

1 OWEN P. MARTIKAN (CA Bar #177104)
 2 owen.martikan@cfpb.gov
 BENJAMIN KONOP
 3 benjamin.konop@cfpb.gov
 4 CONSUMER FINANCIAL PROTECTION BUREAU
 5 1700 G Street NW
 6 Washington, DC 20552
 Telephone: (415) 844-9790
 7 Facsimile: (415) 844-9788
 8 Attorneys for Plaintiff
 9 Consumer Financial Protection Bureau

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 12 **UNITED STATES DISTRICT COURT**
 13 **CENTRAL DISTRICT OF CALIFORNIA**

<p>14 CONSUMER FINANCIAL 15 PROTECTION BUREAU, 16 Plaintiff, 17 18 v. 19 AMERICAN ADVISORS GROUP, 20 Defendant.</p>	<p>CASE NO.:</p> <p>COMPLAINT</p>
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 22 **INTRODUCTION**

23 1. American Advisors Group (AAG) offers and provides reverse
 24 mortgages, products marketed toward consumers 62 years and older that allow
 25 homeowners to borrow money using their home's value as security for the loans.
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 27
 28

1 **PARTIES**

2 9. The Bureau is an agency of the United States charged with regulating
3 the offering and provision of consumer-financial products and services under
4 “Federal consumer financial laws,” 12 U.S.C. § 5491(a), including the CFPB, 12
5 U.S.C. § 5481(14). The Bureau has independent litigating authority, including the
6 authority to enforce the CFPB. 12 U.S.C. § 5564(a), (b).

7 10. American Advisors Group is a national mortgage lender licensed in
8 49 states and the District of Columbia and headquartered in Irvine, California.

9 11. AAG is a “covered person” under the CFPB because it is a
10 corporation that engages in offering and providing residential mortgage loans,
11 which are “consumer financial products or services” under the CFPB. 12 U.S.C.
12 § 5481(5), (6), (15)(A)(i), (19).

13
14 **FACTS**

15 12. AAG is the nation’s largest provider of reverse mortgages.

16 13. Unlike traditional mortgages, reverse mortgages do not require
17 borrowers to make monthly mortgage payments. Instead, the amount that the
18 borrower owes grows over time, and the loan is repaid when the borrower no
19 longer lives in the home or defaults on the loan, such as through failure to pay
20 property taxes or to maintain insurance.

21 14. Reverse mortgages take part of the home equity and convert it into
22 payments to consumers – a kind of advance payment on home equity.

23 15. The home’s value is thus a key component in determining how much
24 a consumer can borrow: the bigger the difference between the home’s appraised
25 value and the mortgage balance, the more funds a consumer can obtain from a
26 reverse mortgage.

1 16. In marketing its product, AAG used mailers that included inflated
2 estimated home values to solicit consumers to open a reverse mortgage with the
3 company.

4 17. Once consumers engaged with AAG, they were more likely to
5 complete the transactions.

6 18. AAG's inflated home-value estimates harmed consumers, who might
7 not have shopped for competing products and who might have seen a reduced
8 borrower benefit once the property was appraised, and it harmed other market
9 participants, who might have lost customers to their competitor's deceptive
10 advertising.

11 19. AAG prominently displayed the misleading "Est[imated] Home Value"
12 at the top of many of its marketing materials.

13 20. A small footnote at the bottom of AAG's mailers stated that "AAG
14 makes every attempt to ensure the home value information provided is reliable,
15 however we provide this information with no guarantee of the accuracy and are
16 not responsible for any errors."

17 21. The midpoints of estimated home values provided by AAG to
18 consumers were inflated on average by about 18% in reverse mortgages where
19 an appraisal was performed.

20 22. The high end of the estimated home values provided by AAG to
21 consumers were inflated on average by about 28% in reverse mortgages where
22 an appraisal was performed.

23 23. AAG also claimed in its advertising mailers that it "makes every
24 attempt to ensure the home value information provided is reliable."

25 24. In reality, AAG did very little, if anything, to ensure that the home-
26 value information was reliable.

