**UNITED STATES OF AMERICA**
**BUREAU OF CONSUMER FINANCIAL PROTECTION**

ADMINISTRATIVE PROCEEDING
File No. 2020-BCFP-0008

| | |
|---|---|
| In the Matter of:<br><br>**Go Direct Lenders, Inc.** | **CONSENT ORDER** |

The Bureau of Consumer Financial Protection (Bureau) has reviewed certain direct-mail mortgage advertising activities of Go Direct Lenders, Inc. (Go Direct or Respondent, as defined below) and identified violations of § 1026.24 of Regulation Z, 12 C.F.R. § 1026.24, the implementing regulation of the Truth in Lending Act (TILA), 15 U.S.C. §§ 1601–1667f; § 1014.3 of the Mortgage Acts and Practices—Advertising Rule (MAP Rule or Regulation N), 12 C.F.R. § 1014.3; and §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531, 5536. Under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order.

## I.

## Overview

1. Go Direct is a mortgage lender that offers and provides mortgages guaranteed by the United States Department of Veterans Affairs (VA).

2. Go Direct advertises these mortgage products to consumers through direct-mail advertising campaigns targeted primarily at United States military servicemembers and veterans.

3. From March 2017 to April 2019, Go Direct sent consumers over 700,000 advertisements that violate federal law because of misleading and deceptive statements and inadequate disclosures.

4. The Bureau brings this action to stop Go Direct from distributing advertisements with misleading and deceptive statements and inadequate disclosures to servicemembers, veterans, and other consumers.

## II.

## Jurisdiction

5. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565; § 108 of the Truth in Lending Act, 12 U.S.C. § 1607; and § 626 of the Omnibus Appropriations Act of 2009, as amended by § 1097 of the CFPA, 12 U.S.C. § 5538.

## III.

## Stipulation

6. Respondent has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated August 7, 2020 (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 §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 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.

## IV.

## Definitions

7. The following definitions apply to this Consent Order:

   a. "Advertising Compliance Official" means an individual designated by Respondent as the person responsible for performing the tasks and duties required under Paragraph 102. The Advertising Compliance Official must be a director or senior-level executive (e.g., president, chief executive officer, chief financial officer, chief operating officer, chief information officer, senior vice president, or managing member) of Respondent, or an individual who reports directly to the president, chief executive officer, managing member, or board of directors of Respondent.

b. "Clearly and Prominently" means the disclosure must be in a font size of at least 10 points; on the same side of the page as the term, if any, that triggers the disclosure; in print that contrasts with the background on which it appears; presented before the consumer incurs any financial obligation; in an understandable language and syntax; and with nothing contrary to, inconsistent with, or in mitigation of the disclosures used in any communication with the consumer.

c. "Effective Date" means the date on which the Consent Order is issued.

d. "Enforcement Director" means the Assistant Director of the Office of Enforcement for the Bureau of Consumer Financial Protection, or his or her delegate.

e. "Exemplar" means an example of an advertisement fully populated with the terms contained in the advertisement as sent, posted, published, or disseminated to a consumer.

f. "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 Section V of this Consent Order.

g. "Relevant Period" includes from March 1, 2017 to the Effective Date.

h. "Respondent" means Go Direct Lenders, Inc., and its successors and assigns.

**V.**

**Bureau Findings and Conclusions**

The Bureau finds the following:

8. Go Direct is a California corporation with its principal place of business in Sherman Oaks, California.

9. Go Direct is licensed as a mortgage broker or lender in at least 11 states.

10. Go Direct is a "person," as defined in the CFPA, 12 U.S.C. § 5481(19), Regulation Z, 12 C.F.R. § 1026.2(a)(22), and the MAP Rule, 12 C.F.R. § 1014.2, because it is a corporation.

11. During the Relevant Period, Go Direct has been a "covered person" under the CFPA, 12 U.S.C. § 5481(6)(A), because it is a person that engages in offering and providing residential-mortgage loans, which are "consumer financial product[s] or service[s]" under the CFPA. 12 U.S.C. § 5481(5), (6), (15)(A)(i).

12. During the Relevant Period, Go Direct has been subject to the MAP Rule because it is a person over which the Federal Trade Commission has jurisdiction under the Federal Trade Commission Act, 15 U.S.C. §§ 41–58. 12 C.F.R. § 1014.1. The MAP Rule is a Federal consumer financial law. 12 U.S.C. § 5481(14).

13. Go Direct provides "mortgage credit product[s]," as that term is defined in the MAP Rule. 12 C.F.R. § 1014.2.

14. Go Direct's mortgage advertisements are "commercial communications" regarding a term of a "mortgage credit product," as those terms are defined in 12 C.F.R. § 1014.2.

15. During the Relevant Period, Go Direct has offered "closed-end credit" in the form of mortgage loans to "consumers," as those terms are defined in Regulation Z. 12 C.F.R. § 1026.2(a)(10) & (11).

