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Hudson Cook Enforcement Alert: CFPB Takes Action Against Mortgage Servicer for Alleged Order Violations and Servicing Errors

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HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") issued a Consent Order against a residential mortgage servicer ("Company") that services mortgage loans of borrowers across the country.
- The Consent Order alleges that the Company violated the Real Estate Settlement Procedures Act ("RESPA"), the Truth in Lending Act ("TILA"), the Homeowners Protection Act ("HPA"), and the Consumer Financial Protection Act ("CFPA") for prohibited foreclosure actions against borrowers and interfering with loss mitigation relief options.
- The Consent Order includes "Corporate Responsibility Provisions" requiring the Company to invest $2 million to update its systems and prohibiting compensation to the Company's CEO under certain conditions.
- The Consent Order also requires the Company to pay $3 million in consumer redress and a $2 million penalty.

CASE SUMMARY:

On August 21, 2024, the CFPB issued a Consent Order against the Company citing alleged failure to provide accurate information about loss mitigation options and improper handling of loan modifications. The Consent Order alleges that the Company improperly advanced foreclosure processes against borrowers who had applied for loss mitigation, contrary to the protections required under federal regulations. These alleged violations persisted despite a 2017 consent order that aimed to address similar issues. The CFPB also alleges that the Company's policies and procedures were inadequate, leading to further violations, such as failing to ensure accurate and timely information was provided to borrowers and mishandling mortgage insurance processes.

The investigation that led to this Consent Order revealed that the Company's practices also allegedly harmed consumers by causing them to miss opportunities to avoid foreclosure, incur additional fees, and experience significant distress. Based on these alleged violations, the Consent Order mandates the Company pay $3 million in consumer redress for consumers affected by the alleged illegal servicing actions and collection of private mortgage insurance overpayments. The Consent Order further mandates a $2 million penalty, which will be deposited in the CFPB's victims' relief fund.

The Company neither admits nor denies the violations outlined in the consent order. The Consent Order also requires the Company to invest $2 million to update its servicing technology and compliance management systems, as well as limits the CEO's compensation if it is found that the CEO did not take actions necessary to ensure compliance with the Consent Order, ensuring that the financial repercussions serve as a deterrent against future misconduct.

RESOURCES:

You can review all of the relevant court filings and press releases at the CFPB's Enforcement Page.

- Consent Order
- Stipulation
- CFPB Press Release

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