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Consumer Financial Protection Bureau Warns Companies Against Misleading Consumers with False Mortgage Advertisements

Nationwide Sweep of Ads Targeting Older Americans and Veterans Leads to Formal Investigations

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB), in partnership with the Federal Trade Commission (FTC), is issuing warning letters to approximately a dozen mortgage lenders and mortgage brokers advising them to clean up potentially misleading advertisements, particularly those targeted toward veterans and older Americans. The CFPB also announced it has begun formal investigations of six companies that it thinks may have committed more serious violations of the law.

“Misrepresentations in mortgage products can deprive consumers of important information while making one of the biggest financial decisions of their lives,” said CFPB Director Richard Cordray. “Baiting consumers with false ads to buy into mortgage products would be illegal. We will conduct a fair and rigorous investigation into these issues and will take appropriate action for any violations we find.”

Today’s actions stem from a joint “sweep,” a review conducted by the CFPB and the FTC of about 800 randomly selected mortgage-related ads across the country, including ads for mortgage loans, refinancing, and reverse mortgages. The agencies looked at public-facing ads in newspapers, on the Internet, and from mail solicitations; some came to the attention of the CFPB and the FTC from consumers who complained about them.

The CFPB and the FTC were looking for potential violations of the 2011 Mortgage Acts and Practices Advertising Rule, which prohibits misleading claims concerning government affiliation, interest rates, fees, costs, payments associated with the loan, and the amount of cash or credit available to the consumer. The CFPB and the FTC share enforcement authority for the rule. Companies that the CFPB finds have violated prohibitions on misleading advertising could be subject to enforcement actions.

The CFPB’s review generally focused on mortgage advertisements, particularly ads that targeted older Americans or veterans. The FTC, meanwhile, examined ads by home builders, realtors, and lead generators. The FTC is issuing their own warning letters to about a dozen companies and continuing with their own investigations of even more companies based on their findings. A copy of the FTC’s press release is available at: <http://www.ftc.gov/opa/index.shtml>.

The sweep identified problems, such as:

- **Potential misrepresentations about government affiliation:** For example, some of the ads for mortgage products contained official-looking seals or logos, or have other characteristics that may be interpreted by consumers as indicating a government affiliation.
- **Potentially inaccurate information about interest rates:** For example, some ads promoted low rates that may have misled consumers about the terms of the product actually offered.
- **Potentially misleading statements concerning the costs of reverse mortgages:** For example, some ads for reverse mortgage products claimed that a consumer will have no payments in connection with the product, even though consumers with a reverse mortgage are commonly required to continue to make monthly or other periodic tax or insurance payments, and may risk default if the payments aren’t made.
- **Potential misrepresentations about the amount of cash or credit available to a consumer:** For example, some ads contained a mock check and/or suggested that a consumer has been pre-approved to receive a certain amount of money in

connection with refinancing their mortgage or taking out a reverse mortgage, when a number of additional steps would customarily need to be completed before the consumer would qualify for the loan.

The warning letters will advise the recipients that their ads may violate federal laws, and that they should review all their advertising. Opening an investigation is not an accusation of wrongdoing. Investigations are fair and reasonable inquiries into a matter and may exonerate the subject of the investigation.

An example of a warning letter from the CFPB to the mortgage advertisers that targeted older Americans can be found at:

http://files.consumerfinance.gov/f/201211_cfpb_generic_warning_letter_older_Americans.pdf

An example of a warning letter from the CFPB to the mortgage advertisers that targeted veterans and servicemembers can be found at:

http://files.consumerfinance.gov/f/201211_cfpb_generic_warning_letter_veterans.pdf

A blog from Assistant Director for the Office of Servicemember Affairs Holly Petraeus and Assistant Director for the Office for Older Americans Skip Humphrey further discussing today's enforcement action is at: <http://www.consumerfinance.gov/blog/buyer-beware-potentially-deceptive-mortgage-ads-are-targeting-veterans-and-older-americans/>



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