

United States of America
Consumer Financial Protection Bureau

Administrative Proceeding
File No. 2017-CFPB-0006

In the Matter of:

Prospect Mortgage LLC

Consent Order

The Consumer Financial Protection Bureau (Bureau) has reviewed Prospect Mortgage LLC's (Prospect, or Respondent, as defined below) marketing services agreements, lead agreements, desk license agreements, and co-marketing arrangements with real estate brokers and servicers and has identified the following law violations:

- (1) Prospect entered into hundreds of such agreements that it used to funnel payments to brokers and others in exchange for mortgage referrals.
- (2) Prospect's partners to these agreements then took various steps to steer consumers to Prospect, often with Prospect's encouragement. For example, some of Prospect's partners:
 - a. required all consumers to apply for and obtain Preapprovals (as defined below), with Prospect before allowing them to submit an offer on a property;
 - b. paid their agents cash or a cash equivalent bonus, each time the agent steered a consumer to Prospect;
 - c. selectively imposed economic measures to coerce consumers into using Prospect, such as fees that would be waived if the consumer used Prospect, or credits that would be given only if the consumer used Prospect; and
 - d. directly referred consumers to Prospect.
- (3) Prospect therefore violated Section 8(a) of the Real Estate Settlement Procedures Act's prohibition on the payment of kickbacks in exchange for

referrals of federally related mortgage loans, 12 U.S.C. § 2607(a), and its implementing regulation, Regulation X, 12 C.F.R. part 1024, (collectively, RESPA). And by violating RESPA, Prospect also violated Section 1036 of the Consumer Financial Protection Act (CFPA), 12 U.S.C. § 5536.

The Bureau issues this Consent Order (Consent Order) under Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

I Jurisdiction

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, RESPA Section 8, 12 U.S.C. § 2607(d)(4).

II Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” January 26, 2017 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

III Definitions

3. The following definitions apply to this Consent Order:

a. “Effective Date” means the date on which the Consent Order is issued.

b. “Preapproval” means the initial screening process that Respondent performed for potential buyers to help establish their credit-worthiness for mortgage financing when submitting offers on real estate. The term Preapproval includes all of the variants that Respondent used to refer to this process, including “prequalification,” “preapproval,” “cross-qualification,” and “double app.”

c. “Regional Director” means the Regional Director for the Western Region for the Office of Supervision for the Consumer Financial Protection Bureau, or their delegate.

d. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Paragraphs 4 through 63 of this Consent Order.

e. “Relevant Period” includes the period from July 21, 2011 to the present.

f. “Respondent” means Prospect Mortgage, LLC, Prospect Holding Company, LLC, Prospect Management Services Corp., and their subsidiaries, successors, and assigns.

IV

Bureau Findings and Conclusions

The Bureau finds the following:

Jurisdictional and General Findings

4. Respondent is a mortgage lender headquartered in Sherman Oaks, CA.
5. Mortgage origination is a consumer financial product or service under the

CFPA. 12 U.S.C. § 5481 (15)(A)(i). Respondent is therefore a “covered person” as that term is defined by 12 U.S.C. § 5481(6).

Background Findings and Conclusions.

6. Buying a house is one of the most significant financial transactions in a typical consumer’s life. Many consumers rely on real estate agents to guide them through this process.

7. Real estate agents are professionals who have passed all required real estate classes and meet the relevant state licensing requirements. A real estate agent must also affiliate with a licensed real estate broker.

8. Real estate brokers are real estate agents who have met additional licensing requirements. Real estate brokers may work individually or arrange to have agents work under them. Although agents typically work for brokers as independent contractors, brokers generally have the ability to hire and fire their agents. Agents typically pay monthly office fees to affiliate with a licensed real estate broker. These fees usually cover rental space, insurance coverage, and other expenses.

9. Brokers and agents often make recommendations to their clients for various services, such as mortgage lending, title insurance, or home inspectors. In part to prevent exploitation of consumers’ reliance on their brokers or agents in this respect, RESPA Section 8(a) prohibits making payments or giving kickbacks to anyone, including brokers and agents, in return for referring consumers to particular real estate settlement service providers. 12 U.S.C. § 2607(a).

