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# CFPB Takes Action Against Mortgage Lender for Illegal Payments

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## ***Bureau Orders Connecticut Lender to Pay \$83,000 Civil Penalty***

**WASHINGTON, D.C.** – Today, the Consumer Financial Protection Bureau ordered a Connecticut mortgage lender, 1st Alliance Lending, LLC (First Alliance), to pay an \$83,000 civil money penalty for violating federal law by illegally splitting real estate settlement fees. First Alliance self-reported these violations to the Bureau, admitted liability, and provided information related to the conduct of other actors that has facilitated other enforcement investigations.

“These types of illegal payments can harm consumers by driving up the costs of mortgage settlements,” said CFPB Director Richard Cordray. “The Bureau will use its enforcement authority to ensure that these types of practices are halted. We will, however, also continue to take into account the self-reporting and cooperation of companies in determining how to resolve such matters.”

First Alliance is a mortgage lender in East Hartford, Conn. that focuses primarily on providing loss-mitigation financing to distressed borrowers. First Alliance obtains troubled mortgages from mortgage servicers, and reaches out to consumers to offer them new loans with reduced principal amounts under federally related mortgage programs.

First Alliance started using a hedge fund to finance its loans in 2010. Under this arrangement, First Alliance split revenues and fees with affiliates of the hedge fund. In 2011, First Alliance secured less costly financing and ended its arrangement with the hedge fund and its affiliates. Although the hedge fund and its affiliates no longer financed First Alliance’s mortgages, First Alliance continued to split origination and loss-mitigation fees with them. The hedge-fund affiliates received payments from 83

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First Alliance loans made between August 2011 and April 2012.

In 2013, First Alliance reported to the Bureau that it believed it had violated the Real Estate Settlement Procedures Act (RESPA) by paying these unearned fees. RESPA bans a person from paying or receiving a portion or split of a fee that has not been earned in connection with a real estate settlement. First Alliance cooperated with the Bureau's investigation, and the Bureau concluded that First Alliance's payments to the hedge fund and its affiliates had violated RESPA. First Alliance's self-reporting and cooperation, consistent with the Bureau's [Responsible Business Conduct bulletin](#) published on June 25, 2013, were taken into account in resolving this matter.

Under the terms of today's consent order, First Alliance is required to pay a civil money penalty of \$83,000 to the Bureau and agrees not to violate RESPA in the future. The Bureau will continue to enforce RESPA's provisions to protect consumers and to deter unlawful activity.

A copy of the Bureau's consent order is available here:

[http://files.consumerfinance.gov/f/201402\\_cfpb\\_consent-order\\_first-alliance.pdf](http://files.consumerfinance.gov/f/201402_cfpb_consent-order_first-alliance.pdf)

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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](http://consumerfinance.gov)*

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