UNITED STATES OF AMERICA
Before the
CONSUMER FINANCIAL PROTECTION BUREAU

ADMINISTRATIVE PROCEEDING
File No. 2014-CFPB-0002

In the Matter of:	)	**NOTICE OF CHARGES SEEKING DISGORGEMENT, OTHER EQUITABLE RELIEF, AND CIVIL MONEY PENALTY**
PHH CORPORATION, PHH MORTGAGE CORPORATION, PHH HOME LOANS LLC, ATRIUM INSURANCE CORPORATION, and ATRIUM REINSURANCE CORPORATION	)	

The Consumer Financial Protection Bureau ("Bureau" or "CFPB") hereby submits the following Notice of Charges against Respondents, PHH Corporation and its named affiliates, relating to their use of captive mortgage reinsurance arrangements to solicit and collect illegal kickback payments and unearned fees, disguised as reinsurance premiums, through PHH Corporation's subsidiaries Atrium Insurance Corporation and Atrium Reinsurance Corporation (together, "Atrium"), in exchange for the referral of private mortgage insurance business. In support of its Notice of Charges, the Bureau alleges and submits as follows:

JURISDICTION AND LEGAL AUTHORITY

1. The CFPB has jurisdiction over this matter pursuant to Sections 1053 and 1055 of the Consumer Financial Protection Act ("CFPA"), 12 U.S.C. §§ 5563, 5565.

2. The CFPB is an independent agency of the United States and has authority to enforce the CFPA, 12 U.S.C. § 5481 *et seq.*, and other Federal consumer financial laws as defined in 12 U.S.C. § 5481(14), including Section 8 of the Real Estate Settlement Procedures Act ("RESPA") and its implementing regulations. By virtue of the CFPA, the CFPB has assumed primary federal government responsibility for administration of RESPA.

STATEMENT OF FACTS

3. PHH Corporation is a publicly-traded company organized under the laws of Maryland and headquartered in Mount Laurel, NJ.

4. PHH Mortgage Corporation is a wholly-owned subsidiary of PHH Corporation, and comprises the mortgage production segment of PHH Corporation.

5. PHH Corporation is also the majority owner of PHH Home Loans, LLC, a joint venture with Realogy Corporation that offers and provides mortgage loan products.

6. PHH Corporation, PHH Mortgage Corporation, PHH Home Loans, LLC (collectively, "PHH") offer and provide residential mortgages.

7. Atrium Reinsurance Corporation ("Atrium Re"), a Vermont corporation, is a wholly-owned subsidiary of PHH Corporation which offers or provides purported reinsurance to mortgage insurance companies.

8. Atrium Insurance Corporation ("Atrium Insurance"), a New York corporation incorporated in 1994, is a wholly-owned subsidiary of PHH Corporation, which offered or provided purported reinsurance to mortgage insurance companies. Atrium Insurance's captive reinsurance business was subsequently assumed by Atrium Re as of January 1, 2010.

9. PHH is a lender subject to the requirements of, and is a "person" under, Section 8 of RESPA. *See* 12 U.S.C. § 2602.

10. The home loans originated by PHH are "federally related mortgage loans" as defined in 12 U.S.C. § 2602(1) and 12 C.F.R. § 1024.2(b).

11. Mortgage insurance constitutes "business incident to or a part of a real estate settlement service" within the meaning of Section 8 of RESPA. 12 C.F.R. § 1024.2(b).

The Private Mortgage Insurance Industry

12. A prospective borrower seeking a residential mortgage loan in excess of 80% of the value of the home will ordinarily be required by the lender to purchase mortgage insurance, often private mortgage insurance, as a condition of obtaining the loan. Mortgage insurance enables consumers who are generally creditworthy, but who lack sufficient cash for a 20 percent down payment, to qualify for mortgages and home ownership.

