

[Banking and Finance Law Daily Wrap Up, ENFORCEMENT ACTIONS—CFPB settles with additional mortgage lenders over loan advertisements to servicemembers, \(Sept. 2, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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By Nicole D. Prysby, J.D.

The Bureau entered into settlements with two mortgage companies, over claims that they sent misleading direct mail advertisements to servicemembers. The settlements are the fifth and sixth reached by the Bureau with mortgage lenders over the issue.

The Consumer Financial Protection Bureau has settled claims with Hypotec, Inc. and Service 1st Mortgage, Inc., resolving allegations that the companies sent deceptive mortgage loan advertisements to servicemembers and veterans. Hypotec will pay a \$50,000 civil money penalty and Service 1st will pay a \$230,000 civil money penalty. The settlements are the latest in a series of cases against mortgage lenders alleged to have deceptively marketed loans to servicemembers; the Bureau previously settled with four other mortgage lenders.

Settlements with Hypotec and Service 1st. On Sept. 1, 2020, the Bureau [announced](#) that it entered into a settlement with Hypotec. According to the [consent order](#), the Bureau identified violations of Regulation Z, the Mortgage Acts and Practices—Advertising Rule (MAP Rule), and the Consumer Financial Protection Act. Hypotec offered and provided mortgage loans guaranteed by the United States Department of Veterans Affairs (VA) and advertised these loans through direct-mail advertisements sent primarily to servicemembers and veterans. Hypotec misrepresented the credit terms for loans in its advertisements. For example, Hypotec sent about 2 million advertisements to consumers between December 2016 and May 2018 offering an adjustable-rate mortgage with a three-year introductory interest rate of 2.25 percent and an annual percentage rate (APR) of 2.461 percent. But Hypotec did not offer such a loan, as reflected in the rate sheets of its lenders. Hypotec falsely advertised that it had an affiliation with the federal government and made misrepresentation about loan terms, such as escrow refunds and availability of the VA loan program. The company also failed to make adequate disclosures related to rates and terms of repayment. Hypotec will take steps to ensure compliance with federal requirements for mortgage advertising and will pay a civil money penalty of \$50,000. In an accompanying [stipulation](#), Hypotec agreed to the entry of the consent order, without admitting wrongdoing.

On the same day, the Bureau [announced](#) a similar settlement with Service 1st, a mortgage broker that offers and provides mortgages guaranteed by the VA. According to the [consent order](#), Service 1st made inaccurate representations in mortgage advertisement about loan cost and cost comparisons. For example, about 134,000 of the advertisements that Service 1st sent in 2018 described mortgages with a simple interest rate and APR combination that, on the date of the advertisement and in the 60 days preceding, Service 1st was not actually prepared to arrange or offer. Service 1st falsely represented that it had an affiliation with the federal government and made misleading representations about loan terms, including escrow refunds, a consumer's ability to skip loan payments, the availability of the VA loan program, and the federal economic stimulus program. Service 1st also failed to make adequate disclosures related to rates and terms of repayment. Service 1st will take steps to ensure compliance with federal requirements for mortgage advertising and will pay a civil money penalty of \$230,000. Service 1st [stipulated](#) to the entry of the consent order, without admitting wrongdoing.

Prior settlements. The Bureau's actions against Hypotec and Service 1st are the latest cases resulting from a Bureau investigation of multiple mortgage companies that use mailers to advertise VA-guaranteed mortgages. Previously, the Bureau announced consent orders against Sovereign Lending Group, Inc., Prime Choice Funding, Inc. Go Direct Lenders, Inc., and PHLLoans.com, Inc. for similar violations (see [Banking and Finance Law Daily](#), Aug. 27, 2020).

Companies: Go Direct Lenders, Inc.; Hypotec, Inc.; PHLoans.com, Inc.; Prime Choice Funding, Inc.; Service 1st Mortgage, Inc.; Sovereign Lending Group, Inc.

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