

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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CFPB AND RESPA RIDE AGAIN

Yesterday, September 27, The Consumer Financial Protection Bureau announced another enforcement action under the Real Estate Settlement and Procedures Act.

The facts as related in the Bureau's Consent Order are straight forward. Meridian Title Corporation referred title insurance business to Arsenal Insurance Corporation. Three of the eight individual owners of Meridian are the sole owners of Arsenal. Meridian along the way *"was able in some cases to deviate from its contractual terms and to keep money beyond the commission allowance outlined..."*. The insured were not told of the common ownership when the referral was made or the additional compensation retained.

Ok, you compliance geeks, what issues are presented?

The CFPB found that:

- There was an "affiliated business" relationship between Meridian and Arsenal.
- The additional funds retained by Meridian beyond the disclosed commissions were not reasonable compensation for services rendered nor were they a return on investment or an ownership interest. No notice was given to the customer of the affiliated relationship.

The CFPB found that Meridian received a “thing of value”, money, pursuant to an agreement to refer business to Arsenal; a clear RESPA violation. It also, of course, found that no required “ABA” disclosure was provided disclosing the relationship between Meridian and Arsenal.

Meridian will pay up to \$1.25 million dollars in redress to consumers who were referred to Arsenal. The company also agreed to start complying with RESPA.

You geeks may self-assess your responses and pat yourselves on the back if you spotted the issues.

ABOUT ALT & ASSOCIATES

Alt & Associates publishes the Lenders Update via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Over the past three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their business operations. Legal counsel provided to the mortgage industry includes, but is not limited to:

- **Regulatory assistance, both state and federal**
- **Compliance work**
- **Operational advice**
- **Transactional work**
- **Agreements such as Loan Officer Compensation Agreements etc.**
- **Various forms of employee, officer, and/or manager contracts**
- **Litigation representation**

You may direct any questions or comments directly to:

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