13. While consumers pay the premiums for mortgage insurance, private mortgage insurance policies cover losses incurred by mortgage lenders in the event of borrower default—that is, mortgage lenders are the beneficiaries of the mortgage insurance policies, not consumers. Typically, the lender selects the mortgage insurance provider that will provide the mortgage insurance on a given loan. Consumers usually do not select, nor are they given a meaningful opportunity to select, a mortgage insurance provider.

14. If a borrower defaults on a loan that is covered by a mortgage insurance policy, the mortgage insurer will pay to the lender a specified percentage of losses that the lender may face in connection with a foreclosure of the home or other loss.

15. Prior to the 2008 financial crisis, mortgage insurance was a very profitable business. As a result, private mortgage insurance companies (known in the industry as "MIs") highly valued referrals by a lender to provide mortgage insurance for loan transactions originated by the lender. Mortgage lenders, in turn, sought to participate in the MIs' high profits.

The Creation of Captive Reinsurance

16. Beginning in 1994, Respondent PHH Corporation established its own wholly-owned subsidiary, Respondent Atrium, as a "captive reinsurer" solely to provide purported reinsurance to MIs that provided primary mortgage insurance coverage for loans originated by PHH. Atrium never issued policies for loans originated by any lender other than PHH.

17. Atrium entered into a contract for its first captive mortgage reinsurance arrangement ("captive arrangement") with the mortgage insurance company United Guaranty Corporation ("United Guaranty") in 1995.

18. In 2000, Atrium entered into a second captive arrangement, with the mortgage insurance company General Electric Mortgage Insurance Corporation, later Genworth Mortgage Insurance Corporation (collectively, "Genworth").

19. Under each of these arrangements, PHH referred borrowers of the loans it originated almost exclusively to these two MIs. In exchange for the referrals, the MIs paid the captive reinsurer subsidiary, Atrium, a percentage of the referred borrowers' mortgage insurance premiums ("ceded premiums"), purportedly in exchange for reinsurance coverage by Atrium.

20. The MIs paid, and Respondents accepted, ceded premiums pursuant to the captive arrangements after the borrower's mortgage loan transaction closed.

21. Atrium had no employees that were not also employees of PHH.

22. Atrium conducted no underwriting to price any reinsurance risks that it purportedly assumed.

23. By 1998, United Guaranty was paying or "ceding" 40% of the premiums it received from borrowers to Atrium in an arrangement known as "deep cede" captive reinsurance. By 2000, Genworth entered into a 40% deep cede arrangement with Atrium as well.

24. Indeed, during the late 1990s, the MIs competed with one another to offer increasingly generous deep cede captive structures to mortgage lenders, including PHH, until a 40% cede became the industry standard.

25. Despite their efforts to market captive deals to lenders, the MIs, through their trade association, privately expressed alarm to state insurance regulators in 1998, asking for limits on captive and other "risk-sharing" arrangements between MIs and lenders. "[I]f not properly controlled," the MIs argued, such arrangements "present a threat to the overall strength and claims-paying ability of the private mortgage insurance industry." The MIs identified "Risk Factors Associated With Captive Reinsurance," observing that segregation of premiums collected from each MI into separate trust accounts established for that MI runs "counter to the basi[c] insurance principle that an insurer's liability should be supported by all of its assets." The MIs warned that permitting MIs "to reinsure more than 25% of their business in captive reinsurance structures" would be "financially detrimental to the mortgage finance industry." The MIs also stated that when lenders issue captive reinsurance, "a true arms-length independent judgment of risk [is] more difficult to obtain."

26. The MIs in 1998 therefore pushed for "more stringent" risk-to-capital requirements than the MIs themselves were subject to. They also sought regulatory assurance that captive reinsurance premiums would not be "greater than the cost of comparable coverage with an unrelated insurer," that "dividends and other payments by the captive … be restricted to ensure the availability of funds to pay claims," and that ceding to captives would "not exceed 25% of premium…." The MIs sought these changes to offset the increased risk to the mortgage insurance system posed by captive reinsurance.

27. As early as 1998, the MIs stated to regulators that "[t]he nature of the relationship between the mortgage insurer and the lender is such that, absent clear regulatory guidelines, [captive] reinsurance transactions will inevitably become more and more generous to the lender until, ultimately, they are no more than revenue-sharing arrangements, under which no risk is transferred."