10. But despite RESPA’s prohibition, Respondent paid many brokers, as well as a mortgage servicer, for mortgage origination referrals.

Findings and Conclusions Related to Respondent's Violating RESPA by Using Lead Agreements to Pay Brokers for Referrals.

11. Respondent entered into lead agreements with more than 200 different counterparties. Most of these counterparties were real estate brokers.

12. Under these agreements, Respondent paid the counterparty for each lead it received. A lead generally consisted of a prospective buyer's name, address, email address, and phone number. Respondent would then reach out to the prospective buyer to market its loan products.

13. But the counterparties who received Respondent's lead fees went well beyond simply transferring information about prospective buyers. They also actively referred prospective buyers to Respondent's loan officers.

14. Most of Respondent's lead agreements included an exclusivity provision. This provision prohibited the counterparty from sharing the prospective buyer's information with Respondent's competitors, and discouraged the counterparty from promoting other lenders to those prospective buyers.

15. To maximize the number of leads they provided to Respondent's loan officers—and their resulting revenue streams from these agreements—many real estate brokers provided incentives for their agents to steer buyers and sellers to Respondent's loan officers. Some brokers paid their agents each time the agent referred a consumer to Respondent.

16. For example, Respondent paid one broker anywhere from \$25 to \$500 per lead, depending on the time period and the type of lead. This typically totaled \$2,000-\$3,000 per month for this broker. The broker, in turn, passed some of the spoils on to its agents. During the broker's monthly meetings with its agents, the broker would physically hand out \$20 bills to their agents, one for each consumer that the agent

directed to one of Respondent's loan officers.

17. Another broker, Willamette Legacy, LLC, dba Keller Williams Mid-Willamette (KW Mid-Willamette), also paid a portion of Respondent's lead fees to its agents. KW Mid-Willamette received at least \$145,000 in lead fees from Respondent between 2012 and 2015. KW Mid-Willamette, in return, gave a cash-equivalent credit to its agents for each consumer that the agent steered to Respondent.

18. The agents could use the credit to offset (in whole or in part) the monthly fees they paid to affiliate with KW Mid-Willamette. The amount KW Mid-Willamette paid to its brokers increased with the volume of referrals, with some agents receiving more than \$500 in a given month.

19. Respondent encouraged the brokers to employ these tactics. As Respondent's Director of Strategic Alliances said, he wanted brokers to "invest some of the listing lead fees by incentivizing agents to use us."

20. One of Respondent's regional sales managers sent an email to a broker on September 26, 2012, which included suggested language for the broker to send its agents. The message read, in part, "In order to promote our relationship [with Respondent, broker] will pay each agent \$100 for each Qualified Buyer Lead that we send to Prospect."

21. Respondent's payments, made under the lead agreements with brokers, were therefore actually payments for referrals.

Findings and Conclusions Related to Respondent Violating RESPA by Using MSAs to Pay Brokers for Referrals.

22. Respondent entered MSAs with more than 120 different counterparties. Most of these counterparties were real estate brokers, including RGC Services, Inc., dba ReMax Gold Coast (ReMax Gold Coast) and KW Mid-Willamette.

23. Respondent paid real estate brokers a fixed amount of money per month under these MSAs, ranging from a few hundred dollars to over \$20,000 a month. In return for the monthly payments, the brokers purportedly performed marketing services for Respondent.

24. Respondent, however, managed these MSAs to encourage referrals. Respondent based its payments on referral levels, not marketing efforts. And Respondent tracked these referral levels as a percentage of the counterparty's overall business. Respondent labeled this figure its "capture rate" of the counterparty's business.

25. For example, if a broker had ten clients who purchased mortgages from various lenders in a month, and four of them used Respondent's loan officers, Respondent's capture rate would be 40% for that broker.

26. Respondent monitored its monthly capture rate of each counterparty's business. Respondent also held monthly meetings with its MSA counterparties. During these meetings, according to varying versions of Respondent's "MSA Monthly Review Checklist," Respondent would "review the capture rate and identify missed opportunities amongst agents and consumers." One of Respondent's representatives once listed "boosting referrals" as an item discussed with a counterparty at a monthly meeting.

