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July 7, 2025

VIA ONLINE FILING

California Labor and Workforce
Development Agency
800 Capitol Mall, MIC-55
Sacramento, CA 95814

Re: Employer: Nationstar Mortgage LLC
Re: Employee: Faith Harrop, on behalf of herself and all other aggrieved employees

Dear Sir/Madam:

This office represents Faith Harrop and all other aggrieved employees who were -- and are -- employed by Nationstar Mortgage LLC, d/b/a Mr. Cooper ("Nationstar"). This letter is notice, and a request, pursuant to California Labor Code § 2699.3 that your agency investigate the claims. If the agency does not intend to investigate the alleged violations, we specifically request notification so we may file our civil PAGA "representative" class action.

This action will be brought as a PAGA "representative" class action to recover unpaid overtime compensation, payroll reporting violations, restitution, as well as other statutory penalties and damages owed to the Plaintiff and all other "aggrieved employees" employed by or formerly employed by Nationstar.

I. FACTUAL ALLEGATIONS

Nationstar (who has over 5,000 employees nationwide) employs, and has employed, thousands of California-based loan officers, processors, underwriters, and the like over the last year that fall under the PAGA definition of our action. Nationstar is a large mortgage servicer and originator in the United States. It processes payments, manages escrow accounts, and provides customer service for homeowners including loan management.

The claims here are simple. Overtime wages are important. How one computes these wages makes a difference in total compensation and, as such, California has promulgated rules that must be followed. Commissions and bonuses must be included in the regular rate whether they are the sole source of the employee's compensation or are in addition to a guaranteed salary or hourly rate. 29 CFR §§778.117, 778.208. *Oliver v. Mercy Med. Cir., Inc.*, 695 F.2d 379 (9th Cir. 1982). Bonuses which are paid to employees, **as here**, to induce them to work more steadily or more rapidly or more efficiently or to remain with the firm are regarded as part of the regular rate of pay. Likewise, attendance bonuses, individual or group production bonuses, bonuses for quality and accuracy of work, bonuses contingent upon the employee's continuing in employment until the time the payment is to be made and the like are in this category. They must be included in the "regular rate" of pay. 29 CFR §778.211 (2011); *see also* DLSE Manual § 49.1.2.4(3) (incorporating 20 CFR §778.211).

Here, Nationstar **did not include** employee's non-discretionary "bonus" into the "regular rate" when computing overtime pay. It instead used only the "**hourly rate**" to compute overtime wages.

Nationstar Mortgage LLC 8950 Cypress Waters Blvd Coppell, TX 75019 +1 (469) 549-2000
Faith Harrop [redacted]

*NOT INCLUDED

Name	Company	Employee ID	Pay Period Begin	Pay Period End	Check Date	Check Number
Faith Harrop	Nationstar Mortgage LLC	100083274	02/09/2025	02/22/2025	02/28/2025	

	Gross Pay	Pre Tax Deductions	Taxes	Post Tax Deductions	Net Pay
Current	6,005.82	519.54	1,475.55	984.05	3,026.68
YTD	23,267.98	2,188.13	4,939.26	4,030.22	12,110.37

Earnings					
Description	Dates	Hours	Rate	Amount	YTD
Bonus Plan	02/09/2025 - 02/22/2025	0	0	1,900.00	2,850.00
Business Expense Allowance	02/09/2025 - 02/22/2025	0	0	50.00	250.00
Differential Premium	02/09/2025 - 02/22/2025	0	0	6.50	18.49
Employee Referral Bonus			0		500.00
Group Term Life Imputed Income	02/09/2025 - 02/22/2025	0	0	7.00	35.00
Holiday Hourly			0		1,096.17
Holiday Worked			0		548.16
Overtime	02/09/2025 - 02/22/2025	0.75	68.5096	51.39	221.54
Paid Time Off			0		2,009.63
Regular Hourly	02/09/2025 - 02/22/2025	79.53333	45.6731	[illegible]	15,043.21
Floating Holiday	01/26/2025 - 02/08/2025	8	0	365.39	730.78
Earnings				6,012.82	23,302.98

Taxes		
Description	Amount	YTD
OASDI	340.58	1,315.94
Medicare	79.65	307.76
Federal Withholding	595.60	1,742.95
State Tax - CA	393.88	1,319.65
CA SDI - CASDI	65.84	252.96
Taxes	1,475.55	4,939.26

Hourly x 1.5 = OT Rate

Exh. A (paystub examples).

