

COPY

CAUSE NO. 08-14928

IN THE MATTER OF

THE STATE OF TEXAS and

NCO FINANCIAL SYSTEMS, INC.

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IN THE DISTRICT COURT OF

DALLAS COUNTY, TEXAS

E-193rd
JUDICIAL DISTRICT

AGREED FINAL ORDER OF CONFIRMATION OF APPROVAL OF ASSURANCE OF VOLUNTARY COMPLIANCE

ON THIS DAY CAME for consideration the above entitled and numbered cause in which the STATE OF TEXAS and NCO FINANCIAL SYSTEMS, INC. (the parties), have presented the attached Assurance of Voluntary Compliance to the Court for approval. The parties have made the following stipulations and agreed to the approval of the Assurance of Voluntary Compliance.

It has been stipulated that the parties have compromised and settled the matter of the STATE OF TEXAS' claims. It has been further stipulated that the STATE OF TEXAS and NCO FINANCIAL SYSTEMS, INC. agree to and do not contest the approval of the Assurance of Voluntary Compliance, and that by so agreeing NCO FINANCIAL SYSTEMS, INC. does not admit any violation of the Deceptive Trade Practices Act or any other law, regulation or order, nor does NCO FINANCIAL SYSTEMS, INC. admit any wrongdoing.

THE COURT FINDS after review of the pleadings, the Assurance of Voluntary Compliance and stipulations of the parties, that the parties agree to the confirmation of approval of the Assurance of Voluntary Compliance, and that same be accepted and approved.

IT IS THEREFORE ORDERED ADJUDGED AND DECREED that the Assurance of Voluntary Compliance by and between the STATE OF TEXAS and NCO FINANCIAL SYSTEMS, INC. be and is hereby accepted and approved and is made a part of the file of this cause.

IT IS FURTHER ORDERED that the Reports to be submitted by NCO FINANCIAL SYSTEMS, INC. to the Office of the Attorney General of the State of Texas are confidential and may not be disclosed to any person without the written agreement of the parties or without an order of this Court.

All costs of Court are assessed against NCO FINANCIAL SYSTEMS, INC.

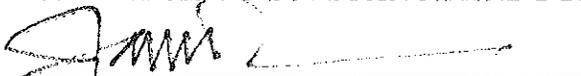
All relief not granted herein is denied.

SIGNED this 2ND day of December, 20 08.



DISTRICT JUDGE PRESIDING

AGREED AS TO SUBSTANCE AND FORM AND ENTRY REQUESTED::



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alleged that NCO was engaging in deceptive acts and practices and violating the Texas Debt Collection Act ("TDPA") in its collection of third party debts.

3. The State alleges and NCO denies that NCO has violated the DTPA and the TDPA. NCO asserts that it substantially complies with the DTPA and the TDPA. NCO and its legal counsel have sought to work with the State to resolve any issues related to its third party debt collection practices. Both the State and NCO recognize that, given the high volume of consumer contacts and the high number of collectors making those contacts, consumer complaints will invariably arise and need attention. As a measure of its effort, NCO has expended resources, both in terms of time and money, in explaining its policies and procedures, continuing to improve its systems and procedures, in reviewing the complaints made by Texas consumers, and in producing the documents requested by the Office of the Texas Attorney General, in an attempt to resolve this matter.
4. The State and NCO have agreed to settle the issues addressed between them and have agreed to do so by entering into this AVC. Additionally, NCO consents to the jurisdiction of this Court for the purposes of entering this AVC.

I. DEFINITIONS

5. The following definitions shall be used in construing this AVC:
 - A. Call centers: Any physical place from which NCO places or receives consumer credit debt collection phone calls.
 - B. Chase Providian debts: Consumer debts acquired by Chase Bank USA from Providian National Bank, subsequently sold in June 2005 by Chase Bank

USA to NCOP VII, Inc., a corporation affiliated with NCO Group, Inc., and subsequently referred to NCO for third party collection.

- C. Collection centers: Any physical place from which NCO sends or receives consumer credit debt correspondence.