27. If the capture rate dropped below a certain percentage of the counterparty's business, Respondent might either lower the monthly amount it paid, or discontinue the MSA.

28. The payments that Respondent made and that brokers such as KW Mid-Willamette and others received for advertising and marketing services were therefore actually payments for referrals.

Findings and Conclusions Related to Respondent Violating RESPA by Using Desk Licensing Agreements to Pay Brokers for Referrals.

29. Respondent entered desk licensing agreements with more than 100 different counterparties. These counterparties were all real estate brokers, and included ReMax Gold Coast and KW Mid-Willamette.

30. Under these desk licensing agreements, Respondent paid various real estate brokers to locate its loan officers onsite with the broker. But these agreements were not just payments for renting office space. The brokers also promised to "promote Prospect as a preferred lender" and "endorse the use of Prospect'[s] services to its employees, agents, and the visiting public."

32. Respondent analyzed the value of these desk licensing agreements in terms of the number of referrals they produced per office, rather than whether they were paying market rates for the cost of renting office space in a particular area.

33. The payments that Respondent made and that brokers such as ReMax Gold Coast, KW Mid-Willamette, and others received for these desk licensing agreements were therefore actually, at least in part, payments for referrals.

Findings and Conclusions Related to Respondent Violating RESPA by Encouraging Broker and Agent Counterparties to Require Buyers to Obtain Preapprovals with Respondent's Loan Officers.

34. Respondent's broker counterparties and their agents also used the Preapproval process to funnel consumers to Respondent's loan officers. ReMax Gold Coast, among other brokers, engaged in this practice.

35. Preapproval requires a potential buyer to submit an application to a lender, and obtain a certification that the buyer has the ability to finance the transaction. Buyers sometimes voluntarily go through a similar preapproval process with a lender to demonstrate their creditworthiness and enhance their purchase offers. And sellers sometimes require a prospective buyer to go through this process with a lender chosen by the buyer, before accepting the offer, to help ensure that the prospective buyer can afford to pay the offered price.

36. There are numerous lenders in each geographic area in which Respondent does business from which any buyer may choose to seek and obtain preapproval. There is rarely any special expertise possessed by only one lender in a given area that precludes other lenders in that same area from offering equally reliable preapprovals.

37. Respondent sometimes incorporated this scheme directly into its lead agreements. For example, one lead agreement required the broker to "educate and train" its agents on the need for consumers to seek Preapproval with Respondent, and that the broker would only earn lead fees for those listings "in which Prospect has been designated as the preferred lender such that the listing agent is required to have all customers who desire to submit an offer on the property receive a Prospect Mortgage pre-qualification."

38. At some point, Respondent stopped incorporating this scheme directly into its agreements with brokers. But it continued to actively encourage the brokers receiving fees through an MSA or lead agreement to employ this practice to steer consumers to Respondent's loan officers. A Prospect Senior Vice President explained the change to his team: "Of course we desire that our Loan Officers prequal all buyers, but we have to manage that outside the contract and cannot contractually require it" in the lead agreements themselves.

39. One of the main ways a listing agent advertises a property for sale is to list the property on a local multiple listing service (MLS). The MLS database typically includes basic information about the property, such as sales price, the address, the square footage, the number of bedrooms and bathrooms, and the year the home was built.

40. The MLS also typically includes a database field that contains information available only to other real estate agents, but not to the general public. This field is sometimes referred to as the "agent-only remarks." The agent-only remarks often contain items such as showing instructions (e.g., "turn the lights off and lock the door behind you"), deadlines for submitting offers on the property, and other miscellaneous information.

41. The listing agents who worked for a broker receiving lead fees or MSA fees from Respondent often inserted the Preapproval requirement into the agent-only remarks section of the MLS, which the general public could not see. These instructions required the buyers' agents to inform their buyers that they needed to obtain Preapproval specifically with one of Respondent's loan officers before submitting offers

on the sellers' properties if they wanted their offers to be considered by the sellers. Respondent called this being "written in" to a property listing.

42. For example, one of ReMax Gold Coast's listings stated that "All buyers MUST be pre-qualified with no obligation or cost with [Prospect loan officers]."

