debits a consumer's bank account and subsequently pays the consumer's creditor(s). Under Texas Finance Code § 151.301(b)(4)(A)(iii), these third party bill payment services constitute money transmission.
 - b. The Department has not licensed USEA Holdings to engage in the business of money transmission in Texas.
 - c. From at least 2008 to February 18, 2014, USEA Holdings was conducting unlicensed money transmission in Texas.

- d. On February 18, 2014, USEA Holdings executed an agreement with PreCash, Inc. (PreCash) which appointed USEA Holdings as PreCash's authorized delegate for purposes of its payment-related services.
- e. In July 2014, PreCash began to report transactions for USEA Holdings.
- f. USEA Holdings represented to the Department that from 2008 until July 2014, when PreCash began to report transactions for USEA Holdings, it made payments for Texas consumers totaling \$98,994,423.
- g. USEA Holdings also represented that, as of 2014, it provided bill payment services as an authorized delegate of PreCash for 4,196 persons located in Texas.
- h. The Department regulates money transmission under the authority of Texas Finance Code Chapter 151, Subchapter B.
- i. Texas Finance Code § 151.302(a) provides that "a person may not engage in the business of money transmission or advertise, solicit, or hold itself out as a person that engages in the business of money transmission" without a license. Because USEA Holdings directly offered bill payment services and made third party bill payments for thousands of consumers in Texas without a license from at least 2008 to February 18, 2014, USEA Holdings was in violation of Texas Finance Code § 151.302(a).
- j. Texas Finance Code § 151.403(a)(4) states that an authorized delegate of a license holder must not commit an unsafe or unsound act or practice or conduct business in an unsafe and unsound manner.
- k. Based on information provided to the Department by Respondents, as well as information gathered during a Departmental examination of PreCash, it was determined that USEA Holdings and PreCash are not properly accounting for all of USEA Holdings' transactions. For the three month period of July to September 2014, at least 2,124 transactions totaling \$494,430 appeared in USEA Holdings' records that were not reported by PreCash. Subsequent information provided to the Department by Respondents included different figures for both the number of transactions and the dollar amount of those transactions, which may indicate that USEA Holdings is not properly accounting for all of its transactions with PreCash, and, perhaps, evidencing significant flaws in USEA Holdings' reporting system. Both license holders and authorized delegates are required to keep accurate records and account for all Texas transaction activity. Accurate records and accounting are necessary to protect the interests of purchasers of money services and the public, as well as protect against drug trafficking, terrorist funding, and money laundering, structuring, and related financial crimes. Failure to keep accurate records is an unsound business practice. The discrepancy between the records of USEA Holdings and PreCash, as well as USEA Holdings' internally inconsistent records, may demonstrate that USEA Holdings is

conducting business in an unsafe and unsound manner in violation of Texas Finance Code § 151.403(a)(4).

- l. U.S. Equity Advantage, Inc., a Florida corporation, with its principal address listed as 800 N. Magnolia Avenue, Suite 1275, Orlando, Florida 32803 (USEA Inc.) is a wholly-owned subsidiary of USEA Holdings that was formed to obtain all licenses or authorizations required to offer money transmission services in the United States. USEA Inc. has stated that after all such licenses or authorizations are obtained, it intends to assume ownership and management of the money transmission services from its parent USEA Holdings and will offer those services directly to consumers.
- m. On October 28, 2013, USEA Inc. filed an application for a money transmission license with the Department. On January 20, 2014, USEA Inc. requested to withdraw its application. The application was returned to USEA Inc. on January 27, 2014, for failing to meet the net worth requirements. The transmittal letter sent to USEA Inc. regarding the application being returned stated “Please note that a person or business may not solicit or engage in a money services business in Texas unless the person or business holds a license issued under Chapter 151 of the Code.... Operating without a license under Chapter 151 of the Code constitutes a violation of this statute and is subject to penalties.”
- n. On June 4, 2014, USEA Inc. filed a second application with the Department in order to obtain a money transmission license. That application was approved.
- o. USEA Inc. obtained a money transmission license from the Department on October 17, 2014.
- p. To date, USEA Inc. has not conducted any money transmission in the state of Texas and has no Texas customers.
- q. As required by Texas Finance Code § 151.707(d), the Commissioner has considered the seriousness of the violations, USEA Holdings’ compliance history, and Respondents’ good faith in attempting to comply with Chapter 151. The Commissioner finds that the violations are very serious because USEA Holdings contracted with thousands of Texas residents and transmitted over \$98,000,000, all without the protections in place that would be required of a company that holds a money transmission license. Furthermore, as an authorized delegate of a license holder, USEA Holdings may have underreported at least 2,124 transactions totaling \$494,430 in just a three month period.
- r. The Commissioner finds that USEA Holdings’ prior compliance history is unsatisfactory because Respondents continued to offer bill payment services in Texas after the Department specifically notified Respondents that “Operating without a license under Chapter 151 of the Code constitutes a violation of this statute and is subject to penalties.”

