

## [Banking and Finance Law Daily Wrap Up, TOP STORY—CFPB settles with mortgage lender over loan advertisements to servicemember, \(Aug. 24, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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The consent order is the third the Bureau has issued with California mortgage lenders over the issue of misleading direct mail advertisements to servicemembers.

The Consumer Financial Protection Bureau has issued a [consent order](#) with a California Mortgage broker, Go Direct Lenders, Inc., for violations of the Consumer Financial Protection Act's (CFPA) prohibition against deceptive acts and practices, the Mortgage Acts and Practices—Advertising Rule (MAP Rule), and Regulation Z. Go Direct Lenders, which is licensed as a mortgage broker or lender in 11 states, offered mortgage loans guaranteed by the United States Department of Veterans Affairs (VA). The Bureau [found](#) that Go Direct disseminated advertising mailings targeted at servicemembers for VA-guaranteed loans that contained false, misleading, and inaccurate statements or that failed to include required disclosures. Go Direct [has agreed to](#) pay a civil penalty of \$150,000 and enhance its compliance functions.

According to the CFPB, Go Direct 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 advertising a lower annual percentage rate than it was prepared to offer. Go Direct also made misrepresentations about the applicable fees in connection with the advertised mortgage, including describing variable-rate loans as "fixed" rate loans.

The Bureau determined that Go Direct advertisements created the false impression that Go Direct was affiliated with the government by using words, phrases, images, or design characteristics that are associated with the VA or the Internal Revenue Service.

Go Direct advertisements falsely represented that it had records showing that the value of the consumer's property had increased over the past year by a specific percentage. The advertisements also falsely stated or implied that an appraisal, assets, and income documentation were not required to qualify for certain loans and that consumers with FICO scores as low as 500 would qualify for the advertised rates.

Further, Go Direct advertisements failed to properly disclose, when required by Regulation Z, credit terms for the advertised mortgage, such as the consumer's repayment obligations over the full term of the loan.

**Multiple investigations.** This is the third company the Bureau has settled with over this issue, after issuing consent orders with [Prime Choice Funding, Inc.](#) and [Sovereign Lending Group, Inc.](#), as part of "sweep of investigations" into multiple mortgage companies' direct-mail practices in response to concerns raised by the VA about potentially unlawful advertisements.

In the previous cases, the CFPB said Sovereign and Prime Choice sent mailings that violated Regulation Z by using the names of the recipients' current lenders in a misleading way by not properly disclosing the companies' own names and that they were not associated with, or acting on behalf of, the current lender. The advertisements also violated provisions of Regulation Z by failing to properly disclose credit terms for the advertised mortgage, including what the repayment obligations would be for consumers over the full terms of the loans and how long certain interest rates would apply, the Bureau said. The Prime Choice order also said the company's advertisements created the false impression they included property assessments or were in response to property assessments, and included misleading comparisons between the terms of the advertised mortgage product and hypothetical credit terms. Both companies sent "millions" of advertisements to consumers that were

received by hundreds of thousands of consumers, the CFPB said in the orders (see [Banking and Finance Law Daily](#), July 27, 2020).

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

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