- D. Collection system: NCO's system for maintaining records of individual third party consumer debts and directing the status and collection of individual third party consumer debts, currently consisting of CRS, FACS, and imaged records associated with records contained in CRS and FACS.
- E. Collector: Any individual who contacts consumers by letter or telephone in an effort to collect a third party consumer debt.
- F. Complaints: Any expression of discontent made by a consumer regarding the attempt to collect, or the collection of, a third party consumer debt, constituting: (1) written disputes regarding the accuracy of the amount of the third party consumer debt, (2) written disputes regarding the incurrence of the third party consumer debt, (3) written disputes regarding the identity of the consumer, (4) written requests that are not honored that the collector no longer contact the consumer by telephone regarding a third party consumer debt, (5) written requests that are not honored that the collector no longer contact the consumer by mail regarding a specific third party consumer debt, (6) written statements that the third party consumer debt has previously been discharged in bankruptcy, (7) statements that the collector has been rude or threatening, (8) statements that the collector has made phone calls to the

consumer before 8:00 a.m. or after 9:00 p.m., based on the consumer's local time, and (9) statements that the collector has contacted the consumer at his or her place of employment when the collector knows or has reason to know that the consumer's employer prohibits the consumer from receiving such communication.

- G. Consumer: An individual who has or NCO believes has a third party consumer debt.
- H. Consumer credit debt collection correspondence: Any letters, memoranda, or documents sent to consumers in an effort to collect a third party consumer debt, or received from consumers in response to efforts to collect a third party consumer debt.
- I. Consumer credit debt collection records: Any records of third party consumer debts collected, third party debts that have attempted to be collected, contact information regarding consumers owing a third party consumer debt, and communications between consumers and NCO regarding a third party consumer debt, including communications of every kind, source, and authorship that are handwritten, typewritten, photographic, recorded and printed material, photocopies, electronic mail, microfilm, microfiche, magnetic tapes or computer matter.
- J. Consumer credit debt collection phone calls: Any telephone calls made to consumers by NCO in an effort to collect third party consumer debts.
- K. Skip tracing: The process of determining a consumer's location information

- including the consumer's residence, telephone number or place of employment in connection with efforts to collect a third party consumer debt.
- L. Status/disposition code: Any symbol, whether numeric, letter, electronic, or computer matter, that designates the status of a third party consumer debt, collections efforts made, telephonic contact made with consumers, or complaints received from consumers.
- M. Texas consumer: A consumer who is contacted by NCO regarding what NCO believes to be his or her third party consumer debt if the contact is made to either a telephone number with a Texas area code or a mailing address located in Texas.
- N. Third part consumer debt: An obligation, or an alleged obligation, primarily for personal, family, or household purposes and arising from a transaction or an alleged transaction that is referred to a third party debt collector, as defended in Chapter 392, Texas Finance Code, for collection.

II. MONITORING PROVISIONS

6. For a period of twelve (12) months starting January 1, 2009, NCO or its designee shall monitor twenty-five thousand (25,000) essentially randomly selected consumer credit debt collection phone calls placed by NCO during that time period. Personnel who have received at least four hours of instruction regarding relevant policies and procedures will monitor and evaluate calls for the following:
- A. Whether NCO's employees or agents making consumer credit debt collection phone calls from Texas or to Texas residents, begin with the statement that

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includes the words: "This call may be monitored or recorded.";

B. Whether NCO's employees appropriately document the status/disposition and other codes associated with the consumer contacts in the collection system;

C. Whether any of the following occurs when NCO's employees make consumer credit debt collection phone calls;

- (1) Disclosure of the existence of a debt or NCO's third party debt collector status to anyone other than the consumer;
- (2) Contacting a specific third party to skip trace more than once unless new information is documented in the collection system or the third party granted permission and said permission is recorded in the collection system;
- (3) Misrepresenting NCO's status as a third party debt collector, or NCO's employee or agent identifying themselves as anything but a debt collector to a consumer;
- (4) A consumer is subjected to profanity, rudeness, or inappropriate threats;
- (5) Additional charges are added to an account not permitted by the TDPA, or any agreement between the consumer and the creditor;
- (6) The consumer is contacted at work if the collector knows or has reason to know that the consumer's employer prohibits the consumer from receiving such communication at work;
- (7) A message is left for the consumer at another number other than the consumer's home or business after the consumer has already been reached;
- (8) A consumer has been improperly threatened with potential legal action or

wage garnishment;

- (9) All written cease and desist requests were honored;
- (10) Any voice message for a return call is left, beyond anything other than the collector's name, telephone number, and I.D. code; and
- (11) A settlement offer that has already been accepted by the consumer has been or is being reneged upon.