43. This tactic steered consumers to Respondent. "Writing in" a Prospect loan officer into the MLS listing gave Respondent the inside track to the consumer's eventual mortgage business. Much of the information a consumer provides during the Preapproval process is also used in a mortgage application.

44. Respondent's officials actively encouraged "writing in" as one means to drive up the number of referrals for which Respondent would be willing to pay under its MSAs and lead agreements.

45. For example, one of Respondent's regional sales managers suggested that a broker and the broker's agents could generate more leads—and therefore receive more lead fees from Respondent—if they would "add a requirement to your listing agreements and on the MLS that all buyers need to be pre-approved by Prospect Mortgage."

46. Some brokers that engaged in the "writing-in" practice even required prospective buyers who had already obtained preapproval with another lender to also obtain Preapproval with Respondent. Respondent and the brokers called this a "double application," "double app," "cross qualification," or "cross qual," referring to the idea that such buyers would have to Preapprove a second time. Brokers sometimes even forced all-cash buyers to obtain Preapproval with one of Respondent's loan officers.

Findings and Conclusions Related to Respondent's Violating RESPA by Paying Planet, a Mortgage Servicer, for Referrals.

47. Respondent signed a contract called the Master Origination Services and Sale Agreement with Planet Home Lending, LLC (Planet), a mortgage servicer, on December 26, 2012. Under the Master Origination Services and Sale Agreement, Planet marketed Respondent's services to its servicing clients, and tried to persuade them to refinance their existing mortgage with Respondent. In return, Respondent paid Planet a portion of the proceeds from any resulting refinance, and sent the mortgage servicing rights on the refinanced mortgage to Planet.

48. The Master Origination Services and Sale Agreement required Planet to identify its servicing clients who were potentially eligible for a HARP refinance, and market Respondent as Planet's preferred refinance partner to them. Planet sent letters containing its logo alongside Respondent's logo.

49. Planet also called consumers on Respondent's behalf. Planet told consumers, "As a valued customer of . . . Planet, we would like you to take advantage of a refinance opportunity to reduce your payment on your current mortgage loan." If the consumer expressed interest, Planet put the consumer on hold, transferred the call to Respondent, and made an introduction to smooth the transition. Planet referred to Respondent's personnel as "our loan officers" and to Respondent as its "preferred partner." Respondent then tried to persuade the consumer to apply for a refinance mortgage.

50. After Respondent originated a loan derived from such a referral, it would bundle it with other HARP loans referred from Planet. Once it sold the bundle to an investor, Respondent then split the net proceeds 50/50 with Planet

and sent the resulting mortgage servicing rights back to Planet under the terms of the Master Origination Services and Sale Agreement.

Findings and Conclusions Related to Respondent Violating RESPA by Using a Third-Party's Website Ads to Pay for Referrals

51. Respondent exited MSAs and lead agreements in late 2015. But Respondent continued to employ co-marketing agreements, which provided another means for it to continue to pay for referrals.

52. Under one such set of arrangements, Respondent pays for a portion of a real estate agent's advertisements on a third party website. The website includes a database that prospective buyers can search to access publicly available information from the MLS about a given real estate listing. The third-party website will display a page for each listing in its database (listing page).

53. There are various ways in which real estate agents can advertise on this third-party website. The most popular is to purchase ads that appear on listings in an agent's local area. The agent's advertisement will then appear on various listing pages when a prospective buyer searches for listings in that area.

54. In return for subsidizing a portion of these agents' third-party website advertising, Respondent's loan officers required them to exclusively promote Respondent in all of the agent's advertisements on that third-party website.

55. If a prospective buyer is interested in a property they find on that third-party website, they may contact the agent by clicking on a link that appears in the ad. When the prospective buyer clicks on that link, they are asked to provide the advertising agent with their name, phone number, email address, as well as any additional information they wish to provide.

56. There is also a check box in the advertisement that says "I want

financing information.” When the prospective buyer checks the box and clicks on the link to provide information to an agent who has partnered with Respondent, Respondent then receives a copy of the consumer’s information.