The Referrals

28. PHH controlled referrals of borrowers to MIs on its retail mortgage channel loans using an automated "dialer" system. A substantial majority of PHH loans went through the retail channel.

29. For PHH mortgage loans originated by correspondent lenders, PHH maintained a list of "preferred" mortgage insurance providers. If the correspondent lender chose to refer the borrower to an MI not on the list of "preferred providers," PHH charged a "price adjustment" amounting to an additional 75 basis points on the loan.

30. PHH included MIs on its list of "preferred providers" based in significant part on the companies' agreement to cede portions of consumers' insurance premiums to Atrium.

31. The "price adjustment" thus amounted to a penalty charged whenever a lender failed to steer a borrower to PHH's preferred MI companies; that is, MI companies who had established captive reinsurance programs to funnel kickbacks to PHH.

32. PHH's systems were designed to make it difficult, impracticable, or impossible for PHH to allocate any substantial amount of business to an MI that did not cede portions of consumers' insurance premiums to Atrium.

33. PHH raised, lowered, or eliminated altogether the allocation of business to MIs based in significant part on whether and how much the MIs ceded portions of consumers' insurance premiums to Atrium.

34. From at least 1995 through 2001, United Guaranty served as virtually the sole mortgage insurance provider to PHH. United Guaranty had the only captive arrangement with PHH until late 2000, and PHH allocated little or no business to United Guaranty's competitors during this time.

35. In August 2001, just ten months after it entered into a captive arrangement with PHH, Genworth was made a preferred mortgage insurance provider and added to the dialer. Genworth then began receiving referrals of PHH retail loans.

36. From 2001 until November 2008, United Guaranty and Genworth were the only two MIs on PHH's dialer. "Controllable" business generated by PHH retail loans – that is, the majority of PHH loans, on which PHH directly controlled the allocation of MI business – was exclusively steered to these two companies, with which PHH had captive arrangements. During the same period, four other MIs lacking captive arrangements with PHH received virtually no PHH business.

37. A fifth MI, Radian, established a captive arrangement with PHH in 2004, and was able to obtain a small portion of PHH's business.

38. From the inception of the captive arrangements and continuing into at least 2009, PHH manipulated its allocation of MI business to maximize kickback reinsurance payments for itself, and pressured MIs to "purchase" reinsurance from Atrium, with the understanding or agreement that the insurers would then receive borrower referrals from PHH.

39. The relationship between captive reinsurance kickbacks and mortgage insurance referrals was so inextricably linked that a key PHH executive referred to the dialer as the "captive dialer."

The 2006 Request for Proposal

40. In 2006, PHH issued a Request for Proposal ("RFP") to allow MIs to compete for PHH business.

41. The primary purpose of the RFP was to provoke MIs to compete over the terms of the captive arrangements they offered to PHH, while offering as an incentive a significant increase in the amount of PHH business that could be referred to MIs. PHH personnel worked to extract the highest "reinsurance" payments possible, holding out the promise of more mortgage insurance business for favored mortgage insurance "partners" in exchange.

42. For example, in an email to one of the MIs, the PHH executive principally responsible for the 2006 RFP referred to it as an "RFP for our Captive Mortgage Insurance business."

43. In RFP discussions with mortgage insurer PMI, a PHH executive urged PMI to "Think high cede, late attachment, short corridor, low capital, fast dividend!" in crafting captive arrangements for consideration by PHH. Each of these features would raise PHH's profits, help to eliminate its risk, or both.

44. The MIs then pitched to PHH a host of captive deals designed to be profitable for PHH in order to gain lucrative referrals for themselves.

45. PHH used its ability to steer business to the MIs as leverage to extract more kickbacks for PHH in the form of reinsurance premiums.

46. By February 2008, however, the housing market was collapsing, taking the mortgage insurance industry with it.

47. In February 2008, Freddie Mac prohibited the use of "deep cede" captive reinsurance structures.

48. Nonetheless, through 2008, PHH continued to use its existing captive arrangements to dictate its mortgage insurance referrals.