16. Go Direct's mortgage advertisements are advertisements for "closed-end credit," as that term is defined in Regulation Z. 12 C.F.R. § 1026.2(a)(10).

17. Go Direct offers consumer mortgages, including mortgages guaranteed by the VA.

18. Go Direct's principal means of advertising VA-guaranteed mortgages is through direct-mail advertisements sent to consumers, including veterans and servicemembers.

19. From March 2017 to April 2019, Go Direct mailed over 700,000 mortgage advertisements to consumers in at least 11 states.

20. Go Direct ceased sending direct-mail advertisements upon receipt of the Bureau's Civil Investigative Demand dated April 16, 2019.

**False, Misleading, and Inaccurate Representations**

21. Federal consumer financial law contains numerous provisions banning the use of misleading and deceptive statements in mortgage advertisements.

22. Despite those prohibitions, Go Direct was responsible for both the content of, and the dissemination of, numerous mortgage advertisements during the Relevant Period that contained false, misleading, and inaccurate statements, as described below.

***False, Misleading, and Inaccurate Representations About Cost and Other Credit Terms***

23. Most of Go Direct's mortgage advertisements stated specific credit terms, such as an interest rate, annual percentage rate (APR), and costs or fees associated with the mortgage.

24. By stating specific credit terms in its advertisements, Go Direct represented, expressly or by implication, that it arranged or offered a mortgage with those credit terms.

25. In fact, Go Direct did not arrange or offer mortgages with the specific credit terms stated in many of those advertisements.

26. In numerous instances, Go Direct misrepresented the actual credit terms applicable to the mortgages that it would arrange or offer.

27. Numerous Go Direct mortgage advertisements described mortgages with a simple interest rate and APR combination that, on the date of the advertisement, Go Direct was not actually prepared to arrange or offer.

28. For example, Go Direct advertisements sent to about 30,000 consumers in June 2018 advertised a mortgage with a fixed interest rate of 2.75% and an APR of 2.885%. These advertisements stated in the fine print that this offer was only available to borrowers with a credit score of 740 or higher.

29. But for borrowers with a credit score of 740 or higher, the actual APR for this loan, calculated in accordance with Regulation Z and taking into consideration discount points required to obtain the advertised interest rate and prepaid finance charges, was at least 3.162%.

30. These advertisements also stated in large font on the front page that the 2.75% interest rate and 2.885% APR were available to borrowers with "FICO scores as low as 500." But as indicated in the fine print, the advertised interest rate and APR were not available to borrowers with a

credit score below 740. The APR for this loan may have been even higher than 3.162% for borrowers with FICO scores below 660.

31. Accordingly, Go Direct misrepresented the actual APR for loans offered in these advertisements.

32. Numerous Go Direct mortgage advertisements misrepresented variable-rate loans as "fixed" rate loans.

33. For example, Go Direct advertisements sent to about 30,000 consumers in February 2019 used the word "fixed" in bold font and capitalized letters next to the advertised interest rate on the first page, but in fine print on the second page, indicated that the advertised loan was, in fact, a variable-rate mortgage.

34. In these advertisements, the phrase "Adjustable-Rate Mortgage," "Variable-Rate Mortgage," or "ARM" did not appear before the first use of the word "fixed," nor was it at least as conspicuous as any use of the word "fixed" in the advertisements.

35. In these advertisements, each use of the word "fixed" to refer to a rate or payment was not accompanied by an equally prominent and closely proximate statement of the period for which the rate or payment would be fixed and the fact that the rate may vary or the payment may increase after that period.

36. Numerous Go Direct mortgage advertisements misrepresented the existence and amount of fees or costs to the consumer.

37. For example, Go Direct advertisements sent to about 30,000 consumers in November 2017 stated, without qualification or condition, that there was "No Application or Processing Fee" for the advertised loan.

38. But the vast majority of consumers who obtained a loan from Go Direct paid a processing fee, and virtually every consumer who purchased a VA loan from Go Direct in the three-month period following this advertisement paid a processing fee. Therefore, the statement "No Application or Processing Fee" was false or misleading.

39. In another example, numerous Go Direct mortgage advertisements included the following blanket statement, or a very similar statement: "No Appraisal, No Assets, & No Income Documentation Needed." While this statement is generally true for Interest Rate Reduction Refinance Loan loans, it is not true for VA cash-out refinance loans, which require appraisals, sufficient assets, and income documentation. Go Direct rarely made this distinction to qualify the blanket statement, even though the advertisements explicitly offered cash-out refinance loans.

40. Consumers who received the advertisements described in paragraphs 27- 39 were likely to be misled by them.

41. The advertisements were also likely to affect consumers' conduct or decisions with regard to obtaining a loan.

### *False and Misleading Representations About an Affiliation with the Government*

42. Numerous Go Direct mortgage advertisements falsely represented, directly or by implication, through the use of formats and phrases, that Go Direct was affiliated with the government or that the advertised product was endorsed, sponsored by, or affiliated with the government.