57. Some agents who co-marketed their services on that third-party website with Respondent took additional steps to convince consumers to use Prospect loan officers. For example, one agent told Respondent that he “was able to talk [a particular consumer] into using you guys for the financing of his purchase.”

58. The payments that Respondent made and that agents received under these third-party website co-marketing agreements were actually payments for referrals.

Findings and Conclusions Related to Respondent’s Violating RESPA by Encouraging Brokers to Use Fees and Credits to Pressure Consumers into Using Respondent.

59. Respondent pressured the real estate brokers it worked with to send customers its way as part of the quid pro quo for receiving Respondent’s payments. For example, one of Respondent’s top loan officers would sometimes tell brokers to “squeeze” consumers into using Respondent rather than a competing lender. The loan officer directed brokers and listing agents to “make sure you push our way,” when dealing with the consumer.

60. In response to this pressure, the agents sometimes took steps to economically coerce consumers into using Respondent. One listing agent made a seller’s credit—essentially a discount on the sales price—conditional on using Respondent for the mortgage: “they must use [Prospect] to get the credit.” Similarly, other listing agents included per diem fees—a penalty imposed on the buyer for each day beyond the contractual closing date the buyer was unable to close because its

financing had not yet been approved—if the buyer used his or her own lender, but would waive the fee if the buyer used Respondent. For example, one agent said “[I]f buyer is willing to go only with her own lender seller is asking for \$150 per diem charge after the expiry of 30 days COE period.”

Summary Findings and Conclusions: Respondent Violated RESPA by Paying Brokers and Others for Thousands of Referrals.

61. Planet, ReMax Gold Coast, KW Mid-Willamette and others successfully referred thousands of consumers to Respondent. Respondent gave these counterparties payments in return for the referrals. These were all federally related mortgage loans.

62. Section 8(a) of RESPA, 12 U.S.C. § 2607(a), provides that “no person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.”

63. Respondent therefore gave a thing of value under an agreement to refer real estate settlement services for federally related mortgage loans, in violation of RESPA §8(a), 12 U.S.C. § 2607(a).

ORDER

V

Conduct Provisions

IT IS ORDERED, under sections 1053 and 1055 of the CFPB, that:

64. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, must not now or at any time in the future:

- a. agree to purchase or pay for any service that is connected or related in any way to receiving referrals of real estate settlement service business;
- b. enter into marketing service agreements, lead agreements, or co-marketing arrangements with any real estate broker, agent or servicer;
- c. enter into any desk license agreement with any broker, agent, or servicer that includes any requirement or understanding that the counterparty will endorse the use of Respondent's mortgage settlement services, or do anything else to affirmatively influence prospective home buyers to use the Respondent's mortgage settlement services; and
- d. give or accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person in violation of Section 8 of RESPA, 12 U.S.C. § 2607, and its implementing regulation, Regulation X, 12 C.F.R. § 1024.14.

65. Nothing in this order should be interpreted to limit the duration of paragraph 64.

VI Compliance Plan

IT IS FURTHER ORDERED that:

66. Within 30 days of the Effective Date, Respondent must submit to the Regional Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that Respondent's agreements with real estate

brokers or mortgage servicers (other than subservicers retained only for purposes related to servicing loans for Respondent) comply with all applicable Federal consumer financial laws and the terms of this Consent Order (Compliance Plan). The Compliance Plan must include, at a minimum:

- a. Detailed steps for addressing each action required by this Consent Order; and
- b. Specific timeframes and deadlines for implementation of the steps described above.

67. The Regional Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct the Respondent to revise it. If the Regional Director directs the Respondent to revise the Compliance Plan, the Respondent must make the revisions and resubmit the Compliance Plan to the Regional Director within 30 days.

68. After receiving notification that the Regional Director has made a determination of non-objection to the Compliance Plan, the Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan.

69. Within 30 days of the Effective Date, Respondent must provide training on this Consent Order that Respondent will provide for Respondent's employees who were employed as of the Effective Date. The training must be in the form and manner presented to the Regional Director for non-objection at least three days before Respondent provides the training to its employees. The training must also include certifications of completion, and Respondent must provide the Bureau with a complete list of all individuals, whether then-current or former employees, who completed the

training within the 30-day period, as well as a list of those employees, whether then-current or former, who did not complete the training.

