State Watch: Consumer Protection Enforcement Update – Summer 2026

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Summer 2026: As a heatwave boiled the East Coast and the U.S. celebrated its 250th birthday, from Alaska to Colorado, and Michigan to Tennessee, state attorneys general went on the offensive, bringing actions against LTO companies, solar installers and finance companies, and unlicensed mortgage and payday lenders. New Jersey announced aggressive action on junk fees and added a former CFPB-official to its consumer protection bench. Meanwhile, multistate coalitions of AGs entered into settlements with a landlord and a peer-to-peer payments app and wrote letters to federal officials opposing national bank charters and federal data privacy legislation.

Alaska

Alaska's Department of Commerce, Community, and Economic Development, Division of Banking and Securities, entered into a settlement with a Missouri mortgage lender over the allegedly unlicensed activities of one of its individual mortgage loan originators. The Division claims that the MLO provided cost estimates and two letters of preapproval to Alaska residents for residential real estate in Alaska. The Division alleged that the mortgage lender was liable under Alaska's SAFE Act because it employed the MLO and neither the MLO nor the mortgage lender are licensed in Alaska. The Division assessed a $2,500 civil penalty, which included $1,000 for unlicensed activity and $1,500 for failure to supervise the MLO.

California

California Attorney General Bonta entered into a $4.6 million settlement with a subprime mortgage servicer based on alleged violations of California and federal mortgage servicing and foreclosure laws during the COVID-19 pandemic. AG Bonta alleges that the company failed to give consumers information about forbearance and loss mitigation options, sent statements to borrowers that incorrectly said that borrowers in forbearance would incur late fees, and failed to comply with the loss mitigation requirements in California's Homeowners Bill of Rights. The settlement includes $1.6 million in civil penalties and $3 million in consumer relief, along with injunctive relief. AG Bonta noted in the press release that his office opened its investigation based in part on information provided by certain consumer advocacy groups, including the Housing and Economic

Rights Advocates and California Rural Legal Assistance, Inc.

The California Department of Financial Protection and Innovation ordered a Florida lender to pay $4 million in penalties for lending in California without a California Financing Law license. The DFPI noted that it discovered the alleged violations when the company applied for a CFL license. The DFPI claims the company made loans without a license, paid compensation to unlicensed and nonexempt brokers, and charged borrowers unlawful interest. The company agreed, as part of the settlement, to refund any excessive interest charged on loans in amounts of $5,000 or less.

Colorado

Colorado Attorney General Weiser settled with a company that offered "home equity agreements" to Colorado consumers over allegations that the company violated Colorado's Uniform Consumer Credit Code, including its Consumer Equity Protection Act. AG Weiser claims that the home equity agreements, under which the consumer receives a lump sum payment in exchange for a percentage interest in their home's future value (whether it increased or decreased in value) were in fact consumer credit transactions subject to Colorado's UCCC. The settlement agreement requires the company to refund amounts paid in excess of Colorado's usury limit and comply with the UCCC, including its disclosure requirements, interest rate limitations, and licensing and notification requirements.

AG Weiser also settled with a rent payment processing company based on claims that the company imposed excessive surcharges on consumers when they used credit or debit cards to pay rent. Under the terms of settlement, the company must comply with Colorado's limits on surcharges, provide a cost-free payment alternative for Colorado renters, and pay $100,000 to the state for its general consumer protection fund.

District of Columbia

District of Columbia Attorney General Schwalb entered into a settlement with a lease-to-own company over claims that the company engaged in deceptive advertising practices, marked up the retail prices of leased goods, and "obscured" parts of the LTO agreement at lease origination. Specifically, AG Schwalb alleges that the company offered a "90 day same as cash" option but instead automatically placed consumers into 12-month payment plans with charges, marked up the retail price of purchases without disclosing the mark up to consumers, displayed consumer agreements in a way that obscured key terms, and promised hassle-free returns but refused return requests or processed them slowly. Under the terms of the settlement, the company will refund $900,000 to consumers, forgive $2.7 million in consumer debt, and provide account vouchers totaling $100,000 to DC residents. It will also pay $300,000 in penalties and agreed to change its business practices.

