

## [Banking and Finance Law Daily Wrap Up, ENFORCEMENT ACTIONS —PHLoans.com settles CFPB charges over loan advertisements to servicemembers, \(Aug. 27, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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The settlement is the fourth reached by the Bureau with California mortgage lenders over the issue of misleading direct mail advertisements to servicemembers.

The Consumer Financial Protection Bureau [announced](#) it has entered into a [consent order](#) with PHLoans.com, Inc., resolving the Bureau's charges that the company disseminated advertising mailings targeted at servicemembers for VA-guaranteed loans that contained false, misleading, and inaccurate statements or that failed to include required disclosures. Under the settlement, PHLoans agreed to pay a civil penalty of \$260,000 and enhance its compliance functions. Pursuant to an accompanying [stipulation](#), PHLoans agreed to the entry of the consent order without admitting or denying the Bureau's allegations.

According to the Bureau, PHLoans is a California corporation that is licensed as a mortgage broker or lender in approximately 11 states. The company offered and provided mortgage loans guaranteed by the United States Department of Veterans Affairs (VA) and advertised these loans primarily through direct-mail advertisements sent primarily to servicemembers and veterans.

**Findings.** The Bureau found that PHLoans sent consumers numerous mailers for VA-guaranteed mortgages that contained false, misleading, and inaccurate statements or that lacked required disclosures, in violation of the Consumer Financial Protection Act's prohibition against deceptive acts and practices, the Mortgage Acts and Practices—Advertising Rule, and Regulation Z. The consent order alleges that the PHLoans advertisements misrepresented the credit terms of the advertised mortgage loan by stating credit terms that the company was not actually prepared to offer to the consumer, including misrepresenting the payment amount applicable to the advertised mortgage and the nature or amount of cash available to the consumer in connection with the advertised mortgage. PHLoans also allegedly made misrepresentations about the existence and amount of fees or costs to the consumer in connection with the advertised mortgage. In addition, the Bureau determined that the PHLoans advertisements violated Regulation Z by failing to properly disclose credit terms for the advertised mortgage, such as the consumer's repayment obligations over the full term of the loan.

**Terms.** In addition to the \$260,000 civil penalty, the consent order imposes injunctive relief to prevent future violations, including: (1) requiring PHLoans to enhance its compliance functions by designating an advertising compliance official who must review its mortgage advertisements for compliance with mortgage advertising laws prior to their use; (2) prohibiting misrepresentations similar to those identified by the Bureau; and (3) requiring PHLoans to comply with certain enhanced disclosure requirements to prevent future misrepresentations.

**Fourth settlement.** The Bureau's action against PHLoans is the fourth case resulting from a Bureau investigation of multiple mortgage companies that use mailers to advertise VA-guaranteed mortgages. The previously Bureau announced consent orders against Sovereign Lending Group, Inc., and Prime Choice Funding, Inc. (see [Banking and Finance Law Daily](#), July, 27, 2020), and against Go Direct Lenders, Inc., for similar violations (see [Banking and Finance Law Daily](#), Aug. 24, 2020).

Companies: Go Direct Lenders, Inc.; PHLoans.com, Inc.; Prime Choice Funding, Inc.; Sovereign Lending Group, Inc.

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