



# Hudson Cook Enforcement Alert: CFPB Settles with Online Student Lender for Alleged Deceptive Marketing Practices and Miscalculated and Undisclosed Annual Percentage Rates

December 9th, 2024 | [Julia K. Whitelock](#) and

## HIGHLIGHTS:

- The Consumer Financial Protection Bureau (“CFPB”) filed a proposed stipulated final judgment and order with an online student lender, its subsidiaries, and its initial investors and owners (the “Companies”) to resolve allegations that the Companies had violated the Consumer Financial Protection Act (“CFPA”), the Truth in Lending Act (“TILA”), and its implementing Regulation Z, through its student lending marketing and loan disclosures.
- The Companies neither admitted nor denied the allegations.
- The proposed order requires the Companies to pay a \$950,000 civil money penalty, to cease making representations of student job placement and salary outcomes, to obtain prior substantiation of any express or implied claims, and to correctly calculate and display applicable annual percentage rates.
- The proposed order also suspends the Companies’ obligation to pay \$6,618,000 in consumer redress based on the Companies’ inability to pay.

## CASE SUMMARY:

On October 17, 2024, the CFPB filed a lawsuit against the Companies claiming violations of the CFPA, TILA, and Regulation Z. The CFPB alleged that the Companies engaged in deceptive acts and practices by representing that it had vetted its partner schools for quality, verified return-on-investment metrics even where the Companies had “low” confidence in the partner school’s metrics, and represented certain salary outcomes based on allegedly deficient or limited data. The CFPB alleged the Companies’ loan agreements miscalculated finance charges in its TILA disclosures and failed to disclose annual percentage rates for advertised example loans.

On December 5, 2024, the CFPB filed a proposed stipulated final judgment and order with the Companies to resolve its allegations. The proposed order, if approved by the court, prohibits the Companies from representing to consumers any outcomes achieved by graduates of educational programs or that the Companies have evaluated or vetted the quality or outcomes of educational programs, misrepresenting finance charges, and failing to display the applicable annual percentage rate when required under TILA or Regulation Z. The proposed order requires the Companies to obtain prior substantiation of all express and implied claims, clearly and prominently disclose that

consumers should not rely on the Companies to identify quality educational schools and programs, and reform loan agreements for consumers who are in repayment or pre-charge-off collections to eliminate the origination fee and recalculate future interest without the origination fee. The proposed order also requires the Company to pay a \$950,000 civil money penalty. Due to the Companies' inability to pay, the proposed order suspends the Companies' obligation to pay consumer redress in the amount of \$6,618,000.

## RESOURCES:

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

- [Press Release](#)
- [Complaint](#)
- [Stipulated Final Judgment and Order](#)

*Enforcement Alerts* by *Hudson Cook, LLP*, written by the attorneys in the firm's [Government Investigations, Examinations and Enforcement](#) and [Litigation](#) practice groups, are provided to keep you informed of federal and state government enforcement actions and related actions that may affect your business. Please contact our attorneys if you have any questions regarding this Alert. You may also view [articles](#), register for an upcoming [CFPB Bites monthly webinar](#) or request a [past webinar](#) recording on our website.