Illinois

The Illinois Department of Financial and Professional Regulation released its April 2026 Enforcement Report. The Report noted that the DFPI revoked the license of a mortgage banker for submitting fraudulent financial statements to the DFPI, entered into a consent order with a collection agency for engaging in unlicensed collection activity in Illinois, and entered into a settlement with a Consumer Installment Loan Act licensee over citations arising from an exam.

Massachusetts

Massachusetts Attorney General Campbell settled with a lease-to-own company over allegations that the company engaged in unfair and deceptive practices. Specifically, AG Campbell alleges that the company placed unreasonable and unfair barriers to consumers exercising the early buyout option in the contract, under which consumers could own the goods after a short period of time for a minimal fee over the cash price (and for significantly less than exercising the purchase option at the end of the lease term). AG Campbell also claimed that the company failed to adequately disclose that the agreement was a lease rather than a finance agreement, that it contacted consumers by phone more than twice per week in violation of Massachusetts's debt collection regulations, and that its contracting practices resulted in consumers signing up for liability damage waivers without intending to do so. Under the terms of settlement, the company will pay $7.8 million, including $2 million in restitution and $5.8 million in credits to consumer accounts.

Michigan

Michigan Attorney General Nessel sued a now-defunct solar installer, its owner, and the financial institutions that financed consumers' purchases of systems from the installer, alleging that they violated the federal Consumer Financial Protection Act, the Michigan Consumer Protection Act, and the Michigan Home Solicitation Sales Act. AG Nessel claims that loans were funded quickly, often before the systems were operational, resulting in consumers being obligated for loans on systems that had not yet been approved by the utility company to operate or that were (according to the AG) unfinished, unsafe, or underperforming. AG Nessel also claims that the installer marketed a federal solar tax credit as essentially guaranteed money back, when the actual likelihood and amount of the credit depended on each consumer's individual tax liability. The AG further alleges that the loans included undisclosed "hidden finance charges" in the form of dealer fees that increased the cash price of the systems. The AG seeks injunctive relief, restitution, cancellation or revision of loan terms, refunds, account credits, corrections to credit reporting, lien releases, and civil penalties.

AG Nessel entered into a settlement with a Virginia-based lease-to-own company to resolve allegations that the company violated Michigan's Consumer Protection Act and Rental-Purchase Agreement Act. The AG's office opened the investigation based on consumer complaints that the company was offering lease-to-own agreements for auto repair services, including labor, parts and fluids. Under the terms of settlement, the company is prohibited from offering lease-to-own agreements for auto repair parts and services and it must pay $3.25 million in consumer restitution and administrative costs. Affected consumers will have their balances reduced to zero and be given immediate ownership of any leased parts without further payment.

AG Nessel also settled with a sale-leaseback company over its allegedly deceptive business practices targeting financially distressed homeowners. The company marketed its sale-leaseback product to consumers with poor credit and high home equity. Under the terms of the program, consumers sold their homes to the company while remaining in the home as a tenant under a lease agreement for up to five years. AG Nessel alleges that while the company represented that homeowners would receive 100% of their home's value in the transaction, they instead received only a fraction after deducting charges for processing, closing costs, and repair holdbacks. If, at the end of the five-year lease term, the consumer could not re-purchase their home from the company, the company sold the home to a third party. The company went out of business in 2024 (around the time the investigation began). The servicer of the sale-leaseback transactions and the owner of the homes (acting as landlord) are both parties to the consent order and have agreed to refund consumers for rental registration or inspection fees that were the legal responsibility of the landlord. Under the terms of settlement, harmed consumers will receive a portion of an $85,000 settlement fund. Consumers also have the option of having on-time rental payments reported to credit bureaus.