43. For example, Go Direct advertisements sent to about 28,000 consumers in July 2018 were enclosed in envelopes that prominently displayed the year 2018 across the bottom with the "20" in white block letters and the "18" in black box letters, a distinctive format used by the Internal Revenue Service (IRS). The envelope stated that it was a "Notification" and that the contents pertained to a "NOTICE" about "VA BENEFIT ELIGIBILITY." The enclosed advertisement stated that it was an "ELIGIBILITY ADVISORY" about "VA BENEFITS" in a banner across the top. It also included a boxed headline that stated the contents were about a "2018 – VA Policy Change Advisory." And in the text that followed, it stated: "The U.S. Department of Veterans Affairs offers you an Interest Rate Reduction based on your mortgage payment history." Although the enclosed advertisement stated in

fine print that "This is an advertisement," these statements and other characteristics relating to the mailing strongly implied that the solicitations originated from a lender affiliated with the VA or the IRS.

44. In fact, those representations were false because Go Direct was not affiliated with the government.

45. Consumers who received the advertisements described in paragraphs 42-44 were likely to be misled by them.

46. The advertisements were also likely to affect consumers' conduct or decisions with regard to obtaining a loan.

### *False Representations About an Increase in Property Value*

47. Numerous Go Direct mortgage advertisements misrepresented that Go Direct had "records" showing that the value of the consumer's property had increased over the past year by a specific percentage stated in the advertisement, creating equity that they could cash out if they refinanced with a Go Direct mortgage.

48. For example, Go Direct advertisements sent to about 30,000 consumers in June 2018 stated, "Our records indicate that the value of your property at [recipient's home address] has appreciated by 23% since last year." Between November 2017 and April 2019, Go Direct disseminated over 460,000 advertisements that contained this same representation, except that

some of the advertisements stated that the value of the consumer's property had increased by 21% or 22%.

49. Despite claiming that it had "records" to support these representations, Go Direct had no such records. Go Direct's representations regarding the percentage increase in the value of the consumer's property were also false. Go Direct disseminated these advertisements to virtually every region of the country. In doing so, its property-value-appreciation representations were not tailored to any particular house, neighborhood, city, state, or region. Instead, Go Direct represented the same appreciation percentage to everyone who received an advertisement based on a given template—always 21%, 22%, or 23%, depending on the template used. But residential property appreciation rates vary significantly depending on location. In light of such large variations between cities, states, and regions, Go Direct misrepresented the property appreciation rates for many consumers by using the same rate for all consumers who received an advertisement based on one of the three templates.

50. Consumers who received the advertisements described in paragraphs 47-49 were likely to be misled by them.

51. The advertisements were also likely to affect consumers' conduct or decisions with regard to obtaining a loan.

**Inadequate Disclosures**

52. Many of Go Direct's mortgage advertisements stated a period of repayment or simple annual rate of interest. Under certain sections of Regulation Z, including § 1026.24(d) and (f), the use of these terms triggers specific disclosure requirements. Many of the advertisements did not include the other disclosures that are required.

53. Numerous Go Direct mortgage advertisements stated the period of repayment, but failed to state the terms of repayment reflecting the consumer's repayment obligations over the full term of the loan. For example, Go Direct advertisements sent to about 34,000 consumers in May 2018 advertised a mortgage for a "15-year term in an amount up to $453,100." Although these advertisements stated the period of repayment, they did not disclose the consumer's repayment obligations over the full term of the loan.

54. Numerous Go Direct mortgage advertisements for a loan for which more than one interest rate would apply stated a simple annual rate of interest, but failed to state an accurate APR for the loan because the stated APR was not correctly calculated under Regulation Z, 12 C.F.R. §§ 1026.17(c) and 1026.22.

55. For example, Go Direct advertisements for a variable-rate mortgage sent to about 30,000 consumers in February 2019 stated an introductory annual rate of interest of 2.75% that applied to the first three years of the advertised loan and an APR of 3.055%. In fact, the APR for the loans promoted in those advertisements was at least 4.26%. The APR disclosed in the advertisements did not comply with the accuracy standards set forth in 12 C.F.R. § 1026.22(a)(2).

## VIOLATIONS OF REGULATION Z

### Unavailable Credit Terms, 12 C.F.R. § 1026.24(a)

56. Under 12 C.F.R. § 1026.24(a), "[i]f an advertisement for credit states specific credit terms, it shall state only those terms that actually are or will be arranged or offered by the creditor."

57. Go Direct violated § 1026.24(a) because, as described in Paragraphs 23-39, numerous Go Direct advertisements for credit stated specific credit terms other than those terms that actually were or would be arranged or offered by the creditor.