- s. Based on these findings and based on the representations made by Respondents as to the volume of transactions and length of time it has been conducting an unlicensed money transmission business in Texas, the Commissioner finds that a penalty of \$128,835 is appropriate.

ORDER

It is hereby ORDERED, ADJUDGED and DECREED that:

1. By March 6, 2015, at 5 p.m., CDT, Respondents will:
 - a. cease and desist from engaging in the business of money transmission in Texas with respect to new customers. This includes business conducted directly or through the activity of others, such as PreCash, and includes but is not limited to advertising and soliciting persons in Texas, and the acceptance of new customers who are located in Texas;
 - b. configure their computer systems to refuse the registration of new customers located in Texas and confirm to the Department in writing that it has been completed;
 - c. provide written evidence to the Department that they have informed PreCash, all their agents, employees and others through whom they solicit customers that they must cease doing so; and
 - d. have delivered to the Department a check made payable to the Texas Department of Banking in the amount of \$50,000 as an initial payment towards their administrative penalty of \$128,835. Instructions regarding additional payments are detailed below.
2. Respondents will make additional payments of \$7,200 each month for the 11 months following the effective date of this Order until the total amount of the administrative penalty has been paid. These additional payments will be due to the Department by the 6th of each month and shall be made payable to the Texas Department of Banking.
3. Respondents will not transfer any assets associated with USEA Holdings' existing business in the State of Texas to any other entity, including, but not limited to, USEA Inc., without the express consent of the Department.
4. USEA Holdings, in its capacity as the sole shareholder of USEA Inc., will ensure that USEA Inc. does not engage in any operations or otherwise conduct any money transmission activities in the state of Texas without the express consent of the Department.

5. If Respondents fail, by 5 p.m. CDT on March 6, 2015, to comply with any requirement of Paragraph 1, or if Respondents fail to comply with the requirements of Paragraphs 2, 3 or 4 at any time after the effective date of this Order, such failure will constitute the Event of Default, the effect of which is detailed below.
6. If the Event of Default occurs, the Department will mail the Notice of Default to Respondents at 800 N. Magnolia Avenue, Suite 1275, Orlando, Florida 32803.
7. Within 10 days of receipt of the Notice of Default, Respondents shall pay the Texas Department of Banking whatever amount is needed to make the total penalty equal \$257,670.
8. Within 30 days of receipt of the Notice of Default, USEA Holdings shall:
 - a. notify its existing Texas customers that it will cease providing bill payment services to them, and make reasonable efforts to ensure that these customers understand their responsibilities to resume making their own payments. This notification must be made in writing, and a copy of the notice must be sent contemporaneously to the Department; and
 - b. in its capacity as the sole shareholder of USEA Inc., compel USEA Inc. to surrender its money transmission license (license number 3106) to the Department.
9. Within 120 days of receipt of the Notice of Default, Respondents shall cease and desist from engaging in the business of money transmission in Texas with respect to customers currently under contract at the time of the Default Notice Date and have returned to its customers all customer funds held by Respondents for payment of loans.
10. Within seven days of achieving full compliance with Paragraphs 7 through 9 on page 9 of this Order, Respondents shall confirm to the Department in writing that it has ceased all unlicensed activities in Texas.
11. Respondents knowingly and voluntarily waive any rights, including those listed in Paragraph 8 on pages 2 and 3 of this Order, in regard to the imposition of the requirements after the Event of Default.
12. This Order will remain in effect until such time as the Department, in its sole discretion, determines that Respondents can properly and legally operate a money services business in Texas.

Effective Date

This Order against Respondents is effective on the date signed by the Commissioner, and subject to its terms, Respondents may not appeal.

Signed on this 27 day of February, 2015.

//s// Stephanie Newberg for
Charles G. Cooper
Banking Commissioner of Texas

AGREED AS TO FORM AND SUBSTANCE:

U.S. Equity Advantage Holdings, Inc.

By: //s// Robert M. Steenbergh
Robert M. Steenbergh
Chief Executive Officer

Date: 2/26/15

APPROVED AS TO FORM:

//s// Chris Daniel
Chris Daniel
Counsel for U.S. Equity Advantage Holdings, Inc.

Date: 2/26/15

//s// Brenna McGee
Brenna McGee
Assistant General Counsel
Texas Department of Banking

Date: 2/27/15