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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. The CFPB found that NewDay USA gave misleading and incomplete cost comparisons to borrowers refinancing in North Carolina, Maine, and Minnesota, which made the company's loans appear less expensive relative to their existing mortgages. The CFPB is ordering NewDay USA to pay a \$2.25 million civil penalty to the CFPB's victims relief fund.

"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). The company currently operates under the brand NewDay USA, and uses patriotic imagery and other marketing tactics to build trust with military-connected families. Since at least 2015, NewDay USA has provided cash-out refinance loans to consumers, including veterans and active-duty servicemembers.

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. It then presented a side-by-side comparison of the "new loan" payment amount with that of the "previous loan" payment amount, which included principal, interest, taxes, and insurance. This made NewDay USA cash-out refinance loans appear less expensive relative to consumers' original mortgages, but for many consumers the refinanced loans were more expensive. NewDay USA originated at least 3,000 cash-out refinances in North Carolina and Maine through 2020 and Minnesota through 2018, most of which included the misleading comparisons.

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, often unnecessarily. In some cases, after a veteran had obtained a cash-out refinance loan with a high rate and bad terms, they would quickly be inundated with refinance offers advertising a lower rate at an additional cost. As a result, while mortgage lenders profited from refinancing VA home loans through fees and selling the loans on the secondary market, borrowers may have faced higher overall costs.

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. Both Ginnie Mae and the VA have taken significant steps to rein in churning activity.

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. The CFPB's order requires NewDay USA to:

- 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, including the monthly payment amount of any mortgage loan product or with misleading side-by-side comparison worksheets.

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. To learn more about reporting potential industry misconduct, visit the CFPB's website.

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. For more information, visit www.consumerfinance.gov.

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