### Terms of Repayment, 12 C.F.R. § 1026.24(d)

58. Under 12 C.F.R. § 1026.24(d)(1), if an advertisement sets forth any of the four specified triggering terms (the amount or percentage of any

downpayment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge), the advertisement must also state, among other things, "[t]he terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment." 12 C.F.R. § 1026.24(d)(1), (2)(ii).

59. Go Direct violated § 1026.24(d) because, as described in Paragraph 53, numerous Go Direct mortgage advertisements set forth the period of repayment, which is a triggering term under § 1026.24(d)(1)(ii), but failed to state the repayment obligations over the full term of the loan, pursuant to § 1026.24(d)(2)(ii).

**Inadequate Disclosure of Rates, 12 C.F.R. § 1026.24(f)(2)(i)**

60. Under 12 C.F.R. § 1026.24(f)(2)(i), if a direct-mail mortgage advertisement:

> states a simple annual rate of interest and more than one simple annual rate of interest will apply over the term of the advertised loan, the advertisement shall disclose in a clear and conspicuous manner:
>
> > (A) Each simple annual rate of interest that will apply. In variable-rate transactions, a rate determined by adding an index and margin shall be disclosed based on a reasonably current index and margin;
> >
> > (B) The period of time during which each simple annual rate of interest will apply; and
> >
> > (C) The [APR] for the loan. If such rate is variable, the [APR] shall comply with the accuracy standards in

§§ 1026.17(c) and 1026.22.

61. Go Direct violated § 1026.24(f)(2)(i) because, as described in Paragraphs 54 and 55, numerous Go Direct direct-mail mortgage advertisements for a loan for which more than one interest rate would apply stated a simple annual rate of interest, but did not disclose an APR that was correctly calculated under the accuracy standards set forth in Regulation Z.

**Misleading Use of the Word "Fixed," 12 C.F.R. § 1026.24(i)(1)**

62. Under 12 C.F.R. § 1026.24(i)(1), mortgage advertisements may not:

> Us[e] the word "fixed" to refer to rates, payments, or the credit transaction in an advertisement for variable-rate transactions or other transactions where the payment will increase, unless:
>
> (i) In the case of an advertisement solely for one or more variable-rate transactions,
>
>> (A) The phrase "Adjustable-Rate Mortgage," "Variable-Rate Mortgage," or "ARM" appears in the advertisement before the first use of the word "fixed" and is at least as conspicuous as any use of the word "fixed" in the advertisement; and
>>
>> (B) Each use of the word "fixed" to refer to a rate or payment is accompanied by an equally prominent and closely proximate statement of the time period for which the rate or payment is fixed, and the fact that the rate may vary or the payment may increase after that period . . . .

63. Go Direct violated § 1026.24(i)(1) because, as described in Paragraphs 32-35, numerous Go Direct mortgage advertisements for variable-rate transactions used the word "fixed" to refer to rates, payments, or the credit transaction and did not comply with the requirements of § 1026.24(i)(1)(i).

## VIOLATIONS OF THE MAP RULE (REGULATION N)

### Misrepresentations About Rates, 12 C.F.R. § 1014.3(b)

64. Under 12 C.F.R. § 1014.3(b), it is a violation for any person subject to the MAP Rule to make any misrepresentation, directly or indirectly, expressly or by implication, in any commercial communication, about "[t]he annual percentage rate, simple annual rate, periodic rate, or any other rate" applicable to a mortgage credit product. Under 12 C.F.R. § 1014.3, such a misrepresentation is specifically prohibited and is therefore material.

65. Go Direct violated § 1014.3(b) because, as described in Paragraphs 27-31, numerous Go Direct mortgage advertisements contained misrepresentations about the APR applicable to a mortgage credit product.

### Misrepresentations About Fees or Costs, 12 C.F.R. § 1014.3(c)

66. Under 12 C.F.R. § 1014.3(c), it is a violation for any person subject to the MAP Rule to make any misrepresentation, directly or indirectly, expressly or by implication, in any commercial communication, about "[t]he existence,

nature, or amount of fees or costs to the consumer associated with the mortgage credit product, including but not limited to misrepresentations that no fees are charged." Under 12 C.F.R. § 1014.3, such a misrepresentation is specifically prohibited and is therefore material.

67. Go Direct violated § 1014.3(c) because, as described in Paragraphs 36-39, numerous Go Direct mortgage advertisements contained misrepresentations about the existence, nature, or amount of fees or costs to the consumer associated with a mortgage credit product.

**Misrepresentations Using the Word "Fixed," 12 C.F.R. § 1014.3(g)**

68. Under 12 C.F.R. § 1014.3(g), it is a violation for any person subject to the MAP Rule to make any misrepresentation, directly or indirectly, expressly or by implication, in any commercial communication, about "[t]he variability of interest, payments, or other terms of the mortgage credit product, including but not limited to misrepresentations using the word 'fixed.'" Under 12 C.F.R. § 1014.3, such a misrepresentation is specifically prohibited and is therefore material.