49. In June of 2008, a PHH executive told personnel at another MI, MGIC, that "captive eligible" deals "are likely required to play (and we want to play!)."

50. Prior to that time, from 2001 to 2007, PHH did not place MGIC on the dialer. As a result, for example, MGIC insured fewer than 100 of the 24,505 PHH loans originated with private mortgage insurance in 2006-07.

51. As late as May 2009, PHH executives directed that mortgage insurance referrals should be maximally steered towards United Guaranty because of their profitable captive arrangement, and that PHH should avoid sending business to MIs without captive arrangements.

52. Two MIs – PMI and Triad – never entered into captive arrangements with PHH and were never placed into the dialer. Triad never received any referrals of business from PHH during the period that captive arrangements were in place, and PMI received only one loan.

53. One of the companies long denied PHH business, RMIC, continued to offer captive arrangements to PHH well into 2008 as an explicit appeal for referrals. For example, in December 2007, an RMIC executive pleaded for consideration from PHH:

> "Is there anything we can do to break into your account?
>
> There has to be something you need from your MI partners-expanded guides for Agency Alt-A/Sub-prime, unlimited liability for contract underwriting, GSE/SMC

> pool insurance, fraud coverage, or bulk LPMI? I know the captive relationship has driven your MI allocation, but isn't it about time we do some business?
>
> . . . . My point is there has to be more value added that an MI partner can add than just a good captive execution."

The RMIC executive noted: "PHH is the only top 10 MI account [with which] we do no business today. I hope this will change in 2008." In fact, in 2008 RMIC insured only two mortgages originated by PHH.

54. PHH expanded its referrals of business to additional providers with whom it lacked a captive arrangement, such as RMIC and MGIC, only after PHH, like others in the market, had virtually stopped placing captive reinsurance on new mortgages. At around the same time, several MIs, including Genworth and United Guaranty, were tightening their standards, raising the prospect that some PHH-originated loans could not be insured unless other MIs were added to the dialer. MGIC was added to the dialer in late November 2008, and RMIC was added in June 2009. During the preceding years, 2006 and 2007, RMIC and MGIC had together received no more than 0.5% of all mortgage insurance business originated by PHH.

55. PHH planned to establish captive arrangements with RMIC and MGIC in exchange for the referrals it had begun to make to them. But due to market conditions, the deals never came to fruition.

Atrium's Purported Reinsurance Services

56. In a typical reinsurance arrangement, a reinsurer agrees to assume a certain percentage or portion of the primary insurer's risk. In return, the primary insurer pays or "cedes" to the reinsurer a certain portion of the premiums it receives with respect to this pool of risk.

57. Respondents' captive arrangements were structured as "excess-of-loss" arrangements, under which Atrium assumed liability for a specified "corridor" or "risk band" of losses on loans originated during a specified calendar year ("book year"). In other words, Atrium would only be liable for reinsurance claims when the total amount of losses (for example, due to foreclosures) in a book year reached the "attachment" point. And it would only continue to be liable for reinsurance claims until losses incurred in that book year reached a ceiling, commonly known as a "detachment" or "exit" point. All losses below and above the risk band are solely covered by the MI. Under this structure, Atrium's liability begins, if ever, only when the MI's incurred losses reach the attachment point and ends when such losses reach the detachment point.

58. The Atrium arrangements were structured generally as "4/10/40" deals. Under such deals, the MIs paid all insurance claims until losses reached 4% of total insured risk for a given book year of loans. Atrium was then responsible for losses on the next 10% of insured risk, beginning at the 4% threshold (the attachment point) and ending at the 14% ceiling (the detachment point). Any additional loss was the sole responsibility of the MIs. In return for this limited "risk band," Atrium received 40% of the MIs' insurance premiums on the reinsured loans. The premiums ceded to Atrium were initially held in captive trust accounts controlled by PHH.