Minnesota

Minnesota Attorney General Ellison sued an app-based payday lender, alleging it violated the state's payday lending laws by making usurious loans to Minnesota consumers without a license or registration. AG Ellison claims the lender made short-term loans at rates exceeding 300%, well in excess of the state's 50% usury limit on short-term loans. The loans were styled as earned wage access products, which the company claimed were not subject to the state's payday lending laws because they were non-recourse. However, according to the AG, the products were in practice loans because the company failed to disclose to consumers that repayment was voluntary, did not offer an option to cancel or choose not to repay, offered a limited number of "extension credits" that the consumer could use to extend payment due dates, and made representations during consumer conversations that the product had to be repaid. The complaint seeks to void all loans made without a license, enjoin the company from lending in violation of Minnesota law. The complaint also seeks civil penalties, and costs.

New Jersey

New Jersey Governor Sherrill and Attorney General Davenport announced coordinated executive actions aimed at so-called "junk fees." Governor Sherill signed Executive Order 19, directing all state agencies to identify and analyze the impact of junk fees on consumers in the industries they regulate and report their recommendations on legislative or regulatory action to address junk fees. AG Davenport published an Enforcement Statement on Junk Fees, which explains how junk fees may violate New Jersey's Consumer Fraud Act, a sweeping consumer protection law that prohibits deceptive, unconscionable, and abusive conduct. The Enforcement Statement defines junk fees as "hidden, surprise, or excessively overpriced fees, including those associated with a good or service that provides little or no benefit to the consumer, or fees that are otherwise not transparently disclosed to the consumer."

Governor Sherrill also announced that she will nominate Christopher Peterson, a nationally recognized consumer protection legal scholar and former senior official at the Consumer Financial Protection Bureau, to serve as Director of New Jersey's Division of Consumer Affairs. In her press release, Governor Sherrill specifically referenced the federal government's "abandon[ment] [of] the consumers it should be protecting."

Tennessee

Tennessee Attorney General Skrmetti settled a recent lawsuit against an installment lender for $11.1 million. The lawsuit (originally brought by a multistate, bipartisan coalition of attorneys general) alleged that the company charged consumers for hidden add-on products and engaged in aggressive sales tactics to get consumers to refinance their loans. Under the terms of the settlement, the company will pay $1 million in restitution to eligible Tennessee consumers and will cancel $10.1 in consumer debt.

Multistate

A multistate, bipartisan group of nine attorneys general reached a $7 million settlement with a large landlord company over its alleged use of non-public data from other landlords to set rents. Under the terms of settlement, the landlord must stop sharing sensitive data with other landlords and using certain third-party software or algorithms to set rent. The group included the attorneys general of California, Colorado, Connecticut, Illinois, Massachusetts, Minnesota, North Carolina, Oregon, and Tennessee.

A multistate, bipartisan group of 46 attorneys general, led by Oregon and Texas, entered into a $45 million settlement with a company that provides a peer-to-peer payments app. The AGs allege that the company misled consumers about the safety of the app, failed to protect users from fraud on the platform, provided inadequate customer service, and failed to provide promised and legally required fraud protection and resolution services. Under the terms of settlement, the company has agreed to certain conduct requirements and has reaffirmed its commitment to distribute funds to consumers as part of its 2025 settlement with the Consumer Financial Protection Bureau.

Illinois Attorney General Raoul, along with attorneys general from Arizona, California, Colorado, Connecticut, the District of Columbia, Hawaii, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, and Washington state, sent a letter to the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the Chairman of the Board of Governors of the Federal Reserve, urging the federal prudential regulators to deny national bank charters to non-bank, higher-cost installment lenders. The letter identifies consumer protection concerns, including preemption of state usury limits and other consumer protections, and safety and soundness concerns.

A coalition of 18 attorneys general, led by California Attorney General Bonta, submitted a letter to Congress opposing the Securing and Establishing Consumer Uniform Rights and Enforcement over Data Act (SECURE Data Act), a proposed federal bill. The AGs claim that the law has weaker protections that state data privacy laws and would impair the states' ability to protect their citizens' privacy rights by preempting stronger state laws. AG Bonta was joined by the Executive Director of CalPrivacy and the attorneys general of Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New York, Oregon, Vermont, Virginia, and Washington state.

Join us for our next quarterly update on state enforcement on Tuesday, September 29 at 2:00 pm ET. Click here to register for the webinar. Click here to learn more about Hudson Cook's State Enforcement Practice.