69. Go Direct violated § 1014.3(g) because, as described in Paragraphs 32-35, numerous Go Direct mortgage advertisements contained misrepresentations about the variability of interest, payments, or other terms of a mortgage by using the word "fixed" to describe a variable-rate mortgage credit product.

### Misrepresentations About Government Affiliation, 12 C.F.R. § 1014.3(n)

70. Under 12 C.F.R. § 1014.3(n), it is a violation for any person subject to the MAP Rule to make any misrepresentation, directly or indirectly, expressly or by implication, in any commercial communication, about:

> the association of the mortgage credit product or any provider of such product with any other person or program, including but not limited to misrepresentations that:
>
> > (1) The provider is, or is affiliated with, any governmental entity or other organization; or
> >
> > (2) The product is or relates to a government benefit, or is endorsed, sponsored by, or affiliated with any government or other program, including but not limited to through the use of formats, symbols, or logos that resemble those of such entity, organization, or program.

Under 12 C.F.R. § 1014.3, such a misrepresentation is specifically prohibited and is therefore material.

71. Go Direct violated § 1014.3(n) because, as described in Paragraphs 42-44, numerous Go Direct mortgage advertisements contained misrepresentations that the provider of the advertised mortgage credit product was affiliated with the government.

### Misrepresentations About Consumer's Ability to Obtain Credit Terms, 12 C.F.R. § 1014.3(q)

72. Under 12 C.F.R. § 1014.3(q), it is a violation for any person subject to the MAP Rule to make any misrepresentation, directly or indirectly, expressly or by implication, in any commercial communication, about "[t]he consumer's ability or likelihood to obtain any mortgage credit product or term." Under 12 C.F.R. § 1014.3, such a misrepresentation is specifically prohibited and is therefore material.

73. Go Direct violated § 1014.3(q) because, as described in Paragraphs 28, 30, and 39, numerous Go Direct mortgage advertisements contained misrepresentations about the consumer's ability or likelihood to obtain the advertised mortgage credit product or term.

## VIOLATIONS OF THE CFPA

74. Under the CFPA, it is unlawful for any covered person or service provider to engage in a deceptive act or practice in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

75. An act or practice is deceptive if it involves a material misrepresentation or omission that is likely to mislead consumers acting reasonably under the circumstances.

76. Information that is likely to affect a consumer's choice of, or conduct regarding, a product or service is material to consumers.

## Deceptive Representations About Credit Terms

77. In numerous instances, as described in Paragraphs 23-41, Go Direct's mortgage advertisements represented, expressly or by implication, that specific credit terms were available or would be arranged or offered by the creditor, including representations about specific APRs, the variable or fixed nature of rates or payments, processing fees, or the need for appraisals, when in fact those specific credit terms were not available or were not terms that Go Direct was actually prepared to arrange or offer.

78. Go Direct's misrepresentations about the availability of the advertised credit terms of the advertised mortgage were likely to mislead consumers acting reasonably under the circumstances.

79. Go Direct's misrepresentations about the credit terms of the advertised mortgage were material because they were likely to affect the conduct or decisions of consumers.

80. Therefore, Go Direct engaged in deceptive acts and practices in violation of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

## Deceptive Representations About Government Affiliation

81. In numerous instances, as described in Paragraphs 42-46, Go Direct's mortgage advertisements represented, expressly or by implication, that Go Direct was affiliated with the government.

82. In fact, Go Direct was not affiliated with the government.

83. Go Direct's misrepresentations about government affiliation were likely to mislead consumers acting reasonably under the circumstances.

84. Go Direct's misrepresentations about government affiliation were material because they were likely to affect the conduct or decisions of consumers.

85. Therefore, Go Direct engaged in deceptive acts and practices in violation of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

**Deceptive Representations About Consumers' Ability or Likelihood to Obtain the Advertised Mortgage or Credit Term**

86. In numerous instances, as described in Paragraphs 28, 30, and 39-41, Go Direct's mortgage advertisements represented, expressly or by implication, that assets and income documentation were not required to obtain a cash-out refinance mortgage or that the credit terms stated in the advertisements were available to borrowers with "FICO scores as low as 500."

87. In fact, assets and income documentation are required to obtain a cash-out refinance mortgage and the credit terms stated in the advertisements

containing the phrase “FICO scores as low as 500” were not available to borrowers with FICO scores as low as 500.

88. Go Direct’s misrepresentations that assets and income documentation were not required to obtain a cash-out refinance mortgage and that credit terms stated in the advertisements were available to borrowers with “FICO scores as low as 500” were likely to mislead consumers acting reasonably under the circumstances.

89. Go Direct’s misrepresentations that assets and income documentation were not required to obtain a cash-out refinance mortgage and that credit terms stated in the advertisements were available to borrowers with “FICO scores as low as 500” were material because they were likely to affect the conduct or decisions of consumers.