7. For a period of twelve (12) months starting January 1, 2009, NCO or its designee will monitor 120 essentially randomly selected third party consumer debt accounts per month in which NCO receives correspondence from Texas consumers disputing the accuracy of an item in NCO's files by reviewing the consumer credit debt collection records and collection system with respect to such account. Personnel who have received at least four hours of instruction regarding relevant policies and procedures will review the consumer credit debt records and the collection system records to evaluate the following:

- A. Whether any written request made for verification of the third party consumer debt is responded to with a written statement that either denies or admits the inaccuracy or reports that there has not been sufficient time to complete an investigation not later than the 30th day after the date the written request was received by NCO.
- B. If NCO admits the disputed item is inaccurate in its files, whether NCO corrected its files and informed any person who had received notice of the inaccuracy within five (5) days.

- C. If NCO reports that there was insufficient time to investigate the disputed item, whether the item was changed in NCO's files as requested by the consumer to the extent consistent with law, a report of change was sent to any third party previously notified, collection efforts ceased, and NCO closed and/or returned the account to the owner of the debt when NCO determines to do so.
 - D. If NCO completes an investigation and is able to deny or admit the disputed item in its files, whether NCO notifies the consumer of the results of the investigation.
8. For a period of twelve (12) months starting January 1, 2009, NCO or its designee shall monitor twenty-five thousand (25,000) third party consumer debt accounts, all or part of which may be accounts associated with the third party consumer debts that are the subject of telephone call monitoring pursuant to paragraph 6, accounts monitored pursuant to paragraph 7, or otherwise essentially randomly selected accounts. Personnel who have received at least four hours of instruction regarding relevant policies and procedures will monitor the accounts by reviewing the consumer credit debt collection records and consumer data collection system with respect to such accounts to determine whether the consumer credit debt records and the collection system records reflect that the following types of consumer complaints have been recorded in a data retrievable format:
- A. The consumer has disputed in writing the accuracy of the amount of the third party consumer debt;

- B. The consumer has complained in writing that he or she never incurred the third party consumer debt;
 - C. An individual has complained in writing that a collector incorrectly stated that the individual is the appropriate debtor for a particular account;

 - D. The consumer has requested in writing that a collector not contact him or her by telephone regarding a specific third party consumer debt;
 - E. The consumer has requested in writing that a collector no longer contact him by mail regarding a specific third party consumer debt;
 - F. The consumer has informed NCO that a third party consumer debt has previously been discharged through bankruptcy;
 - G. The consumer has complained that a collector was rude, inappropriately threatening, or used profanity;
 - H. The consumer has complained that a collector has made phone calls before 8:00 a.m. or after 9:00 p.m.;
 - I. The consumer has complained that he or she received repeated or continuous phone calls from NCO made with the intent to harass the consumer;
 - J. The consumer has complained that a collector contacted him or her at his or her place of employment when the collector knows or has reason to know that the consumer's employer prohibits the consumer from receiving such communication.
9. For a period of twelve (12) months, starting January 1, 2009, NCO or its designee will monitor the consumer credit debt records and collection system on a quarterly

basis to determine the following:

- A. Whether NCO ceased third party collection efforts on Chase Providian debts from Texas consumers as well as third party collection efforts on Chase Providian debts from Texas call centers and offices located in Texas, not including Chase Providian debts being paid by a consumer pursuant to an agreement with NCO; and
- B. Whether any postdated checks, written by Texas consumers or written in response to a consumer credit debt collection phone call placed from a call center located in Texas, were deposited prior to the date the check was originally issued, or the amount of the check was modified, without the consumer's permission.

III. NOTICE REQUIREMENTS

- 10. For a period of three (3) years with implementation starting on January 1, 2009, and to be fully implemented as soon thereafter as practically possible but not later than June 1, 2009, NCO, as well as its successors and assigns, shall make the following disclosure clearly and conspicuously on the initial written collection communication that is sent to a Texas consumer for the purpose of collecting a third party consumer debt:

For Texas residents, visit our website at [ADDRESS] to review your rights under Federal and Texas law.

- 11. On or before January 1, 2009, NCO as well as its successors and assigns, shall provide a copy of the following notice to all current employees having responsibility

with respect to collection of third party consumer debts of Texas consumers and current employees located in Texas and having responsibility with respect to collection of third party consumer debts. For a period for three (3) years starting on January 1, 2009, NCO as well as its successors and assigns, shall provide a copy of the following notice to each new employee hired after that date having responsibility with respect to collection of third party consumer debts of Texas consumers and each new employee hired after that date located in Texas and having responsibility with respect to collection of third party consumer debts, and NCO shall secure from each new employee a signed and dated statement acknowledging receipt of a copy of the notice on or before the date the employee assumes responsibility with respect to the collection of third party consumer debts of Texas consumers or from a location in Texas. The notice shall state:

Debt collectors must comply with the federal Fair Debt Collection Practices Act, which limits our activities in trying to collect money from consumers.