59. Each captive trust account established by PHH held only two sources of funds: PHH's capital contributions and the premiums ceded by the MI.

60. In the event of catastrophic losses, the MI might be able to recoup some premiums from the trust. But unlike a traditional insurer, which typically pools premiums from multiple insureds to cross-collateralize losses across those entities or puts great amounts of the

insurer's capital at risk, PHH segregated the premiums received into separate trusts established for each MI, reducing the likelihood that there would be sufficient funds available to pay claims, and did not place any of its own corporate assets at risk under the captive arrangements. The MIs had no recourse under their agreements or Atrium's business structure to recover claims beyond the amount of funds in its trust. As a result, each MI had little chance of ever recovering more in reinsurance claims than it had paid in premiums, defeating the central purpose of insurance.

61. Moreover, at the first sign that significant claims might jeopardize its capital contributions, PHH could eliminate the risk of losing its capital by withdrawing dividends so that the only funds remaining in the trust were the premiums paid by the MI, along with any income from the investment of those premiums. For example, in 2007, as a result of a one-sided amendment to the operative "reinsurance" contract, Atrium took a $52 million dividend from the trust established for United Guaranty, which exceeded Respondents' total capital contributions to that time. As a result, from then on the only money at risk in that trust was from ceded premium payments and investment income. Thus, during the financial crisis, when funds were actually needed to pay claims to cover catastrophic losses, United Guaranty could merely obtain a return of what remained of its paid premiums in the trust and no more.

62. Respondents also removed their capital contributions from the Genworth trust as losses were mounting. 2009 was the first year in which Genworth received any payments from its trust – less than $1 million that year, out of more than $100 million in total premiums that Genworth had ceded to the trust since 2001. In 2010, paid losses to Genworth increased to over $10 million, and Atrium took a $5 million dividend from the trust. The removal of those funds reduced Respondents' net capital contribution in the trust to just $500,000. In 2011, paid losses

to Genworth grew to over $12 million, and Atrium withdrew another $8.9 million from the trust, eliminating Respondents' entire capital contribution from the trust.

63. From 1995 through 2008, MIs believed that there was a very low probability that losses on a book year would exceed 4% of insured risk, the typical "attachment" point in PHH's captive arrangements.

64. In practice, the captive arrangements entered into by Respondents effectively prevented any real transfer of risk from the MIs. As a result, Respondents, through Atrium, received payments, in the form of ceded premiums, that were worth far more than, and were not reasonably related to, the value of any services purportedly provided by Atrium.

65. Upon expiration or "run-off" of the arrangements, PHH was expected to retain all remaining funds and receive a substantial windfall.

66. Atrium provided no benefit or service to the MIs because the MIs could have ensured nearly the same result, and likely achieved a significantly better result, simply by setting aside the same premiums in trust for themselves.

67. In its eighteen years of existence as a captive between 1995 and 2013, Atrium never paid claims or made any other payments to MIs that exceeded the then-available funds in the applicable captive trust.

68. In the spring of 2006, PHH became concerned about increasing defaults on subprime loans, and decided that it wished to exclude such loans from the captive arrangements. Doing so would allow PHH to continue to originate subprime loans and require borrowers to obtain mortgage insurance coverage on those loans, while reducing its highly limited risk of "reinsurance" exposure even further. United Guaranty and Genworth were receiving the vast majority of PHH's referrals at the time. Both companies gave up access to Atrium's

"reinsurance" coverage on subprime loans and received nothing in exchange. PHH was able to obtain these free, highly favorable modifications of its captive arrangements because it had the leverage to steer business to, or potentially away from, the MIs.

69. As a result of these risk-limiting mechanisms, Atrium did not pay a single dime in losses for over 12 years, from its inception, in 1995, through the end of 2007.

70. Even after the Great Recession brought a catastrophic downturn in the mortgage industry, Atrium's reinsurance trusts still held over $189 million in assets. PHH had earned an approximately 20% annualized internal rate of return from captive reinsurance.