90. Therefore, Go Direct engaged in deceptive acts and practices in violation of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

**Deceptive Representations About an Increase in Property Value**

91. In numerous instances, as described in Paragraphs 47-51, Go Direct’s mortgage advertisements claimed Go Direct had “records” indicating that the value of the consumer’s property had increased over the past year by a specific percentage stated in the advertisement.

92. In fact, Go Direct had no such records.

93. In many instances, Go Direct's representations regarding the percentage increase in the value of the consumer's property were false.

94. Go Direct's misrepresentations about increases in the value of the consumer's property, and that it had records indicating that the value had increased, were likely to mislead consumers acting reasonably under the circumstances.

95. Go Direct's misrepresentations about increases in the value of the consumer's property, and that it had records indicating that the value had increased, were material because they were likely to affect the conduct or decisions of consumers.

96. Therefore, Go Direct engaged in deceptive acts and practices in violation of the CFPA. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

**Violations of the CFPA Based on Violations of Regulation Z and the MAP Rule**

97. Under the CFPA, a covered person's violation of a Federal consumer financial law, which includes enumerated consumer laws and rules thereunder, violates the CFPA. 12 U.S.C. §§ 5536(a)(1)(A), 5481(14).

98. Regulation Z and the MAP Rule are Federal consumer financial laws.

99. Go Direct's violations of Regulation Z and the MAP Rule, described in Paragraphs 8-73, constitute violations of § 1036(a)(1)(A) of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

## CONDUCT PROVISIONS

## VI.

### Mortgage Advertising Prohibitions and Disclosure Requirements

**IT IS ORDERED**, under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, that:

100. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate 12 C.F.R. § 1014.3 and 12 C.F.R. § 1026.24, and in connection with the advertising, marketing, promotion, or offering for sale of any mortgage credit product, are restrained from:

    a. Misrepresenting, or assisting others in misrepresenting, expressly or by implication:

        1. Any fact material to consumers regarding a mortgage credit product, including but not limited to the following: the total costs; any material restrictions, limitations, or conditions; or any material aspect of its performance, efficacy, nature, or central characteristics;

2. The availability of an advertised or offered mortgage to any consumer;

3. The value or appreciation of the consumer's property; or

4. The amount of equity the consumer has in his or her property.

b. Including or using any words, phrases, images, or design characteristics that falsely state or imply that:

1. The source of the advertisement is the government or the consumer's current lender or is affiliated with the government or the consumer's current lender; or

2. The advertisement is anything other than an advertisement for a mortgage;

c. Including or using any of the following words, phrases, images, or design characteristics:

1. "Benefit announcement"

2. "Eligibility advisory"

3. "Eligibility notice"

4. "Eligibility status"

5. "Expiration notice"

6. "Pending authorization"

7. "VA loan department"

8. “VA loan representative”

9. “VA loan specialist”

10. “VA program customer support”

11. “VA specialist”

12. “Waiting period”

13. The IRS signature year style (two digits in white or outlined text and the other two digits in black text);

14. The format of an IRS form, including Form W-2, or a substantially similar format; or

15. Any VA or United States Department of Defense (DOD) logo, or a logo, emblem, or other representation that resembles—or that a consumer could reasonably interpret as—a VA or DOD logo;

101. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, in connection with the advertising, marketing, promotion, or offering for sale of any mortgage credit product, must take the following affirmative actions:

a. Respondent must have prior substantiation for all express and implied claims made in Respondent’s mortgage advertisements.

b. In any direct-mail mortgage advertisement, if the advertisement includes more than one credit product, the terms, features, characteristics, and benefits of each product must be grouped together and labeled with a statement Clearly and Prominently indicating the specific product to which those terms, features, characteristics, or benefits apply.

c. If Respondent screens or selects consumers to receive any direct-mail mortgage advertisements based on consumers' credit scores or credit tiers, those advertisements may only contain specific credit terms that are available to consumers with a credit score equal to or less than the credit score or credit tier of the recipient consumers.

d. In any direct-mail mortgage advertisement, if the advertisement states an interest rate or APR that is available only to consumers whose credit scores are above a threshold number, that fact (including the applicable credit score threshold) must be disclosed Clearly and Prominently on the same side of the advertisement as the advertised interest rate or APR.

e. If a mortgage advertisement includes the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge, the advertisement must also include, at a minimum:

1. The amount or percentage of the downpayment;
2. The term of the loan in either months, years, or number of monthly payments;
3. The amount of each payment that will apply over the term of the loan, including any balloon payment. In variable-rate transactions, payments that will be determined based on the application of the sum of an index and margin shall be disclosed based on a reasonably current index and margin;
4. The period during which each payment will apply;
5. The fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater;
6. The loan amount upon which the disclosures are based; and
7. The "annual percentage rate," using that term, and, if the rate may be increased after consummation, that fact.