Section 805 of the federal act says that you may not contact a consumer at work if you know or have reason to know that the consumer's employer prohibits the consumer from receiving such communication at work, and that you may not communicate with any person other than the consumer, the consumer's attorney, a credit reporting agency if allowed by law, the creditor, or the creditor's attorney in connection with the collection of a debt, for any purpose other than to obtain location information about the consumer.

Section 806 of the Act states that you may not engage in any conduct the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt.

In addition, Section 807 of the Act prohibits you from representing or implying that any action, including legal action, will be taken unless at the time of the representation, such action is lawful and there is a clear intent to take such action. Further, Section 807 of the Act prohibits the use of any false representation or deceptive means to collect ~~or attempt to collect any debt or to obtain~~ information concerning a consumer.

Individual debt collectors may be financially liable for their violations of the Act.

12. For a period of three (3) years from the date of entry of this AVC, NCO, as well as its successors and assigns, shall maintain a consumer complaint hotline together with a statement on its web site (currently the NCO Group Inc. web site) providing the consumer hotline number designed to allow a consumer to speak with a NCO representative during business hours regarding his or her complaint. NCO agrees to establish policies designed to enable NCO to answer any consumer hotline call in approximately ten minutes of the consumer's placing the phone call with exception for NCO's inability to do so based upon causes beyond NCO's control or the occurrence of events that prompt a surge in calls above the normal range of calls received. NCO shall be free to exercise reasonable business judgment in providing and staffing the hotline. Moreover, the NCO hotline information will be able to be viewed when the consumer first brings up the web site, rather than having to scroll to the bottom of the web site or to the far left or right, off of the initially viewable area.
13. For a period of three (3) years from the date of entry of this AVC, NCO, as well as

its successors and assigns, shall include the following statement on its web site (currently the NCO Group Inc. web site) accessible to a consumer through a link located on the home page labeled, in substance, consumer questions or concerns:

There are Federal and State laws that govern debt collection. ~~You can stop us from contacting you by writing a letter to us~~ that tells us to stop the contact. Sending such a letter does not make the debt go away if you owe it.

If you have a complaint about the way we are collecting this debt, please write to our CONTACT CENTER, [current physical address], or call us toll-free at [current phone number] between 9:00 A.M. Eastern Standard Time and 5:00 P.M. Central Time Monday - Friday.

IV. RECORD KEEPING PROVISIONS

14. For a period of three (3) years from the date of entry of this AVC, NCO, as well as its successors and assigns, will create and implement policies and procedures to the extent not currently existing to retain the following records in connection with NCO's activities as a third party debt collector, unless NCO is otherwise prohibited from retaining such records by law or contractual obligations:
 - A. For each individual employed by NCO to collect third party consumer debts, other than temporary agency personnel and independent contractors, personnel records accurately reflecting the individual's name, address, telephone number, as provided by the individual, and job title or position, hire date, and termination date and reason for termination if applicable;
 - B. Consumer records in the collection system containing the names, addresses, phone numbers, dollar amounts of third party consumer debts owed, records

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of third party debt collection activity, and amounts collected;

- C. For every written complaint received by NCO, in its capacity as a third party debt collector, from a Texas consumer or based on a third party consumer credit debt collection phone call or third party consumer credit debt collection correspondence from a collection center or call center located in Texas, records that include a copy of the complaint, evidence of the date the complaint was received at NCO's principal place of business, and evidence of the disposition of the complaint; and
- D. Copies of all training materials used to collect third party consumer debts from Texas consumers as well as those used by collection centers and call centers located in Texas to collect third party consumer debts.
- E. On or before July 1, 2009 and February 1, 2010, NCO will submit a signed confidential written report to the Office of the Attorney General describing the material monitoring procedures employed pursuant to paragraphs 6, 7, 8 and 9 of this AVC, any conclusions drawn from the results of the monitoring, any material changes made by NCO in its third party debt collection practices as a result of the monitoring, to the extent any are found necessary, and a statement of estimated costs incurred in connection with nationwide call monitoring, account monitoring, and record keeping, as provided in this AVC, and on NCO's continued efforts to develop measures designed to improve quality assurance in connection with third party debt collection activities. The report shall not be disclosed to any third party without the

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express written consent of NCO and the Office of the Attorney General.

