Nationstar Mortgage Agrees to $91M Settlement with the CFPB

By Jessica M. Semins
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Nationstar Mortgage agreed to settle an action commenced by the Consumer Financial Protection Bureau for $91 million to resolve allegations surrounding mortgage servicing misconduct and deceptive practices that resulted in financial harm to borrowers.

The proposed settlement was filed in the United States District Court for the District of Columbia on Dec. 7, 2020. If approved by the court, the stipulated judgment will resolve a number of claims raised by the Consumer Financial Protection Bureau and Attorneys General in every state against Nationstar Mortgage concerning wrongful conduct in connection with the servicer's alleged compliance violations and purported history of operational failure.

According to the complaint filed by the CFPB, Nationstar Mortgage — also known as Mr. Cooper — engaged in alleged misconduct and **abusive mortgage servicing**

practices spanning from 2012 to 2015 in violation of the Consumer Financial Protection Act of 2010. The complaint states that the company serviced nearly two million loans in 2014 and currently services loans for three million borrowers with a total of roughly $500 billion in unpaid principal loan balances.
Specifically, the complaint alleges that Nationstar Mortgage, the third-largest mortgage servicer in the U.S., violated the law by improperly increasing permanently modified monthly loan payments, wrongfully foreclosing on mortgages, failing to honor loan modification agreements, and mismanaging escrow accounts.

According to the **CFPB's complaint**, the mortgage servicer also failed to remove private mortgage insurance timely from accounts under the Homeowner's Protection Act (HPA), as well as pay property tax disbursements on time in violation of the **Real Estate Settlement Procedures Act (RESPA)**.
Despite its written promises, Nationstar Mortgage "initiated foreclosures and even sold borrowers' homes while the borrowers' loss mitigation applications or appeals were pending," as alleged in the CFPB's complaint. The complaint also maintains that there was at least one instance in which a borrower had accepted a modified mortgage and was wrongfully foreclosed upon, despite performing on the mortgage. In other instances, as stated in the complaint, borrowers met the criteria for permanent modifications of their **mortgages** but the company increased payments wrongfully, resulting in foreclosure on some borrowers.
The CFPB's complaint also says that the mortgage servicer failed to analyze escrow accounts, creating shortages in the accounts of borrowers who were **making mortgage payments** in accordance with a Chapter 13 bankruptcy plan approved by the court. The complaint contends that Nationstar Mortgage would then initiate attempts to collect on the deficiencies without getting the required permission from the bankruptcy court.
Additionally, the Attorneys General allege in their complaint that the mortgage servicer violated state consumer protection laws which prohibit unfair practices and deceptive acts, as well as the **Consumer Financial Protection Act** of 2010.
The settlement came after a multi-year investigation which involved the efforts of **the CFPB** and **state bank regulators**.
Illinois Department of Financial and Professional Regulation Secretary Deborah Hagan stated in a **CFPB press release**, "This settlement demonstrates the crucial role of state financial services regulators in ensuring that homeowners are protected as they obtain and pay down their mortgages—especially homeowners who may be struggling with making their payments."
In a statement concerning the settlement, Jay Bray, president and CEO of Nationstar Mortgage remarked, "We are pleased to **resolve this 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."

What Are the Terms of the CFPB's Settlement Agreement with Nationstar Mortgage?

As part of the settlement, Nationstar Mortgage is required to enhance its error resolution policies and processes for handling consumer complaints.

The stipulation mandates that the mortgage servicer maintain a consumer complaint form online that is accessible to borrowers, and provide accurate information to borrowers concerning how they may submit their complaints. Additionally, the company must accurately indicate each error identified in a borrower's complaint and communicate the corrections made to the borrower.

The settlement agreement also includes provisions for proper escrow management and analysis, servicing transfers, loss mitigation practices, communications concerning private mortgage insurance cancelations, as well as an annual lookback and redress plan.

Nationstar Mortgage must also submit a compliance plan to the regional director outlining the steps the mortgage servicer will be taking to ensure the actions mandated in the agreement are effectively carried out.

The $91,255,843 settlement will allot over $22 million in consumer remediation, in addition to the $62 million in remediation that was previously provided to consumer borrowers. Under the agreement, Nationstar Mortgage must also pay out $1,205,000 to the participating states in administrative costs and penalties, $3,860,900 in attorneys' fees, investigative costs and fees pursuant to the Attorney General Consent Judgment and $1.5 million in civil monetary penalties to the CFPB.

The **Nationstar Mortgage Settlement** is *The State of Alabama, et al. v. Nationstar Mortgage LLC*, Case No. 1:20-cv-03551 and *Bureau of Consumer Financial Protection v. Nationstar Mortgage*, Case No. Case 1:20-cv-03550 filed in the United States District Court for the District of Columbia.