

Newsroom

# CFPB Orders NewDay USA to Pay \$2.25 Million for Illegally Luring Veterans and Military Families into Cash-Out Refinance Loans

NewDay USA's deceptive tactics came amid VA home loan "churning" scandal

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WASHINGTON, D.C. - The Consumer Financial Protection Bureau (CFPB) today took action against repeat offender New Day Financial (NewDay USA) for deceiving active duty servicemembers and veterans seeking cash-out refinance loans.

"NewDay USA baited veterans and military families into cash-out refinance mortgages by hiding the true costs of these loans," said CFPB Director Rohit Chopra. "NewDay USA's misconduct has no place in the VA home loan program."

New Day Financial, LLC is a non-bank direct mortgage lender headquartered in West Palm Beach, Florida, and specializes in offering mortgage loans guaranteed by the United States Department of Veterans Affairs (VA).

NewDay USA gave borrowers misleading information about the costs of its cash-out refinances. Specifically, for the "new loan" payment amount listed on disclosures provided to consumers, NewDay USA included only the principal and interest payments.

The CFPB, VA, and Ginnie Mae - which guarantees mortgage loans made through VA home loan programs and other governmental mortgage programs - have long been concerned about the practice known as loan "churning," where lenders aggressively push veterans to repeatedly refinance their VA home loans.

Ginnie Mae has previously taken action against a number of lenders - including NewDay USA - over concerns about loan churning. Ginnie Mae limited the lenders' ability to package and sell these loans to investors.

The CFPB previously took action against New Day Financial in 2015 for paying illegal kickbacks and deceiving borrowers about a veterans' organization's endorsement of NewDay USA products.

## Enforcement Action

Under the Consumer Financial Protection Act, the CFPB has the authority to take action against institutions violating consumer financial protection laws, including engaging in unfair, deceptive, or abusive acts or practices.

- Pay a \$2.25 million fine: NewDay USA will pay a \$2.25 million penalty to the CFPB's victims relief fund.
Stop misrepresenting loan costs to borrowers: The CFPB's order prohibits NewDay USA from misrepresenting facts about its mortgage loan products.

Read today's order.

Learn about mortgage protections for servicemembers and veterans.

Learn more about financial resources for servicemembers, veterans, and military families.

Consumers can submit complaints about financial products and services by visiting the CFPB's website or by calling (855) 411-CFPB (2372).

Employees who believe their company has violated federal consumer financial protection laws are encouraged to send information about what they know to whistleblower@cfpb.gov.

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.

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