Kickback Payments Made for Referrals

71. The MIs' premiums ceded to PHH through Atrium were kickback payments, paid in exchange for referring customers.

72. The "reinsurance" provided by Atrium was of little if any value because the projected value of the reinsurance to the MIs was far less than that of the premiums Respondents expected to receive.

73. PHH advocated the use of captive arrangements to encourage MIs to cede premiums to it through Atrium. PHH then referred virtually all of its controllable business to MIs that agreed to do so.

Payments Received by PHH

74. Over the lifespan of the captive arrangements, Atrium collected over $493 million in purported reinsurance premiums from mortgage insurance companies.

75. At their peak, Atrium's trust funds with United Guaranty and Genworth contained hundreds of millions of dollars.

76. In May 2005, PHH took a $17 million dividend from Atrium.

77. In March 2007, PHH, through Atrium, took a $52 million dividend from its reinsurance trust for United Guaranty. In June 2007, Atrium paid PHH a $16.5 million dividend.

78. The United Guaranty dividend of $52 million was not permitted under the then-existing reinsurance agreement between United Guaranty and Atrium because the withdrawal of that amount would have caused the funds in the trust to fall below the minimum capital required under the agreement. That amount was withdrawn only after United Guaranty agreed to an amendment to the reinsurance agreement to allow the dividend.

79. Although United Guaranty was among the MIs who, in 1998, jointly pressed state regulators for more stringent minimum capital requirements and restrictions on dividends by the captive to ensure the availability of funds to pay claims, on the eve of the financial crisis, United Guaranty allowed Respondents to remove funds from the trust that Respondents previously had no right to withdraw. As with each such dividend, once the money was withdrawn, it was no longer available to pay reinsurance claims. United Guaranty received no consideration under the amendment. United Guaranty, however, continued to receive referrals of business from PHH, amassing over 69% of all PHH mortgage originations with private mortgage insurance in 2007.

80. In August 2009, and in February 2010, in the aftermath of the financial crisis, PHH took dividends of $19.25 million and $12 million, respectively, from Atrium.

81. Effective April 1, 2012, Atrium and Genworth agreed to end, or “commute,” their captive reinsurance agreement, resulting in payment of more than $24 million to PHH.

82. Effective May 31, 2013, Atrium and United Guaranty agreed to commute their captive reinsurance agreement, resulting in payment of more than $69 million to PHH.

83. All of these practices resulted in over $159 million in increased profits for PHH, at borrowers' expense.

Additional Harm Caused by PHH's Captive Arrangements

84. The kickbacks or referral fees that the MIs paid to Respondents increased unnecessarily the costs of certain settlement services.

85. PHH continued to steer business to its captive "partner" MIs even when it knew the prices they charged consumers were higher than competitors' prices.

86. In an internal 2012 document, for example, PHH officials acknowledged that Genworth's "[b]orrower paid monthly and single premium pricing is not as competitive as other providers[']. . . . This is a challenge to manage against when customers / sales know that other providers are cheaper and PHH allocates volume based on factors other than rate competitiveness today."

87. The captive arrangements motivated PHH to require more mortgage insurance coverage than was necessary, at a higher cost to borrowers, because PHH could reap the benefits of the overpayments through the captive arrangements under which Atrium received 40% of the borrower's premiums.

88. PHH further harmed borrowers by charging those with correspondent loans that did not have captive arrangements with PHH an additional 75 basis points on their loan.

89. PHH's requirement that MIs cede a portion of their premiums to Atrium raised operating costs for MIs—costs which were passed on to all payors of mortgage insurance premiums to those MIs in the form of higher prices for mortgage insurance.

90. PHH's captive arrangements potentially caused other harm. For instance, because MIs competed for business on whether they had a captive deal, they were not competing on

market-beneficial factors like quality of underwriting or diversification of asset portfolio—both of which could have made losses in the 2008 financial crisis less severe.

VIOLATIONS OF RESPA

91. Section 8(a) of RESPA prohibits any person from giving or accepting "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." 12 U.S.C. § 2607(a).

