

Enforcement Alert From Hudson Cook: CFPB Fines Mortgage Servicer for Misleading Borrowers About Their Pandemic-Era Mortgage Forbearance Rights

November 17, 2022 | [Mark E. Rooney](#) and [Erik Kosa](#)

HIGHLIGHTS:

- The servicer must pay a \$5.25 million civil penalty to the CFPB.
- The servicer neither admitted nor denied the allegations but must forfeit unlawfully charged fees to consumers and develop a remediation plan for returning those fees to consumers, as well as correct any inaccurate information furnished to credit bureaus.

CASE SUMMARY:

The CFPB found that a non-bank mortgage servicer violated the Consumer Financial Protection Act and the Fair Credit Reporting Act by allegedly failing to implement COVID-related protections for borrowers with federally backed mortgage loans who were experiencing financial hardship during the pandemic and sought forbearances under the Coronavirus Aid, Relief, and Economic Security Act of 2020. The CARES Act required servicers of federally backed mortgage loans to provide forbearances of up to 180 days upon request and also imposed certain credit reporting obligations with respect to such borrowers.

The Bureau alleged that the servicer engaged in deceptive acts or practices in violation of the CFPA. The servicer allegedly misrepresented to borrowers that they could not have 180 days of forbearance upon request and that certain borrowers could not have forbearance at all, implied that homeowners had to make more detailed attestations than were actually required, and imposed late fees improperly. The Bureau also alleged FCRA violations in connection with the servicer's reporting of borrower delinquencies.

The servicer did not admit or deny these allegations. To resolve the matter, it agreed to a five-year consent order requiring it to create a compliance plan; to provide redress to consumers; to improve its policies and procedures; and to pay a civil penalty of \$5.25 million. The servicer also must conduct an audit to identify affected consumers and refund any improperly charged fees, correct any credit reporting furnishing inaccuracies, and implement additional training programs to ensure its forbearance programs comply

with the law.

RESOURCES:

You can review all of the relevant court filings and press releases at the **CFPB's Enforcement page**.

- **Consent Order**
- **Stipulation**
- **CFPB Press Release**

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