70. Within five days of the Effective Date, Respondent must deliver a letter, a template of which is attached as Exhibit A, signed by Respondent's Chief Executive Officer to each of a specified group of employees as agreed to by Respondent and the Bureau in a form approved by the Bureau that specifically advises these individuals of the terms of this Consent Order, including the fact that no individual or entity but Respondent is released from liability for the conduct covered by this Consent Order. Respondent must provide a certification to the Bureau identifying both the manner of delivery as well as the date of delivery to each identified individual, and copies of the letters delivered. Respondent must, within 30 days after the Effective Date, forward copies of all the letters to any entity that is, as of the Effective Date, under contract to purchase all or substantially all of the assets of Prospect Mortgage LLC.

VII

Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

71. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV (Bureau Findings and Conclusions) of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$3,500,000 to the Bureau.

72. Within 60 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

73. The civil money penalty paid under this Consent Order will be deposited

in the Civil Penalty Fund of the Bureau, as required by section 1017(d) of the CFPB, 12 U.S.C. § 5497(d).

74. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order;

or

b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

75. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

VIII

Reporting Requirements

IT IS FURTHER ORDERED that:

76. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

77. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board, which, at a minimum:

- a. Describes in detail the manner and form in which Respondent has complied with this Consent Order; and
- b. Attaches a copy of each Order Acknowledgment obtained under Section IX (Order Distribution and Acknowledgement), unless previously submitted to the Bureau.

IX

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

78. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.

79. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section VIII (Reporting Requirements), any future board members and executive officers, as well as to any managers, employees, service providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.

80. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

X

Recordkeeping

IT IS FURTHER ORDERED that

81. Respondent must create, or if already created, must retain for at least 5 years from the Effective Date, all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

82. Respondent must retain the documents identified in Paragraph 81 for the duration of the Consent Order.

83. Respondent must make the documents identified in Paragraph 81 available to the Bureau upon the Bureau's request.

XI
Notices

IT IS FURTHER ORDERED that:

84. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re Prospect Mortgage LLC*, 2017-CFPB-0006," and send them either:

a. By overnight courier (not the U.S. Postal Service), as

follows: Regional Director, CFPB Western Region
301 Howard Street
Suite 1200
San Francisco, CA

94105; or

b. By first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Regional Director, CFPB Western Region
301 Howard Street
San Francisco, CA 94105

XII
Cooperation with the Bureau

IT IS FURTHER ORDERED that:

85. Respondent must cooperate fully with the Bureau in this matter and in any investigation, litigation, or administrative proceeding related to or associated

with the conduct described in Section IV (Bureau Findings and Conclusions). Respondent must provide truthful and complete information, evidence, and testimony. Corporate Respondent must cause Respondent's then-current officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 5 days' written notice, or other reasonable notice, at such places and times as the Bureau may designate, without the service of compulsory process.

XIII

Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Consent Order:

86. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

87. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

88. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XIV

Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

89. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.

90. The Regional Director may, in their discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if they determine good cause justifies the modification. Any such modification by the Regional Director must be in writing.

XV

Administrative Provisions

91. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 92.

92. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV (Bureau Findings and Conclusions) of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the

Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

93. All pending motions are denied as moot.

94. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFPB, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

95. This Consent Order will remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

96. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

97. The parties to this Consent Order anticipate that Respondent will take steps to commence the voluntarily surrender all of its mortgage lending licenses and substantially complete the orderly wind down of its lending operations within 90 days of the date of this Consent Order. But if Respondent applies for new mortgage lending licenses or resumes mortgage lending operations, then this Consent Order will remain in full force and effect and with respect to any subsequent transfer or assignment of all or part of its new operations that are subject to this Consent Order. Respondent must also, as a condition of that sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

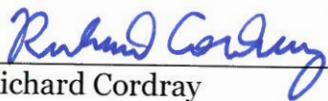
98. The provisions of this Consent Order will be enforceable by the Bureau.

For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

99. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

100. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 30th day of January, 2017.


Richard Cordray
Director
Consumer Financial Protection Bureau