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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

**THE PEOPLE OF THE STATE OF
CALIFORNIA,**

Plaintiff,

v.

SELECT PORTFOLIO SERVICING, INC.,
a Utah corporation,

Defendant.

Case No. **26STCV18210**

**COMPLAINT FOR PERMANENT
INJUNCTION, CIVIL PENALTIES,
RESTITUTION, AND OTHER
EQUITABLE RELIEF**

(BUS. & PROF. CODE, § 17200 et seq.)

The People of the State of California (“People”), by Rob Bonta, Attorney General of the State of California, bring this action against Select Portfolio Servicing, Inc. (“SPS” or “Defendant”) for violating the Unfair Competition Law, Business and Professions Code section 17200 et seq., and allege the following on information and belief:

INTRODUCTION

1. The People bring this civil enforcement action against SPS for violations of the Unfair Competition Law (“UCL”). In recent years and during the COVID-19 pandemic, SPS

1 violated California’s Homeowner Bill of Rights (Civ. Code, § 2923.4 et seq.) (“HBOR”) and
2 other state and federal laws governing mortgage servicing and debt collection in servicing
3 California mortgage loans. SPS also made misleading statements to California borrowers about
4 the loss mitigation process and COVID-related forbearance plans, including the loss mitigation
5 options available to borrowers after forbearance.

6 **DEFENDANT**

7 2. SPS is a nationally operating mortgage servicer. It is a Utah corporation with its
8 headquarters and principal place of business in Salt Lake City, Utah.

9 **JURISDICTION AND VENUE**

10 3. This Court has jurisdiction over the allegations and subject matter of the People’s
11 Complaint filed in this action, brought under Business and Professions Code section 17200 et seq.

12 4. SPS has transacted business within the State of California, including the County of
13 Los Angeles, at all relevant times to this Complaint. Venue is proper here because violations of
14 law alleged in this Complaint occurred in the County of Los Angeles and throughout California.

15 **CALIFORNIA HOMEOWNER PROTECTIONS**

16 5. The California Homeowner Bill of Rights is a set of laws providing protections to
17 homeowners at risk of foreclosure. Its provisions generally apply to first lien mortgages on
18 owner-occupied homes with no more than four units, and to mortgage servicers that have
19 foreclosed on more than 175 homes in California in the prior year.

20 6. Among other requirements, when a borrower requests a foreclosure prevention
21 alternative, HBOR requires mortgage servicers to assign a single point of contact (“SPOC”) to
22 assist the borrower in applying for loan modifications and other loss mitigation options and
23 provide the borrower with one or more direct means of communication with the SPOC. (Civ.
24 Code, § 2923.7, subd. (a).) HBOR requires all SPOCs to be knowledgeable about borrowers’
25 circumstances, communicate the application process and relevant deadlines, coordinate the
26 receipt of application materials and notify borrowers about any missing documents required to
27 complete their applications, and ensure that borrowers are considered for all options available to
28 them. (Civ. Code, § 2923.7, subds. (b), (e).)

1 7. Under HBOR, if a borrower submits a complete loan modification application at
2 least five business days before a scheduled foreclosure sale, mortgage servicers are prohibited
3 from pursuing foreclosure while the application is pending and, if the borrower is deemed
4 ineligible for or denied a loan modification, until after the time to appeal has passed. (Civ. Code,
5 § 2923.6.)

6 8. If a borrower's loan modification application is denied, HBOR requires the
7 mortgage servicer to send a written notice to the borrower identifying the reasons for denial,
8 including, if the denial was based on investor disallowance, the specific reasons for this
9 disallowance. (Civ. Code, § 2923.6, subd. (f).)

10 9. Under HBOR, mortgage servicers are required to evaluate a subsequent loan
11 modification application from a borrower if there has been a material change in the borrower's
12 financial circumstances since the date of the borrower's previous application and borrower
13 documentation of this change is submitted to the servicer. (Civ. Code, § 2923.6, subd. (g).)

14 **DEFENDANT'S BUSINESS PRACTICES**

15 10. SPS is one of the largest mortgage servicers in the United States and one of the
16 largest by loan volume operating in California. It specializes in servicing subprime residential
17 mortgages and the majority of its California loan portfolio comprises of non-federally backed
18 mortgage loans.

19 11. During the relevant period, SPS foreclosed on more than 175 homes in California
20 annually and was therefore subject to HBOR's requirements for large mortgage servicers. (Civ.
21 Code, § 2924.18, subd. (c).)

22 12. During the COVID-19 pandemic, a large number of borrowers experienced
23 financial hardship due to COVID-19 and received COVID-related forbearances from SPS. These
24 forbearances temporarily paused mortgage payments and protected borrowers from foreclosure,
25 late fees, penalties, and negative credit reporting during the forbearance period, but did not relieve
26 borrowers of their obligation to repay forborne payments.

27 13. SPS gave some borrowers who entered COVID-related forbearance plans
28 inadequate and inaccurate information about these plans and the loss mitigation options that

1 would be available to them at the end of the forbearance period. For instance, SPS told borrowers
2 that they would be able to submit applications to be reviewed for other loss mitigation options
3 while in forbearance, but in practice did not allow all borrowers to exercise this option. SPS also
4 told some borrowers that they would be able to extend their forbearance periods until their
5 hardships resolved when in fact limits applied, and indicated to some borrowers that they could
6 defer forbore payments or would have other home-retention options available to them when this
7 was not always the case.