f. In any direct-mail advertisement for an adjustable rate mortgage, Respondent must:

1. State, Clearly and Prominently, that the product is an "adjustable rate mortgage," using those words. The advertisement may not use the term "hybrid" before the first use of the phrase "adjustable rate mortgage";
2. For each simple annual rate of interest disclosed that is based on an index and margin, base the rate on an index value in effect on the date of the advertisement or within 60 days prior, and disclose the index and margin; and
3. State that more information about adjustable rate mortgages is available at https://files.consumerfinance.gov/f/201401_cfpb_booklet_charm.pdf.

g. Any disclosure in a direct-mail mortgage advertisement that must be made with "equal prominence and in close proximity" under Regulation Z, 12 C.F.R. § 1026.24, must be:

1. In the same type size as the advertised rates or payments triggering the required disclosures;
2. Located immediately next to or directly above or below the advertised rates or payments triggering the required disclosures, without any intervening text or graphical displays; and
3. Otherwise compliant with Regulation Z, as applicable.

## VII.

## Advertising Review

**IT IS FURTHER ORDERED** that:

102. Respondent, whether acting directly or indirectly, must take the following affirmative actions:

a. Respondent's Advertising Compliance Official must review each mortgage advertisement template before any advertisement based on that template is disseminated to a consumer to ensure that it is compliant with TILA, Regulation Z, the MAP Rule, the CFPA, and this Consent Order. This review must encompass any envelope or mailer and all enclosures. This review includes reviewing all claims made in the advertisement, expressly or by implication, to ensure that they are accurate and substantiated.

b. Before any set of direct-mail advertisements based on a template is mailed to consumers, the Advertising Compliance Official must review an Exemplar of those advertisements—including any envelope, mailer, and enclosures—to ensure that it is compliant with TILA, Regulation Z, the MAP Rule, the CFPA, and this Consent Order. This includes reviewing all claims made in the advertisement, expressly or by implication, to ensure that they are accurate and substantiated. All specific credit terms stated in the Exemplar must be available and based on a reasonably current index rate, if applicable, at the time the advertisement is disseminated. This requirement applies whether the set is mailed as a single set or in multiple sets or subsets. It also applies whether the set is mailed out at a single time or over a period.

c. The Advertising Compliance Official must document in writing his or her review of each advertisement template or Exemplar. That documentation must include a copy of the advertisement, the date of the review, and documents sufficient to substantiate all claims made in the advertisement, expressly or by implication. If the advertisement includes specific rates, that documentation must also include a rate sheet showing the availability of the advertised rate(s). If the advertisement states an APR, that documentation must include a copy of a worksheet showing the calculation of the APR, including all inputs assumed when calculating that number. If the advertisement states an amount of cash that a borrower might receive, the documentation must state the method of arriving at that number and include any materials used to determine the availability of that amount.

d. The Advertising Compliance Official and any employees with responsibilities related to designing, developing, or approving the content of Respondent's mortgage advertisements must participate in annual training on TILA, Regulation Z, the MAP Rule, and the CFPA, as those laws apply to mortgage advertising.

## VIII.

## Compliance Plan

**IT IS FURTHER ORDERED** that:

103. Within 30 days of the Effective Date, Respondent must submit to the Enforcement Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that Respondent's mortgage advertising complies 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.

104. The Enforcement Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct Respondent to revise it. If

the Enforcement Director directs Respondent to revise the Compliance Plan, Respondent must make the revisions and resubmit the Compliance Plan to the Enforcement Director within 15 days.

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

## MONETARY PROVISIONS

## IX.

## Order to Pay Civil Money Penalty

**IT IS FURTHER ORDERED** that:

106. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section V 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 $150,000 to the Bureau.

107. Within 10 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.

108. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

109. Respondent, for all purposes, must treat the civil money penalty paid under this Consent Order as a penalty paid to the government. 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.

110. 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 or because of any payment that the Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money

penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the amount of the offset or reduction 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.

## X.

## Additional Monetary Provisions

**IT IS FURTHER ORDERED** that:

111. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

112. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

113. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer-identification numbers, which may be

used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

114. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

## COMPLIANCE PROVISIONS

## XI.

## Reporting Requirements

**IT IS FURTHER ORDERED** that:

115. 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.

116. Within 7 days of the Effective Date, Respondent must:

a. Designate at least one telephone number and email, physical, and postal addresses as points of contact, that the Bureau may use to communicate with Respondent;

b. Identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; and

c. Describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.

