

REGULATORS INVESTIGATE ADS BY MORTGAGE COMPANIES



According to Bloomberg Businessweek, United States officials are in the process of inspecting 19 mortgage-linked companies regarding deceitful advertising, some that utilized Facebook's website. "Misrepresentations in mortgage products can deprive consumers of important information while making one of the biggest financial decisions of their lives," Richard Cordray, the Consumer Financial Protection Bureau director, stated in an e-mail. "Baiting consumers with false ads to buy into mortgage products would be illegal." The Federal Trade Commission is looking into 13 of the companies while the Consumer Financial Protection Bureau will check the other six. None of the companies have been publicly named by either department. The Consumer Financial Protection Bureau and the FTC stated they have shipped out warning mailers to 32 mortgage-linked companies that may be breaching the Mortgage Acts and Practices Advertising Rule. Of those 32, 12 were addressed from the CFPB to brokers and lenders. The Mortgage Acts and Practices Advertising Rule was passed last year by the FTC and is upheld by both departments. Since the rules are not applicable to depositories, only non-banks are in question. The letters encourage the businesses to revisit the rule. Mortgage ads have been on the decline of late but may see an incline sometime soon. "One of the things we wanted to do through conducting this sweep was to make sure that when mortgage advertisers start disseminating claims again, that they are aware of their obligations to make sure that none of those ads contain deceptive claims," said Thomas Pahl, the FTC's assistant director in the division of financial practices. Such investigations began after an evaluation of 800 random mortgage-linked ads from the Internet, newspapers, standard mail, e-mail and Facebook. Several of these were turned in by state attorney generals. The CFPB has targeted its center of attention to mortgage ads directed at the elderly or armed forces veterans. The FTC examined advertisements from home builders, real estate agencies and lead generators, which are groups that gather consumer contact details and flip it to service providers for compensation. The investigation found four conceivable practices in violation. Several advertisements had watermarks that appeared to affiliate themselves with the government. Others publicized deceitful low rates of interest. Some misled the prices of reverse mortgages and others misinformed the extent of cash accessible for the customer. Kent Markus, the Consumer Financial Protection Bureau's enforcement director, claimed the margin between a warning letter and legal action was determined by the austerity of the breach. A blatantly bogus statement triggered an investigation, while something that could be bended towards the truth could force a warning letter.