

Enforcement Alert from Hudson Cook; CFPB Issues Order Against Nonbank Mortgage Company

June 24, 2024 | [Robert D. Tilley](#) and [Kristen Yarows](#)

HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") reached a proposed settlement with a nonbank mortgage originator and servicer (the "Company") to resolve a pending lawsuit alleging violations of the Home Mortgage Disclosure Act ("HMDA"), its implementing Regulation C, the Consumer Financial Protection Act ("CFPA"), and a 2019 CFPB consent order.
- The Company neither admitted nor denied the allegations, but the Company consented to pay a \$3.95 million penalty, and agreed to regularly audit, test, and correct its HMDA data among other remedial actions.
- Consistent with the Bureau's recent focus and announcement of a new registry (see our [recent summary](#)), CFPB's press release emphasized that the Company is a "repeat offender."

CASE SUMMARY:

On May 18, 2024, the CFPB filed a proposed stipulated final judgment and order with the Company to resolve allegations that the Company violated a 2019 CFPB consent order, HMDA, its implementing Regulation C, and the CFPA. The CFPB filed the lawsuit against the Company in October 2023 (summarized in a prior [Enforcement Alert](#)), alleging that the company violated HMDA by submitting inaccurate data for 2020 and that the Company failed to abide by the terms of a 2019 CFPB consent order relating to alleged HMDA errors in prior years. In the 2019 consent order, the CFPB alleged that the Company intentionally misreported certain data fields concerning borrower race, ethnicity, and sex from 2014 through 2017. In the current case, the CFPB alleged that the Company's HMDA data continued to be deficient after the 2019 settlement, and the CFPB alleged that the Company did not implement adequate changes to its compliance management system to ensure HMDA data accuracy.

The proposed stipulated final judgment and order, if approved by the court, would require the Company to pay a \$3.95 million civil money penalty to the CFPB's victims relief fund and impose injunctive relief prohibiting the Company from violating the law

and requiring the Company to regularly audit, test, and correct its HMDA data. The Company also agreed to a number of remedial measures, including establishing an HMDA Compliance Subcommittee with direct reporting to the Company's board of directors, retaining a "qualified third-party independent auditor," and to undertake quarterly validation of its HMDA data for the next five years.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement Page](#).

- [Complaint](#)
- [Proposed Stipulated Final Judgment and Order](#)
- [CFPB Press Release](#)
- [2019 Consent Order](#)

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