117. Respondent must report any change in the information required to be submitted under Paragraph 116 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

118. Within 90 days of the Effective Date, and again one year after receiving notice of non-objection to the Compliance Plan, Respondent must submit to the Enforcement Director an accurate written compliance progress report

(Compliance Report) that has been approved by Respondent's executive officers, sworn to under penalty of perjury, which, at a minimum:

a. Lists each applicable paragraph and subparagraph of the Consent Order and describes in detail the manner and form in which Respondent has complied with each such paragraph and subparagraph of the Consent Order;

b. Describes in detail the manner and form in which Respondent has complied with the Compliance Plan;

c. Describes in detail any instances in which Respondent has not complied with the Consent Order or Compliance Plan, with an explanation of why any such instances occurred; and

d. Attaches a copy of each Order Acknowledgment obtained under Section XII, unless previously submitted to the Bureau.

## XII.

## Order Distribution and Acknowledgment

**IT IS FURTHER ORDERED** that:

119. Within 7 days of the Effective Date, Respondent must submit to the Enforcement Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.

120. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members (if any) 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.

121. 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 XI, 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.

122. 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.

123. Within 90 days of the Effective Date, Respondent must provide the Bureau with a list of all persons and their titles to whom this Consent Order was delivered through that date under Paragraphs 120-121 and a copy of all

signed and dated statements acknowledging receipt of this Consent Order under Paragraph 122.

## XIII.

## Recordkeeping

**IT IS FURTHER ORDERED** that:

124. Respondent must comply with the recordkeeping requirements of 12 C.F.R. § 1014.5, including but not limited to keeping, for a period of twenty-four months from the last date Respondent made or disseminated the applicable commercial communication regarding any term of any mortgage credit product, the following evidence of compliance with the MAP Rule:

a. Copies of all materially different commercial communications as well as sales scripts, training materials, and marketing materials, regarding any term of any mortgage credit product, that Respondent made or disseminated during the relevant time period;

b. Documents describing or evidencing all mortgage credit products available to consumers during the time period in which Respondent made or disseminated each commercial communication regarding any term of any mortgage credit product, including but not limited to the names and terms of each such mortgage credit product available to consumers; and

c. Documents describing or evidencing all additional products or services (such as credit insurance or credit disability insurance) that are or may be offered or provided with the mortgage credit products available to consumers during the time period in which Respondent made or disseminated each commercial communication regarding any term of any mortgage credit product, including but not limited to the names and terms of each such additional product or service available to consumers.

125. Respondent must retain its mailing lists for direct-mail mortgage advertisements disseminated within 5 years of the Effective Date for at least 5 years after dissemination of the advertisement.

126. Respondent must retain the documentation required by Paragraph 102(c) for at least 5 years after dissemination of the advertisement.

127. Respondent must create or, if already created, must retain the following business records:

a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau;

b. Copies of all advertisements, websites, and other marketing materials, including any such materials used by a third party on Respondent's behalf; and

c. All consumer complaints and refund requests (whether received directly or indirectly, such as through a third party), and any responses to those complaints or requests.

128. Respondent must retain the documents identified in Paragraph 127 for at least 5 years after creation of the record.

129. Respondent must make the documents identified in Paragraphs 124-128 available to the Bureau upon the Bureau's request.

## XIV.

## Notices

**IT IS FURTHER ORDERED** that:

130. 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 Go Direct Lenders, Inc.*, File No. 2020-BCFP-0008," and send them by overnight courier or first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Assistant Director for Enforcement
Bureau of Consumer Financial Protection
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552

## XV.

## Compliance Monitoring

**IT IS FURTHER ORDERED** that:

131. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested non-privileged information, related to requirements of this Consent Order, which must be made under penalty of perjury; provide sworn testimony related to requirements of this Consent Order and Respondents' compliance with those requirements; or produce non-privileged documents related to requirements of this Consent Order and Respondents' compliance with those requirements.

132. For purposes of this Section, the Bureau may communicate directly with Respondent, unless Respondent retains counsel related to these communications.

133. Respondent must permit Bureau representatives to interview about the requirements of this Consent Order and Respondent's compliance with those requirements any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

134. 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.

## XVI.

## Modifications to Non-Material Requirements

**IT IS FURTHER ORDERED** that:

135. 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 Enforcement Director.

136. The Enforcement Director may, in his or her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he or she determines good cause justifies the modification. Any such modification by the Enforcement Director must be in writing.

## XVII.

## Administrative Provisions

**IT IS FURTHER ORDERED** that:

137. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau from taking any other action against Respondent, except as described in Paragraph 138. Further, for the avoidance of doubt, the

provisions of this Consent Order do not bar, estop, or otherwise prevent any other person or governmental agency from taking any action against Respondent.

138. 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 V 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.

139. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 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.

140. The requirements under Paragraphs 125–126 and 128–129 of this Consent Order will terminate when the specified recordkeeping periods have expired.

All other requirements under this Consent Order will terminate 5 years from the Effective Date. The Consent Order will remain effective and enforceable until such times, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

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

142. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

143. 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 § 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.

144. 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.

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

**IT IS SO ORDERED**, this 18th day of August, 2020.

Kathleen L. Kraninger
Kathleen L. Kraninger
Director
Bureau of Consumer Financial Protection