



Enforcement Alert from Hudson Cook; CFPB Fines Residential Mortgage Loan Originator \$1.75 Million for Kickbacks Involving Referrals to Originator by Brokers

August 18, 2023 | [Michael A. Goodman](#) and [Erik Kosa](#)

HIGHLIGHTS

- The originator must pay a \$1.75 million civil penalty.
- The originator neither admitted nor denied the allegations but must implement a compliance plan to ensure its policies comply with federal law and is subject to an injunction prohibiting it from giving things of value in exchange for referrals.

CASE SUMMARY

The Real Estate Settlement Procedures Act prohibits mortgage loan originators from offering incentives to other companies in exchange for referring homebuyers to them for mortgage loans.

The Bureau alleged that the originator paid for referrals through marketing services agreements under which the originator paid brokerages approximately \$90,000 per month over the relevant period. In return, the brokers agreed to market on behalf of the originator, but the CFPB found the originator performed most of the actual marketing. The Bureau found that these arrangements were structured to generate mortgage referrals rather than compensate brokers for their services.

The CFPB also alleged that the originator offered premium subscription services worth thousands of dollars a month to brokers free of charge. The subscription services provided access to information on properties, including comparable sales and foreclosure data. In addition, the originator hosted company events at which brokers received free food, beverages, alcohol, and entertainment.

In exchange for these items, the brokers agreed to be paired with a loan officer at the originator. The CFPB found that this conduct violated RESPA Section 8 and its implementing Regulation X.

The originator did not admit or deny these allegations. To resolve the matter, it agreed to a five-year consent order levying a \$1.75 million civil penalty and prohibiting the originator from providing anything of value to other entities in exchange for mortgage

referrals in the future. It is also required to create a compliance plan to ensure that its policies and procedures comply with federal consumer financial laws and the consent order.

The CFPB separately levied a civil penalty of \$200,000 against a real estate brokerage firm for accepting things of value from the originator in exchange for mortgage referrals.

RESOURCES:

You can review all of the relevant filings and press releases at the **[CFPB's Enforcement page](#)**.

- **[Consent Order](#)**
- **[Stipulation](#)**
- **[CFPB Press Release](#)**

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7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com

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