



United States of America
FEDERAL TRADE COMMISSION
Northeast Region

Leonard L. Gordon
Regional Director

One Bowling Green, Suite 318
New York, NY 10004
(212) 607-2829

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BY EMAIL AND FIRST CLASS MAIL

Thomas A. Cohn, Esq.
Venable LLP
Rockefeller Center
1270 Avenue of the Americas
Twenty-Fifth Floor
New York, NY 10020

Re: Tronix Country, LLC

Dear Tom:

As you are aware, the staff of the Northeast Region of the Federal Trade Commission has been conducting a non-public investigation into the advertising and telemarketing practices of Tronix Country, LLC ("Tronix") for possible violations of the Credit Repair Organizations Act ("CROA"), 15 U.S.C. § 1679 *et seq.*, and the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 41, *et seq.* In particular, we have focused on Tronix's advertising and telemarketing in which Tronix has claimed, expressly as well as by implication, that enrollment in Tronix's computer purchase program will build, rebuild, establish, or improve consumer credit.

CROA broadly defines a Credit Repair Organization ("CRO") to include "any person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that [it] can or will sell, provide, or perform) any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of: (i) improving any consumer's credit record, credit history, or credit rating; or (ii) providing advice or assistance to any consumer with regard to any activity or service described in clause (i)" 15 U.S.C. § 1679a(3)(A).¹

All CROs must provide certain notices and disclosures to consumers including: (1) specific written disclosures regarding consumers' credit file rights prior to the execution of any

¹ CROA exempts "creditors," as defined in 15 U.S.C. § 1502(f), from the definition of a CRO "to the extent the creditor is assisting the consumer to restructure any debt owed by the consumer to the creditor," 15 U.S.C. § 1679a(3)(B)(ii). However, that exemption does not apply when, as here, credit improvement is a component or feature of the goods or services being offered, and the creditor uses the claim of credit improvement to induce consumers to purchase those goods or services.

contract; (2) a conspicuous notice on the contract itself, next to the space for the consumers' signature, of the right to cancel the agreement within 72 hours of executing the contract; and (3) a separate "Notice of Cancellation" form that consumers can mail back if they elect to cancel the contract. *See* 15 U.S.C. §§ 1679c, 1679d, and 1679e(b).

Additionally, a CRO may not "charge or receive any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed." 15 U.S.C. § 1679b(b). This ban on advance fees applies to any fee that is collected before full performance, regardless of what the fee is called or how it is characterized (*e.g.*, processing fee, enrollment fee, start-up fee, or periodic or "installment" payment). When an advance fee for credit repair services is inextricably intertwined with a fee collected in advance for other goods or services, the portion of the advance fee attributable to credit repair services may violate CROA.

Further, under Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, all advertisers must possess adequate substantiation for all express or implied claims regarding their goods or services. Any company marketing its goods or services with claims that consumers will be able to build, rebuild, establish, or improve their credit must have sufficient evidence that use of its products and services positively and measurably affects consumer credit. Moreover, because credit scoring is based on proprietary formulas used by the credit reporting agencies that take into account multiple factors, an advertiser cannot base its credit improvement claims solely on the fact that it provides positive reports about consumers to credit reporting agencies.

After careful review of information relevant to this matter, including non-public material submitted to staff, we have determined not to recommend enforcement action at this time. This decision is based on findings specific to this particular investigation, including recent changes that Tronix made to its internal training manuals and its marketing materials.

The closing of this investigation is not to be construed as a determination that a violation of law did not occur, just as the pendency of an investigation should not be construed as a determination that a violation has occurred. The Commission reserves the right to take such further action as the public interest may require.

Very truly yours,

A handwritten signature in black ink, appearing to read "L. Gordon", written in a cursive style.

Leonard L. Gordon
Regional Director