V. GENERAL PROVISIONS

15. NCO has read and understands this AVC and enters into it voluntarily, having been advised by its undersigned legal counsel of the meaning and effect of each provision of this AVC.
16. NCO further agrees that the State's execution of this AVC does not constitute an approval by the State of Texas of any of its practices and are not to make any representations to the contrary.
17. As set forth in TEX. BUS. & COM. CODE §17.58 (c), notwithstanding any other provision of this AVC, NCO acknowledges that unless this AVC has been rescinded by agreement of the parties, or voided by the Court for good cause, subsequent material failure to comply with the terms of this AVC, is prima facie evidence of a violation of the DTPA and shall give rise to a right of action by the State under the provisions of the DTPA.
18. It is also agreed and understood that this AVC does not affect individual rights of action by consumers. The State and NCO agree that nothing in this AVC shall be construed as a waiver or creation or enlargement of a private right of action of any person not a party to this AVC. This AVC does not create any rights or claims on behalf of any third parties nor do the parties to this AVC intend to confer standing on any third party to enforce the terms of this AVC.
19. The State and NCO agree that this AVC shall not be construed as evidence of any violation of any law, or an admission of any type by NCO, or a payment by NCO had

a violation of law been proved.

20. The Consumer Protection Division of the Office of the Attorney General shall, at least seven days prior to instituting any court action as required by the DTPA, contact NCO to notify NCO of the alleged unlawful conduct in violation of the prohibited practices section of this AVC or of the DTPA.

21. NCO represents and warrants that it has ceased efforts to collect Chase Providian debts from Texas consumers and does not intend to renew efforts to collect such debts.

22. The acceptance of this AVC is conditioned upon the following expenditures by NCO, consistent with the Texas Business and Commerce Code and Texas Government Code:

A. ONE HUNDRED THOUSAND Dollars (\$100,000.00) paid to the State of Texas' General Revenue Fund;

B. ONE HUNDRED FIFTY THOUSAND Dollars (\$150,000.00) as attorneys fees and investigative costs under TEX. GOVT. CODE § 402.006(c) to the Office of the Attorney General.

C. ONE HUNDRED FIFTY THOUSAND Dollars (\$150,000.00) available for restitution for consumer redress. For a period of three (3) years from the date of entry of this AVC, NCO shall pay claims for restitution to the Office of the Attorney General, as provided herein, not to exceed a total payment in the amount of ONE HUNDRED AND FIFTY THOUSAND Dollars (\$150,000.00). During that time period, the State may submit a claim for

restitution to NCO demonstrating a prima facie showing that, as a result of third party debt collection efforts undertaken by NCO, a Texas consumer: (1) paid a third party consumer debt to NCO that was not owed by the consumer; (2) overpaid interest on a third party consumer debt not supported by the underlying agreement between the debtor and the original holder of the debt or as otherwise permitted by law; or (3) paid an amount on a third party consumer debt in excess of an amount NCO agreed to settle the account. Consumer statements not supported with documentary evidence do not constitute a prima facie showing for a restitution claim under this provision. Upon receipt of a restitution claim demonstrating prima facie showing, as described above, NCO may provide information to rebut the State's prima facie showing within thirty (30) days of receipt of the State's claim for restitution. NCO will refund the consumer an amount equal to the consumer's overpayment to NCO, unless NCO timely provides information that raises a question of fact regarding the validity of the claim. NCO may require a written release of liability from the consumer as a condition to making the payment under this provision.

- D. For the period of three (3) years following the entry of this AVC, NCO represents that it reasonably estimates that it will spend not less than THREE HUNDRED THOUSAND Dollars (\$300,000.00) to conduct nationwide call monitoring, account monitoring, and record keeping, as provided in this AVC, and on NCO's continued efforts to develop measures designed to

improve quality assurance in connection with third party debt collection activities.

23. All costs of court are adjudged against NCO.

NCO FINANCIAL SYSTEMS, INC.

STATE OF TEXAS

Attested to:

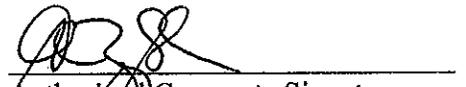


Authorized Corporate Signatory
NCO Financial Systems, Inc.

GREG ABBOTT
Attorney General

KENT C. SULLIVAN
First Assistant Attorney General

Attested to:



Authorized Corporate Signatory
NCO Financial Systems, Inc.

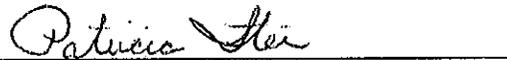
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