92. Section 8(b) of RESPA prohibits the giving and acceptance of "any portion, split, or percentage" of any charge made or received for a settlement service other than for services actually performed in connection with a transaction involving a federally related mortgage loan. 12 U.S.C. § 2607(b).

93. In the course and conduct of making home loans, PHH routinely controlled the referral of consumers to mortgage insurance companies.

94. Many of these referrals of mortgage insurance business were made pursuant to agreements between PHH and the MIs, which provided that the MI would cede a portion of the borrower's premiums to PHH's captive reinsurer, Atrium. These agreements are reflected by, among other things, written "reinsurance" and trust agreements, other written communications between and within PHH and certain MIs, and by Respondents' and the MIs' pattern, practice, and course of conduct.

95. The premiums ceded by the MIs to PHH through Atrium were, individually and in the aggregate, "things of value" that were accepted by PHH.

96. The premiums ceded by the MIs to PHH through Atrium: (a) were not for services actually furnished or performed, or (b) grossly exceeded the value of any such services.

97. The premiums ceded by the MIs to PHH through Atrium were made in consideration of PHH's continued referral of mortgage insurance business.

98. The premiums ceded by the MIs to PHH through Atrium therefore were illegal kickbacks in violation of Section 8(a) of RESPA, 12 U.S.C. § 2607(a), for which PHH is liable.

99. The premiums ceded by the MIs to PHH through Atrium were, individually and in the aggregate, a portion, split, or percentage of the private mortgage insurance premiums paid by consumers who are PHH's customers.

100. PHH accepted a portion, split, or percentage of charges for the rendering of business incident to a real estate settlement service other than for services actually performed, in violation of Section 8(b) of RESPA, 12 U.S.C. § 2607(b), for which PHH is liable.

101. In addition, PHH received dividends and other payments from Atrium and its captive reinsurance trusts. The MIs allowed, or did not object to, these payments in order to maintain their standing with PHH and continue to receive high volumes of referrals.

102. The premiums ceded by the MIs to PHH through Atrium were, individually and in the aggregate, "things of value" that have been received by PHH and illegal kickbacks in violation of Section 8(a) of RESPA, 12 U.S.C. § 2607(a), for which PHH is liable.

103. PHH's solicitation and acceptance of kickbacks and unearned fees in exchange for referrals of business to MIs, in violation of Sections 8(a) and 8(b) of RESPA, 12 U.S.C. § 2607(a)-(b), was a pattern and practice that commenced in 1995 (at the latest) and continued until at least May of 2013. PHH knowingly or recklessly engaged in these violations throughout this period.

PRAYER FOR RELIEF

104. Wherefore, the Bureau, pursuant to Section 8 of RESPA, 12 U.S.C. § 2607, and Section 1055 of the CFPA, 12 U.S.C. § 5565, requests an Order granting:

A. A permanent injunction to prevent and restrain future violations of Section 8 of RESPA;

B. Disgorgement of money, in an amount to be determined at trial;

C. Restitution in an amount to be determined at trial to compensate borrowers who paid more in mortgage interest and mortgage insurance premiums as a result of the illegal scheme;

D. Civil money penalties for Respondents' violations of Section 8 of RESPA;

E. Recovery of costs in connection with prosecuting the instant action; and

F. Any other legal or equitable relief deemed appropriate.

TIME AND PLACE OF THE HEARING

Pursuant to 12 CFR § 1081.203(d), the time and place of the hearing shall be determined by the hearing officer in the scheduling order.

TIME TO FILE AN ANSWER

The answer must be filed and served by February 13, 2014, in accordance with 12 C.F.R. § 1081.201(a).

DATED: January 29, 2013

Respectfully submitted,

Lucy Morris
Deputy Enforcement Director for Litigation

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Certificate of Notice to Third Parties

I certify that, pursuant to 12 C.F.R. § 1081.119(a), proper notice has been provided to all third parties that have provided information disclosed in the attached Notice of Charges that may be subject to a claim of confidentiality.

/s/

Donald R. Gordon