

CFPB Takes Action Against American Advisors Group for Deceptively Marketing Reverse Mortgages to Consumers

Proposed order would require nation's largest reverse-mortgage lender to pay \$1.1 million penalty for deceptive acts aimed at older homeowners

OCT 08, 2021

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today filed a complaint and proposed consent order alleging that American Advisors Group (AAG) used inflated and deceptive home estimates to lure consumers into taking out reverse mortgages. The CFPB also alleges that AAG's deceptive conduct violated a 2016 administrative consent order that addressed AAG's deceptive advertising of reverse mortgages. If entered by the court, the proposed consent order would prohibit AAG from future unlawful conduct and require AAG to pay \$173,400 in consumer redress and a \$1.1 million civil money penalty.

"American Advisors Group violated consumers' trust by advertising reverse mortgages with inflated and deceptive home-value estimates," said Acting CFPB Director David Uejio. "The CFPB will act decisively when we uncover consumer harm or practices that seek to take advantage of vulnerable populations."

American Advisors Group, based in Irvine, Calif., is one of the nation's leading providers of reverse mortgages. A reverse mortgage is a special type of home loan that allows homeowners who are 62 or older to access the equity they have built up in their homes and defer payment of the loan until they pass away, sell, or move out. The loan proceeds are generally provided to the borrowers as lump-sum payments, monthly payments, or as lines of credit. Homeowners remain responsible for paying taxes, insurance, and home maintenance, among other obligations.

Falsely enticing consumers into reverse mortgage negotiations

The CFPB alleges that AAG violated the Consumer Financial Protection Act of 2010's (CFPA's) prohibition on deceptive acts and practices. Specifically, the CFPB alleges that AAG:

- **Deceptively inflated home values:** In marketing their reverse mortgage products, AAG provided consumers with inflated estimates of home values to entice them to enter into negotiations to open a reverse mortgage. AAG's actions were deceptive because they would lead a reasonable consumer to believe that

the consumer could reap more proceeds from the reverse mortgage than were actually available.

- **Made deceptive representations about the accuracy of home estimates:** AAG's marketing materials to consumers stated that it "makes every attempt to ensure the home value information provided is reliable." In fact, AAG made no real attempt to do this. AAG's misrepresentations induced consumers to rely on AAG's inflated estimates and to enter into negotiations with the company.
- **Violated 2016 administrative consent order:** In December 2016, the CFPB filed an administrative consent order against AAG for a variety of deceptive statements made in marketing materials that violated the CFPA. The order prohibited AAG from violating the CFPA for five years, or until December 2021. The deceptive acts and practices committed by AAG as described in this complaint violate the 2016 consent order.

Enforcement Action

Under the CFPA, the CFPB has the authority to take action against institutions and persons that violate federal consumer financial laws. The proposed settlement, if entered by the court, would require AAG to:

- **Cease illegal practices:** AAG would be prohibited from engaging in deceptive practices and must cease misrepresenting estimated home values to consumers. AAG must also refer its customers and prospective customers to specific CFPB materials about reverse mortgages.
- **Provide monetary relief to consumers:** AAG would pay \$173,400 in redress to address harm to consumers who were enticed by the deceptive home values, paid for and received appraisals, and decided not to proceed in obtaining a reverse mortgage.
- **Pay a \$1 million civil penalty:** AAG would pay a \$1.1 million penalty to the CFPB, which would be deposited into the CFPB's Civil Penalty Fund.