In this example, Nationstar computes the payment of overtime wages for Faith Harrop during the 2/9/2025-2/22/2025 time-period. As her paystub indicates, her "regular hourly" rate is $45.67, which they then multiply by 1.5 to obtain the "overtime" rate of $68.50 (45.67 x 1.5). But she earned $1,900 as a performance bonus that was **not included** in the calculation of her "regular rate." Thus, Ms. Harrop was not properly paid for her overtime wages during this time-period; she was, in fact, short-changed. Two additional paystubs are included to show this was not an isolated event; it was part of Nationstar's employment pay policy and/or practice. Indeed, it would be highly unusual for a multi-million-dollar nationwide company to develop a pay policy for one individual.

In fact, and as investigation has confirmed, this illegal formula -- of utilizing the hourly instead of the regular rate -- is how Nationstar computes overtime wages for **all** its California employees (loan officers, loan processers, underwriters, and the like), irrespective of which office or location within the state they work.

For example, Ms. Harrop's "production incentive plan" which applies to underwriters specifically (but generally involves conditions for loan processors and loan officers) was based on the following:

Incentive Award Components:

The plan consists of five components:

- Productivity
- Cycle Time
- Resubmission %
- Quality Results
- JD Power Score

Component 1: Productivity

Underwriters must reach minimum 75 points monthly to qualify. Payout rates per point: $25 for 150+ points, $15 for 125-149 points, $10 for 100-124 points, $5 for 75-99 points, $0 for <75 points. Points assigned by loan type (ranging from 0.25 to 1.50 points).

Component 2: Cycle Time Modifier

Applies only to FLASH Underwriters based on turn-time ranking. Quartile 1 (top 25%) receives 25% modifier, Quartile 2 (26%-50%) receives 15%, Quartiles 3 and 4 receive 0%. Underwriters must be tenured (60+ days in position).

Component 3: Resubmission Count Modifier

Underwriters ranked against peers on resubmission counts. Modifier percentages range from +10% (top 5% performers) to -10% (bottom 5% performers). FLASH and Purchase teams ranked separately.

Component 4: Quality Results

Based on pre-funding QC, post-funding QA defect rates and audit findings. Perfect 3-month rolling defect rate (0%) earns 120% modifier. Monthly measure applies otherwise: 0-1 defects (100%), 2 defects (80%), 3 defects (50%), 4+ defects (0%).

Component 5: JD Power Score Modifier

Based on 90-day rolling average with 30-day lag. Requires minimum 5 surveys. Modifier ranges from +10% (top 5% performers) to -10% (bottom 5% performers). FLASH and Purchase teams ranked separately.

The bonus Nationstar pays, as the production incentive plan demonstrates, is performance-based and non-discretionary if the employee meets the “components.” Thus, it should have been included in the “regular rate” when computing overtime wages. *See* 29 CFR §778.211 (non-discretionary bonus must be included in regular rate).

The California Labor Code requires overtime pay for hours worked “in excess of eight hours in one workday and any work in excess of 40 hours in any one work week … at the rate of no less than one and one-half times the **regular rate** of pay for an employee." Cal. Labor Code § 510(a) (emphasis supplied). Because Nationstar paid non-discretionary performance bonuses to employees, including Ms. Harrop, to induce them to work more steadily or more rapidly or more efficiently, they should have been included when calculating the "regular rate." 29 CFR §778.211. However, it was not, and Nationstar's employees were therefore not properly paid for overtime work.

Simply put, Nationstar **incorrectly based its overtime wages upon the hourly rate, not the regular rate**. And as review of Ms. Harrop's paystub confirms, this illegal pay practice can be easily confirmed by the payroll records themselves which show not only the amount of overtime worked, but also the bonus wages that should have been included in the regular rate (but were not). Thus, computing either the actual unpaid overtime wages or the PAGA penalties for Ms. Harrop and the other "aggrieved employees" should not be difficult.

II. UNLAWFUL FAILURE TO PAY OVERTIME IN VIOLATION OF CAL. LABOR CODE § 510

As explained above, Nationstar does not accurately pay Ms. Harrop and other aggrieved employees the proper overtime rate thus resulting in unpaid overtime. Nationstar **did not include** employee's non-discretionary "bonus" into the "regular rate" when computing overtime pay. It instead used only the "**hourly rate**" to compute overtime wages, thus short-changing its workers the proper overtime pay. This is reflected on the paystubs it issues to its workers attached hereto as **Exh. A**.