8 14. Although borrowers on COVID-related forbearance plans were protected from
9 paying late fees for mortgage payments missed in forbearance, SPS sent borrowers periodic
10 mortgage statements stating that late fees would be charged if payments were not received during
11 the forbearance period.

12 15. When borrowers were nearing the end of their COVID-related forbearance, SPS
13 often failed to explain the specific loss mitigation options made available to borrowers by the
14 owner or assignee of their mortgage loans, as required under Regulation X, 12 C.F.R. §
15 1024.39(e)(2), during the COVID-19 pandemic. SPS also failed to evaluate some borrowers for
16 all available loss mitigation options at the end of forbearance.

17 16. Additionally, the SPOCs that SPS assigned to borrowers were often unavailable,
18 or unable to assist borrowers in applying for loss mitigation options. Borrowers struggled to reach
19 their assigned SPOCs directly and were instead routed to available SPS call agents who lacked
20 specific knowledge about borrowers' situations. SPOCs also gave borrowers inadequate and
21 conflicting information about their options for avoiding foreclosure and the documents required
22 to complete their applications. As a result, borrowers experienced substantial delays in
23 completing these applications.

24 17. SPS represented to borrowers that applications submitted less than 30 days from
25 the date of a foreclosure sale were ineligible for review because the sale was too close in time,
26 despite that under HBOR, complete applications submitted at least five business days before a
27 scheduled foreclosure sale are considered timely. SPS also did not allow review of applications
28 from some borrowers who may have experienced changed financial circumstances after

1 submitting a prior application, despite that under HBOR, mortgage servicers are obligated to
2 review subsequent applications when borrowers document such a change. And when SPS denied
3 loan modifications based on investor disallowance, it failed to provide some borrowers with the
4 specific reasons for this investor disallowance, as HBOR requires.

5 **FIRST CAUSE OF ACTION**

6 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

7 (Unfair Competition)

8 18. Plaintiff realleges paragraphs 1 through 17 and incorporates these paragraphs by
9 reference as if fully set forth in this cause of action.

10 19. Defendant has engaged in business acts or practices that constitute unfair
11 competition as defined in the Unfair Competition Law, Business and Professions Code section
12 17200 et seq. These acts or practices include, but are not limited to, the following:

- 13 a. Making false or misleading representations to borrowers regarding their
14 COVID-related forbearance plans and the forbearance exit and loss mitigation
15 options available to them;
- 16 b. Failing to evaluate borrowers on COVID-related forbearance plans for all loss
17 mitigation options available to them, as required by 12 C.F.R. section
18 1024.41(c);
- 19 c. Failing to inform borrowers exiting COVID-related forbearance plans of the
20 loss mitigation options made available to them by the owner or assignee of
21 their mortgage loan, as required by 12 C.F.R. section 1024.39(e)(2);
- 22 d. Making misleading representations in periodic mortgage statements sent to
23 borrowers on COVID-related forbearance plans about late fees charged for
24 payments missed during the forbearance period, in violation of Civil Code
25 section 1788.17;
- 26 e. Failing to provide borrowers with one or more direct means of communication
27 with an assigned SPOC with the ability and authority to perform the SPOC
28

responsibilities established under HBOR, as required by Civil Code section 2923.7;

- f. Failing to allow borrowers to submit a complete loan modification application at least five business days before a scheduled foreclosure sale, as required by Civil Code section 2923.6, subdivision (c);
- g. Failing to identify the reasons for the denial of loan modification applications, including the specific reasons for investor disallowance, as required by Civil Code section 2923.6, subdivision (f); and
- h. Failing to evaluate subsequent loan modification applications where a borrower has experienced and documented a material change in financial circumstances since the date of the borrower's previous application, as required by Civil Code section 2923.6, subdivision (g).

PRAYER FOR RELIEF

WHEREFORE, the People pray for judgment as follows:

1. That the Court make such orders or judgments as may be necessary to prevent the use or employment by Defendant, its subsidiaries, successors, officers, employees, and all persons who act in concert with them, of any practice that constitutes unfair competition, under the authority of Business and Professions Code section 17203;
2. That the Court make such orders or judgments as may be necessary to restore to any person in interest any money or property that Defendant may have acquired by means of unfair competition in an amount according to proof, under the authority of Business and Professions Code section 17203;
3. That the Court assess a civil penalty of \$2,500 against Defendant for each violation of Business and Professions Code section 17200 in an amount according to proof, under the authority of Business and Professions Code section 17206;
4. That the Court award disgorgement in an amount according to proof, under the authority of Government Code section 12527.6;
5. That the People recover their costs of suit, including costs of their investigation;

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6. That the People receive all other relief to which they are legally entitled; and
7. For such other and further relief that the Court deems just and proper.

Dated: June 4, 2026

Respectfully Submitted,

ROB BONTA
Attorney General of California

A handwritten signature in blue ink, appearing to read 'Mz.', is positioned above the typed name of Monica J. Zi.

MONICA J. ZI
Deputy Attorney General
*Attorneys for the People of the State of
California*

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