1 25. Specifically, after 2016, AAG performed no analysis directly related
2 to the estimated home values that it advertised in its mailers.

3 26. In December 2016, the Bureau settled administratively with AAG for a
4 variety of deceptive statements made in marketing materials that were in violation
5 of the CFPB. The December 2016 settlement was effectuated by an order prescribed
6 by the Bureau. *See Consent Order, In re American Advisors Group*, No. 2016-CFPB-
7 0026 (Dec. 7, 2016) (“2016 Consent Order”). The 2016 Consent Order prohibited
8 AAG from violating the CFPB for five years, or until December 2021.

9
10 **COUNT 1**

11 **Deceptive Representations About Estimated Home Values**

12 27. The Bureau re-alleges and incorporates by reference paragraphs 1-25.

13 28. By using inflated estimated home values in its marketing materials,
14 AAG induced consumers to enter into negotiations with the company.

15 29. This tactic is deceptive, as it would likely lead a reasonable consumer
16 to believe that the consumer had more equity in their home than was actually
17 available and could reap more proceeds from the reverse mortgage than were
18 actually available.

19 30. AAG’s misrepresentations were material because a consumer would
20 likely enter into negotiations with AAG based on the inflated estimate of their
21 home value.

22 31. Therefore, AAG engaged in deceptive acts or practices that violated
23 the CFPB. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

24
25 **COUNT 2**

26 **Deceptive Representations About Accuracy of Home Estimates**

27 32. The Bureau re-alleges and incorporates by reference paragraphs 1-25.

1 33. AAG stated in marketing materials to consumers that it “makes every
2 attempt to ensure the home value information provided is reliable.” In fact, AAG
3 made no real attempt to ensure that the home valuations it provided to
4 consumers were reliable.

5 34. AAG’s misrepresentations were likely to mislead consumers acting
6 reasonably under the circumstances because a reasonable consumer would
7 believe that the inflated home estimate was accurate based on AAG’s assurances.

8 35. AAG’s misrepresentations were material because they induced
9 consumers to rely on AAG’s estimate and enter into negotiations with the
10 company.

11 36. Therefore, AAG engaged in deceptive acts or practices that violated
12 the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

13
14 **COUNT 3**

15 **Violation of Prior Order**

16 37. The Bureau re-alleges and incorporates by reference paragraphs 1-26.

17 38. As an order prescribed by the Bureau, the 2016 Consent Order
18 constitutes a federal consumer-financial law as defined by 12 U.S.C. § 5481(14).

19 39. The deceptive acts and practices committed by AAG violated the
20 2016 Consent Order and thus violated federal consumer-financial law. 12 U.S.C.
21 § 5536(a)(1)(A).

22
23 **DEMAND FOR RELIEF**

24 The Bureau requests that the Court, as permitted by 12 U.S.C. § 5565:

- 25 a. enjoin AAG from committing future CFPA violations;
26 b. award damages or other monetary relief;
27 c. order AAG to pay redress to consumers;

- 1 d. order disgorgement of AAG's ill-gotten gains;
- 2 e. impose a civil money penalty on AAG;
- 3 f. order AAG to pay the costs incurred in connection with
- 4 prosecuting this action; and
- 5 g. award additional relief as may be just and proper.

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7 Respectfully submitted,
8 CARA M. PETERSEN
9 Acting Enforcement Director
10 JEFFREY PAUL EHRLICH
11 Deputy Enforcement Director

12 /s/ Owen P. Martikan
13 OWEN P. MARTIKAN (CA Bar #177104)
14 Assistant Litigation Deputy
15 Telephone: (415) 844-9790
16 e-mail: owen.martikan@cfpb.gov
17 BENJAMIN KONOP
18 Senior Litigation Counsel
19 Telephone: 202-435-7265
20 e-mail: Benjamin.Konop@cfpb.gov
21 Consumer Financial Protection Bureau
22 1700 G Street, NW
23 Washington, D.C. 20552

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28 Attorneys for Plaintiff Consumer
Financial Protection Bureau