As a result of Nationstar's violations, Ms. Harrop and other aggrieved employees have been deprived of overtime compensation and are entitled to recover such amounts, plus interest thereon, attorney's fees and costs. Furthermore, Nationstar is liable for civil penalties pursuant to Labor Code §§ 558 and 2698, *et seq.* as follows:

(1) For any initial violation, $100 for each aggrieved employee/class member for each pay period during which the class member was not properly paid overtime; and

(2) For each subsequent violation, $200 for each aggrieved employee/class member for each pay period during which the class member was not properly paid overtime.

III. FAILURE TO FURNISH WAGE STATEMENTS IN VIOLATION OF CAL. LABOR CODE § 226(a)

Labor Code § 226(a) requires employers to furnish each employee with a statement that accurately reflects gross wages earned, the proper overtime rate, and the accurate net wages earned. Labor Code § 226(b) provides that if an employer fails to provide a statement itemizing, *inter alia*, the proper overtime rate and accurate total wages, including overtime wages, then the employee is entitled to recover the greater of all actual damages or $50.00 for the initial violation and $100.00 for each subsequent violation, up to $4,000.00.

Nationstar intentionally failed to furnish and continues to intentionally fail to furnish each aggrieved employee/class member with timely, itemized statements that accurately reflect the **proper** overtime rate (i.e., one based on the regular rate not hourly rate), and the accurate gross and overtime wages earned as required. Nationstar is additionally liable for civil penalties pursuant to Labor Code §§ 226.3 and 2698 in the amount of $250.00 for each class member per initial violation and $1,000.00 for each class member per subsequent violation.

IV. WAITING TIME PENALTIES
VIOLATION OF CAL. LABOR CODE §§201-203

Labor Code § 201 requires an employer who discharges an employee to pay compensation due and owing to the employee immediately upon discharge. Labor Code § 202 requires an employer to promptly pay compensation due and owing within 72 hours of that employee's termination of employment by resignation or otherwise. California Labor Code § 203 provides that if an employer willfully fails to pay compensation promptly upon discharge or resignation, then the employer is liable for waiting time penalties in the form of continued compensation up to 30 workdays.

Nationstar failed and refused, and continues to willfully fail and refuse, to timely pay compensation and wages, including unpaid overtime pay to plaintiff and other aggrieved employees whose employment terminated as required. As a result, Nationstar is liable for waiting time penalties, together with interest and attorneys' fees and costs under California Labor Code § 203. Nationstar is additionally liable for civil penalties in the amount of $100 for each class member per initial violation and $200 for each class member per subsequent violation.

V. UNTIMELY WAGES L.C. § 210

Labor Code §210 provides penalties for failing to pay wages on time for current employees. Since the overtime wages were improperly calculated, Nationstar's current employees did not get paid properly and on time, and that ties into broader labor protections under the PAGA. Nationstar is additionally liable for civil penalties in the amount of $100 for each class member per initial violation and $200 for each class member per subsequent violation.

VI. FAILURE TO KEEP REQUIRED PAYROLL RECORDS
IN VIOLATION OF LABOR CODE §§ 226, 1174

Nationstar has violated California Labor Code §§ 226 and 1174 by willfully failing to keep required payroll records showing the hours worked including overtime hours, and actual hours worked on a daily basis by the class members. Nationstar is, therefore, liable for civil penalties pursuant to California Labor Code §§ 1174.5 and 2698 in the amount of $500.00 per violation. Nationstar is additionally liable for civil penalties in the amount of $100 for each class member per initial violation and $200 for each class member per subsequent violation.

VII. CONCLUSION

Nationstar is in direct violation of numerous California wage and hour laws. We provide notice under the Labor Code Private Attorney's General Act of 2004 and specifically ask for an investigation; or if the agency does not intend to investigate the alleged violations, a letter confirming the same so that we may file our state PAGA "representative" class action against Nationstar for the violations discussed in this letter.

Should you require anything further or have additional questions, please do not hesitate to contact me.

Very truly yours,

Aashish Y. Desai
Adrianne De Castro
DESAI LAW FIRM, P.C.

AYD:sn
Enclosures

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