

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## **CFPB SPEAKS ON** **CREDIT REPAIR SERVICES**

Over the last year, a frequent question to our firm has concerned the legality of Credit Report Services and the companies, Credit Repair Organizations (“CRO”s), that offer them.

On September 23, 2016, the CFPB provided useful responses to this question.

**First**, the Bureau published information to consumers entitled “*How to Avoid Credit Repair Service Scams*”. It may be found at:

<http://www.consumerfinance.gov/about-us/blog/how-avoid-credit-repair-service-scams/>

The bulletin points out that these companies must follow numerous laws including the Credit Repair Organizations Act and often the Telemarketing Sales Act Rule. The CFPB pointed out some **red flags** for consumers. These

same issues are also useful to lenders when dealing with CROs or the borrowers who may wish to use their services.

The Bureau tells us to watch for these issues:

- Payment demanded upfront. CROs can't ask for payment until they have completed the services agreed to.
- The claims sound too good to be true.
- The representatives of the CRO can't answer questions about the services they are offering or withhold information such as a consumer's right to a written contract.
- The CRO asks the consumer to misrepresent information such as trying to establish a new credit identity.

Secondly, in a more forceful and legalistic way, the CFPB also announced on the 23<sup>rd</sup> that it had filed a lawsuit against a CRO to halt what it feels is illegal conduct in the offering of its services, alleging:

- The CRO charged illegal advance fees.
- It misled the consumer about the costs of its services.
- No disclosures were made about the limitations on its "money back guarantee" offer.
- There were misleading claims about the benefits and extent of the CRO's services.

This announcement may be found at:

<http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-credit-repair-company-mi>

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- + 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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