

**STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE**

In the Matter of Collection Agency  
Direct Recovery Services, Inc.  
License Numbers: 40458470 and 40634748

**CONSENT ORDER**

TO: Direct Recovery Services, Inc.  
115 Waterfront Drive  
Two Harbors, MN 55616

6065 Roswell Road, Suite 470  
Sandy Springs, GA 30328

Commissioner of Commerce Grace Arnold (Commissioner) has determined as follows:

1. The Commissioner has advised Direct Recovery Services, Inc. (Respondent) that she is prepared to commence formal action pursuant to Minn. Stat. § 45.027 (2020), and other applicable law, based on the following allegations:

- a. On May 20, 2020, Respondent entered into a consent order with the Department to address violations of Minnesota law. In that Order, Respondent agreed to cease and desist from violating any laws rules, or orders related to the duties and responsibilities entrusted to the Commissioner under Minnesota Statutes Chapters 45 and 332 that included commingling of funds and allowing agents to work from unlicensed branch locations.
- b. Despite their agreement to cease and desist from further violations, Respondent continues to violate the Fair Debt Collection Practices Act and Minn. Stat. § 332.37 (12) (2020). For example, Respondent has collected on pay day loans from unlicensed lenders in violation of 15 U.S.C. 1692e 2(A).
- c. On multiple occasions, Respondent's agent failed to provide meaningful disclosure on telephone calls in violation of 15 U.S.C. 1692e (11).

d. In addition, several of Respondent's agents are not registered in Minnesota as debt collectors in violation of Minn. Stat. § 332.33 subd. 1 (2020).

2. It has been reported to the Commissioner that the Respondent has been sold to new ownership as of the date of April 15, 2022 and that the alleged violations of the May 20, 2020 Consent Order occurred under the previous ownership of Respondent and that the previous owner and management of Respondent are no longer involved with Respondent.

3. Respondent acknowledges that they have been advised of the right to a hearing in this matter, to present argument to the Commissioner, and to appeal from any adverse determination after a hearing. Respondent hereby expressly waives those rights. Respondent further acknowledges that they have been represented by legal counsel throughout these proceedings or has waived that right.

4. Respondent has agreed to informal disposition of this matter without a hearing as provided under Minn. Stat. § 14.59 (2020) and Minn. R. 1400.5900 (2019).

5. For purposes of Minn. Stat. § 16D.17 (2020), Respondent expressly waives the right to any notice or opportunity for a hearing on any civil penalty imposed by the Commissioner. Further, Minn. Stat. § 16D.17 (2020) allows the Commissioner to file and enforce the civil penalty imposed by this Order as a judgment against Respondent in district court without further notice or additional proceedings.

6. The civil penalty and/or any resulting judgment arising from this Order will be non-dischargeable in any bankruptcy proceeding. See 11 U.S.C. 523 (a)(7) ("A discharge under section 727, 1141, 1228(a), 1228(b) or 1328(b) of this title does not discharge an individual debtor from any debt... to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit, and is not compensation for actual pecuniary loss, other than a tax penalty...").

7. The following Order is in the public interest.

**NOW, THEREFORE, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. Ch. 45 (2020) that:

A. Respondent shall pay the stayed portion of the fine of \$19,000 as outlined in the May 20, 2020 Consent Order;

B. Respondent shall be pay a civil penalty of \$25,000 to the State of Minnesota. The Commissioner has stayed \$24,000 of that fine. Respondent must pay \$1,000 of this fine;

The stayed portion of this civil penalty may be lifted if Respondent commits further violations of any law, rule or order related to the duties and responsibilities entrusted to the Commissioner. If the Commissioner determines that Respondent has committed further violations of any law, rule or order over which the Commissioner has authority, the stay shall be lifted and the stayed portion of the penalty shall become effective in addition to any additional administrative action the Commissioner deems appropriate for the new violation(s). If the Commissioner seeks to lift the stay, Respondent may request a hearing to challenge the factual basis for lifting the stay, but may not challenge the amount of the stayed penalty. If the stay has not been lifted by December 31, 2025 the stayed portion of the civil penalty will be vacated; and

C. Respondent shall cease and desist from violating any laws, rules or orders related to the duties and responsibilities entrusted to the Commissioner under Minnesota Statue Chapters 45 & 332.

D. Respondent shall make the following payments:

July 1, 2022 payment in the amount of \$500.00.

August 1, 2022 payment in the amount of \$500.00.

September 1, 2022 payment in the amount of \$500.00.

October 1, 2022 payment in the amount of \$1500.00.

November 1, 2022 payment in the amount of \$1500.00.

December 1, 2022 payment in the amount of \$1500.00.

January 1, 2023 payment in the amount of \$2,333.33.

February 1, 2023 payment in the amount of \$2,333.33.

March 1, 2023 payment in the amount of \$2,333.33.

April 1, 2023 payment in the amount of \$2,333.33.

May 1, 2023 payment in the amount of \$2,333.33.

June 1, 2023 payment in the amount of \$2,333.35.

This Order shall be effective upon signature by or on behalf of the Commissioner.

Date: 07/22/2022

GRACE ARNOLD  
Commissioner



MATTHEW VATTER  
Assistant Commissioner of Enforcement  
Minnesota Department of Commerce  
85 Seventh Place East, Suite 280  
St. Paul, MN 55101  
(651) 539-1600

### CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of Direct Recovery Services, Inc., states the undersigned has read this Consent Order; that the undersigned knows and fully understands its contents and effect; that the undersigned is authorized to execute this Consent Order on behalf of Direct Recovery Services, Inc.; that the undersigned has been advised of the right to a hearing in this matter, to present argument to the Commissioner, and to appeal from any adverse determination after a hearing and expressly waives those rights. The undersigned further acknowledges that Direct Recovery Services, Inc. has been represented by legal counsel throughout these proceedings, or has been advised of its right to be represented by legal counsel, which right it hereby expressly waives; and that it consents to entry of this Order by the Commissioner. It is further understood that this Consent Order constitutes the entire settlement agreement between the parties, there being no other promises or agreements, either express or implied.

Direct Recovery Services, Inc.

Date:

6/24/2002

By:

(Name)

Its:

(Title)

STATE OF

New York

COUNTY OF

Erie

Signed or attested before me on June 24, 2002 (Date).

(Notary stamp)

BECKY T. STUFKOSKY  
Notary Public, State of New York  
Qualified in Erie County  
Reg. No. 01ST6290683  
My Commission Expires 10-7-2025

(Signature of Notary)

My Commission expires:

10/7/2025