

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

David Jerome Alt
Attorney at Law
David.j.alt@altandassociates.com
www.altandassociates.com

Main Office:
2102 BUSINESS CENTER DRIVE
SUITE 130
IRVINE, CA 92612

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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 23rd 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>

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

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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:

David J. Alt, Esq.

David.j.alt@altandassociates.com

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