Mr. Cooper settles $90M lawsuit over illegal foreclosures

Servicer will pay $90M in refunds to customers, in addition to $6.5M in penalties

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Mr. Cooper, the nation's largest nonbank servicer of mortgage loans, will refund customers nearly $90 million and pay a civil penalty of more than $6.5 million to settle a lawsuit claiming it violated the rights of over 115,000 customers, some of whom it had illegally foreclosed on.

When Mr. Cooper – then known as **Nationstar** – bought thousands of mortgages through MSR bulk purchases, it frequently failed to identify loans with existing modifications, according to the lawsuit, which was filed by the Consumer Financial Protection Bureau. Those modifications allowed the borrower to make trial payments, which would then require the servicer to permanently modify the loans.

But Mr. Cooper often didn't take those mods into account, and then foreclosed on thousands of those borrowers, damaging their finances and credit, the CFPB and state attorneys generals for 53 states and territories said on Monday.

"Mortgage servicers are entrusted with handling significant financial transactions for millions of Americans, including struggling homeowners," said CFPB Director Kathleen Kraninger in a statement. "[Mr. Cooper] broke that trust by engaging in unfair and deceptive practices prohibited by the Consumer Financial Protection Act of

2010, as well as violations of the Real Estate Settlement Procedures Act and the Homeowner's Protection Act."

Specifically, the CFPB alleged that between Jan. 2012 and Jan. 1, 2016, Nationstar:

- Failed to identify loans on its systems that had pending loss-mitigation applications or trial-modification plans, and as a result failed to honor borrowers' loan modification agreements.
- Foreclosed on borrowers to whom it had promised it would not foreclose while their loss mitigation applications were pending
- Improperly increased borrowers' permanent, modified monthly loan payments, mispresented to borrowers when they would be eligible to have their private mortgage insurance premiums canceled, and failed to timely remove private mortgage insurance from borrowers' accounts.
- Failed to timely disburse borrowers' tax payments from their escrow accounts and failed to properly conduct escrow analyses for borrowers during their Chapter 13 bankruptcy proceedings.

According to the release, if entered by the court, Mr. Cooper would be required to immediately set aside about $15.6 million to pay borrowers it has not remediated prior to the order's effective date and to certify that it has already paid approximately $57.5 million in redress to other borrowers affected by the conduct alleged in the complaint.

"We are holding Nationstar accountable for harming homeowners by improperly servicing their mortgage loans," said Delaware Attorney General Kathy Jennings. "The new servicing standards in this settlement will help ensure Nationstar does not repeat this conduct."

The consent judgment also requires Mr. Cooper to follow a detailed set of rules or "servicing standards" related to how it handles certain mortgage loans. These servicing standards are more comprehensive than existing law and will be in place for three years starting on Jan. 1, 2021.

Mr. Cooper has negotiated several multi-million dollar settlements in the past for violations of state financial laws, including the **California Department of Business Oversight** in 2017 for "overcharging borrowers and failing to properly investigate consumer complaints" and "unfair and deceptive business practices" filed by the **New York Department of Financial Services** in 2018.

In a statement following the news of the settlement, Mr. Cooper's Chairman and CEO Jay Bray said the company was "pleased" to resolve the matter. "When these issues were identified several years ago, we immediately made restitution to our impacted customers and invested in process improvements to prevent reoccurrence," he said in a prepared statement. "Since then, we have continued to invest in technology, people, and leadership to ensure that our compliance and risk management programs not only meet our regulators' expectations but also support sustainable growth and maintain our position as an industry leader."

Bray further said Mr. Cooper has worked on developing a culture of "customer advocacy," which he said had driven customer complaints to record low.

Mr. Cooper services over 3 million mortgages in the U.S., with a total of over $500 billion in unpaid balance.