



Enforcement Alert from Hudson Cook; CFPB and Department of Justice Sue Land Developer for Bait-and-Switch Sales and Lending Practices to Hispanic Homebuyers

December 21st, 2023 | [Michael A. Goodman](#) and [Erik Kosa](#)

HIGHLIGHTS:

- The complaint alleges the defendants deceive homebuyers about the condition of their properties with deceptive claims about whether they had the infrastructure to connect to utilities.
- The complaint also asserts that the defendants improperly discriminate against Hispanic homebuyers by targeting them with misleading Spanish-language advertising while only giving important disclosures in English.
- The complaint seeks to end the home sales and lending practices, provide redress for affected consumers, and impose a civil penalty.

CASE SUMMARY:

The CFPB and Justice Department sued a Texas-based developer and its affiliates, as well as a mortgage lender, alleging they operate a deceptive and discriminatory land sales scheme targeting Hispanic borrowers by selling flood-prone land without water, sewer, or electrical infrastructure and making high-interest loans to those borrowers without assessing their ability to repay. The complaint alleges one-in-four such loans end in foreclosure, after which the developer repurchases the foreclosed properties and sells them to new borrowers at higher prices.

The Bureau and Justice Department allege the defendants specifically target Hispanic consumers with extensive Spanish-language social media and telemarketing campaigns, then exploit language barriers by presenting important transaction documents only in English. The defendants allegedly make false claims to consumers that the properties have the infrastructure to connect to utilities when they do not, offer pre-closing documents that fail to disclose the cost of installing such infrastructure, and fail to disclose the flood risks to the properties. When consumers default on their loans, the defendants allegedly repurchase the properties for the outstanding loan price, including all equity and utility-related improvements consumers have made, and resell the properties to new borrowers.

The CFPB alleges that the defendants unlawfully discriminated against applicants on the basis of their race or national origin in violation of the Equal Credit Opportunity Act and its implementing regulation, known as Regulation B. The Bureau separately alleges that the property developer engaged in unlawful deception and violated the Interstate Land Sales Full Disclosure Act and its implementing regulations. The Justice Department joined the CFPB's claim of a violation of the

Equal Credit Opportunity Act and its implementing regulation, and separately alleges that the developer violated the Fair Housing Act.

RESOURCES:

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement page](#).

- [Complaint](#)
- [CFPB Press Release](#)