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CFPB Takes Action Against Mortgage Payment Company And Servicer For Deceptive Ads

Consumers Deceived by "Equity Accelerator" Claims to Receive $33.4 Million

Washington, D.C. – The Consumer Financial Protection Bureau (CFPB) took action today against Paymap Inc. and LoanCare, LLC for deceiving consumers with advertisements for a mortgage payment program that promised tens of thousands of dollars in interest savings from more frequent mortgage payments. Under the terms of the orders announced today, Paymap will return $33.4 million in fees to consumers and pay a $5 million civil penalty to the CFPB, and LoanCare will pay a $100,000 civil penalty.

"Deceptive advertising has no place in the financial marketplace," said CFPB Director Richard Cordray. "Today's action is delivering relief for consumers deceived by Paymap and LoanCare, and sending a clear message that these practices will not be tolerated."

Paymap Inc. is a Colorado-based payment processing company, and LoanCare Servicing is a Virginia-based residential mortgage servicer. Together, they marketed and provided the "Equity Accelerator Program" – an electronic payment system that enables consumers to make automatic mortgage payments via electronic debits from their bank accounts. Consumers are typically charged an enrollment fee of $295 when signing up for the Equity Accelerator Program, and a transaction fee for each automatic debit that Paymap makes, typically $2.50. Since July 21, 2011, approximately 125,000 consumers enrolled in the Equity Accelerator Program and paid Paymap $33.4 million in fees.

Paymap partnered with many mortgage servicers, including LoanCare, to market the Equity Accelerator to the mortgage servicers' customers. LoanCare and Paymap marketed the Equity Accelerator to LoanCare's customers in 2012 by sending them solicitations on LoanCare's letterhead. Like the other servicers it partnered with, Paymap shared a portion of consumers' fees with LoanCare.

Paymap and LoanCare advertised that consumers who enrolled in the Equity Accelerator Program would have a new, biweekly payoff schedule that would lead to significant interest savings because of the more frequent payments. In fact, the Equity Accelerator Program did not make more frequent payments on consumers' mortgages, and, Paymap's prominent claims of tens of thousands of dollars in interest savings were made without any supporting evidence.

The CFPB found that Paymap and LoanCare violated the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition against deceptive acts and practices. Specifically, the Bureau found that consumers were:

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- **Lured with deceptive promises of savings:** Paymap made claims on its website such as, "The average customer will achieve over $33,000 in interest savings" using the Equity Accelerator Program. However, Paymap had no factual basis to support this claim. Moreover, only a tiny percentage, if any, of its customers achieved that amount of interest savings.
- **Misled about when their payments would be applied:** Paymap and LoanCare told consumers in their direct mail solicitations that enrolling in the Equity Accelerator Program would change the consumers' payoff schedule to "every 2 weeks." Although Paymap makes more frequent withdrawals from consumers' accounts in the Equity Accelerator Program, it does not actually make more frequent payments on consumers' mortgages. Instead, Paymap holds the collected payments in custodial accounts, and then pays consumers' mortgages on their original monthly schedule. Consumers are charged a transaction fee with every withdrawal. Any interest savings that consumers may achieve through the Equity Accelerator Program is because they make a higher annual mortgage payment in the Program, using the same payment schedule as before enrollment.

Enforcement Actions

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against companies engaging in unfair, deceptive, or abusive practices in the consumer financial marketplace.

Under the terms of the consent order filed today, Paymap is required to:

- **Pay $33.4 million to consumers:** Paymap will return $33.4 million to consumers, which represents all fees paid by every consumer who enrolled in the Equity Accelerator Program since July 21, 2011. Approximately 125,000 consumers will receive refunds.
- **Cease its unlawful advertising and marketing practices:** Paymap must ensure that its marketing practices comply with federal law. Paymap is prohibited from advertising any benefits of the Equity Accelerator Program without credible evidence to support its claims, and from implying that the program will change a consumer's regular mortgage payment schedule. Paymap must disclose that the source of any projected interest savings through the program is the higher annual mortgage payment a consumer will make in such a program.
- **Pay a $5 million civil penalty:** Paymap will pay $5 million to the CFPB's Civil Penalty Fund.

Under the terms of the consent order filed today, LoanCare is required to:

- **Cease its unlawful advertising and marketing practices:** LoanCare must ensure that its marketing practices comply with federal law. LoanCare is prohibited from advertising any benefits of the Equity Accelerator Program without credible evidence to support its claims, and from implying that the program will change a consumer's regular mortgage payment schedule. LoanCare must disclose that the source of any projected interest savings is the higher annual mortgage payment a consumer will make in such a program.
- **Pay a $100,000 civil penalty:** LoanCare will pay $100,000 to the CFPB's Civil Penalty Fund.

A copy of the consent order for Paymap filed today is available at:
http://files.consumerfinance.gov/f/201507_cfpb_consent-order_paymap.pdf

A copy of the consent order for LoanCare filed today is available at:
http://files.consumerfinance.gov/f/201507_cfpb_consent-order_loan-care.pdf

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