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CFPB Takes Action Against Mortgage Companies For Misrepresenting U.S. Government Affiliation



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CFPB Sues Mortgage Lender for False Reverse Mortgage Ads; Orders Others to End Deceptive Advertising

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (CFPB) is taking action against three mortgage companies for misleading consumers with advertisements implying U.S. government approval of their products. The CFPB is suing reverse mortgage lender All Financial Services, seeking to halt its illegal activities. The CFPB is also ordering Flagship Financial Group and American Preferred Lending to end their false advertising.

“Each of these companies has misled consumers with false advertising,” said CFPB Director Richard Cordray. “The U.S. government is very serious about stopping companies from falsely claiming federal authority, and we are particularly concerned about false or deceptive statements made in advertisements about reverse mortgages that target older Americans.”

The 2011 Mortgage Acts and Practices Advertising Rule prohibits misleading claims in mortgage advertising, including implying a government affiliation. The CFPB alleges that mailings by All Financial Services, American Preferred Lending, and Flagship Financial Group imitated U.S. government notices. While government programs insure or guarantee certain mortgages, the private lenders that make these loans are not government entities and are not affiliated with the U.S. government. Federal Housing Administration (FHA) loans are loans from private lenders that are regulated and insured by the FHA, a government agency. Veterans Affairs (VA) loans are similarly made by private lenders to eligible veterans, current servicemembers, and surviving spouses; they are guaranteed by the Department of Veterans Affairs.

All Financial Services

All Financial Services, based in Maryland, is a mortgage broker and lender in Maryland, New Jersey, Pennsylvania, and Washington, D.C. It has offered several kinds of mortgages, including reverse mortgages.

The CFPB alleges that from November 2011 to December 2012, All Financial Services used advertisements that were deceptive. The Bureau alleges that the company misrepresented that the source of the advertisements was, or was affiliated with, a governmental entity. They also misrepresented that the FHA-insured reverse mortgage program was time-limited or had a deadline. For example, one mailer sent to nearly 200,000 consumers advertising All Financial Services’ reverse mortgages had an eagle resembling the Great Seal of the United States. Furthermore, the header read,

Need our logo? You can find it [here](#).

Photos and bios



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“GOVERNMENT LENDING DIVISION” and “Housing and Recovery Act of 2008 Eligibility Notice.”

The Bureau also alleges that the company falsely said that no monthly payments are required “whatsoever” under a reverse mortgage “as long as you and your spouse live in the home.” The CFPB alleges this ad is misleading for two reasons. First, homeowners who take out a reverse mortgage are still required to pay taxes and insurance. Second, at the time the ads were disseminated, the reverse mortgages they advertised could be due upon the death of the last borrower, regardless of whether a non-borrowing spouse still lived in the home.

The CFPB is filing a complaint in the United States District Court for the District of Maryland seeking a civil fine and a permanent injunction to prevent future violations. The complaint is not a finding or ruling that the defendant has actually violated the law.

A copy of the complaint against All Financial Services can be found at: http://files.consumerfinance.gov/f/201502_cfpb_complaint_all-financial-services.pdf

Flagship Financial Group

Flagship Financial Group, headquartered in Utah, is licensed as a mortgage broker or lender in 35 states. The company originates conventional loans and VA loans. It also brokers FHA loans on behalf of other originators.

The CFPB investigation discovered that from August 2011 to December 2012 the company sent mailings implying that its VA loans were endorsed or sponsored by the U.S. Department of Housing and Urban Development (HUD). The company claimed, in more than one million mailers, that it was “HUD-Approved.” For example, the ads included text about federal legislation, and said, “HUD-Approved Flagship Financial Group has been directed to get VA homeowners instant relief by lowering their monthly payments.” Flagship Financial Group has no unique affiliation beyond that of other lenders to originate VA-guaranteed loans and was not “HUD-Approved” at the time it claimed in its advertisements to have that status.

The company also sent tens of thousands of mailers advertising mortgage credit products that looked like a government notice. For example, the mailings had a heading, “PURSUANT TO THE FEDERAL HOUSING ADMINISTRATION (FHA) HUD No. 12-045,” instructed consumers to call their “assigned FHA loan specialist,” and obscured the company’s name as the source of the advertisements.

With today’s action, the company will be prohibited from falsely implying a government affiliation in future advertisements. It will also pay a civil penalty of \$225,000.

A copy of the Flagship Financial Group administrative consent order can be found at: http://files.consumerfinance.gov/f/201502_cfpb_consent-order_flagship-financial-group.pdf

American Preferred Lending

American Preferred Lending, headquartered in California, originates mortgage credit products, including FHA and VA residential loans. The company is a mortgage lender and mortgage broker in California; and it is a mortgage loan originator in Florida.

CFPB’s investigation revealed that American Preferred Lending, from August 2011 to February 2013, sent mailings to potential consumers that appeared as if they were U.S. government notices, obscuring that they were actually from American Preferred Lending. More than 100,000 mailings were sent that had an FHA-approved lending institution logo, and referenced the web address, www.FHAdept.us. These factors

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combined gave the impression that the ads were from the U.S. government, or an entity affiliated with the government. Although the company is authorized to originate VA and FHA loans, it is not an agent of, or affiliated with, the U.S. government.

With today's action, the company will be prohibited from falsely implying a government affiliation in future advertisements. It will also pay a civil penalty of \$85,000. The civil penalty amount reflects, in part, the company's financial condition, and will be paid with funds contributed to the company by its owners.

A copy of the American Preferred Lending administrative consent order can be found at: http://files.consumerfinance.gov/f/201502_cfpb_consent-order_american-preferred-lending.pdf

Today's three actions stem from a joint "sweep," a review conducted by the CFPB and the Federal Trade Commission of about 800 randomly selected mortgage-related ads across the country, including ads for mortgage loans, refinancing, and reverse mortgages. The agencies looked at public-facing ads in newspapers, on the Internet, and on mail solicitations; some came to the attention of the CFPB and the FTC from consumer complaints.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.



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