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MEDIA RELEASE

Conference of State Bank Supervisors

1129 20th Street, NW, 9th Floor, Washington, DC, 20036

American Association of Residential Mortgage Regulators

1025 Thomas Jefferson Street, NW, Suite 500 East, Washington, DC, 20007

State Mortgage Regulators Issue Action against Prospect Mortgage, LLC
Examination Identified Inappropriately Assessed Third-Party Settlement Fees

Washington, D.C. — Today the Multi-State Mortgage Committee (MMC) announced a Settlement Agreement and Consent Order between 50 state mortgage regulators and Prospect Mortgage, LLC (NMLS ID 3296). A multi-state examination conducted by eight states revealed a pattern of charging improperly disclosed and unsupported fees paid to the company's affiliate, C2C Appraisal Services, LLC.

"Prospect's past practice of charging unsupported fees is unacceptable and borrowers must be compensated for monies they paid to Prospect erroneously," said Karyn Tierney, Chair of the MMC. "This settlement allows the company the ability to continue operating while sending a strong message to the industry that this kind of behavior must be stopped."

The order sets forth the following main points:

- Prospect shall pay restitution to every borrower in all participating states that was assessed a C2C Settlement Service Fee in the amount of \$40 with interest of 10 percent per annum from the date the fee was charged, for an estimated \$2.8 million in combined restitution;
- Prospect shall pay an administrative penalty of approximately \$7.4 million to the state mortgage regulators; and
- Prospect must revise and submit to the MMC for review its Policy and Procedure Manuals addressing specifically the areas of mortgage operations, fees, disclosures, requirements for charging consumer credit cards, and record retention.

Mortgage regulators from the following states participated in the agreement: Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Commonwealth of Kentucky, Louisiana, Maine,

Maryland, Commonwealth of Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Commonwealth of Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Commonwealth of Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

A copy of the Settlement Agreement and Consent Order is available [here](#).

A list of the administrative penalty to be paid in each state is available [here](#).

Background Information:

The MMC was created in 2008 by state financial regulators through the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). The MMC is charged with coordinating the examination, investigation, and supervision of those mortgage lenders and brokers operating in more than one state. The MMC is comprised of 10 members who are elected by the boards of CSBS and AARMR.

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Media Contacts:

Catherine Woody, Vice President of Media and Industry Relations, cwoody@csbs.org or 202.728.5733
Rockhelle Johnson, Senior Manager of Communications, rjohnson@csbs.org or 202.407.7156
Matthew Longacre, Manager of Communications, mlongacre@csbs.org or 202.803.8091

About CSBS:

The Conference of State Bank Supervisors (CSBS) is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise nearly 5,000 state-chartered financial institutions. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage lenders. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

About AARMR:

The American Association of Residential Mortgage Regulators (AARMR) is the national organization representing state residential mortgage regulators. AARMR's mission is to promote the exchange of information and education concerning the licensing, supervision and regulation of the residential mortgage industry, to ensure the ability of state mortgage regulators to provide effective mortgage supervision for a safe and sound industry meeting the needs of the local financial markets and to protect the rights of consumers.