

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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DBO Announces \$10.1 Million Settlement with Sherman Oaks-Based Prospect Mortgage

National Agreement Gives CA 43% of Restitution, Penalties

SACRAMENTO – The Department of Business Oversight (DBO) today announced Prospect Mortgage, LLC will pay \$10.1 million in borrower restitution and penalties under a national settlement that resolves allegations the firm violated numerous federal and state laws.

“Prospect overcharged borrowers, failed to provide them proper disclosures and failed to maintain adequately documented loan files,” said DBO Commissioner Jan Lynn Owen. “This settlement compensates wronged consumers and helps ensure the violations don’t occur again.”

Under the [settlement](#), Prospect will pay 70,353 borrowers across the country an estimated \$2.8 million of combined restitution. The firm – based in Sherman Oaks, California – [will pay the states](#) \$7.4 million in administrative penalties over the course of 2016. Of the restitution, an estimated \$1.22 million will go to 30,453 California borrowers. The state will receive \$3.1 million of the administrative penalties.

DBO led a group of eight states that performed the regulatory examination of Prospect’s records that uncovered the violations. DBO also served as the states’ lead negotiator in the settlement talks.

The restitution compensates eligible borrowers for a \$202.50 settlement service fee collected by Prospect from Sept. 30, 2009 through Jan. 21, 2014. Prospect told borrowers the fee covered settlement services provided by C2C Appraisal Services, LLC. But Prospect failed to disclose, as required, that C2C was an affiliate of Prospect’s. The examination of loan files also revealed that some of the settlement services actually were performed by Prospect employees. Additionally, the \$202.50 fee exceeded the actual cost of the services by an average of \$37.50.

Under the settlement, restitution for each borrower charged the excessive fee will average \$40, plus 10 percent annual interest from the date the fee was collected.

Other violations covered by the settlement include: missing or deficient disclosures; premature credit card charges for appraisal services; inadequate employee screening procedures; record retention deficiencies; and others. To prevent future such violations, the settlement requires Prospect to revise its policies and procedures, and train management, mortgage loan originators and support staff.

(MORE)

At the end of the first quarter of 2014 – the final quarter in which the C2C settlement service fee was collected – Prospect serviced 26,133 California mortgages with a combined unpaid principal of \$7.59 billion.

At the end of the second quarter of this year, those numbers were down to 16,339 loans and \$4.83 billion of unpaid principal.

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