



News From the FAMP Government Affairs Committee

CFPB Takes Action Against Illegal Mortgage Referrals

Bureau Orders New Jersey Title Company to Pay \$30,000 for Illegal Kickback Scheme

WASHINGTON, D.C. - Today, the Consumer Financial Protection Bureau ordered a New Jersey company, Stonebridge Title Services Inc., to pay \$30,000 for paying illegal kickbacks for referrals.

"Kickbacks drive up the costs of getting a mortgage and put law-abiding companies at a disadvantage," said CFPB Director Richard Cordray. "The Consumer Bureau will continue to take action against companies that seek to attract consumers through illegal schemes."

The Bureau charged that Stonebridge paid commissions to more than twenty independent salespeople who referred title insurance business to Stonebridge. Stonebridge solicited people to provide it with referrals of title insurance business, offering to pay commissions of up to 40% of the title insurance

premiums Stonebridge itself received. These practices violated Section 8 of the Real Estate Settlement Procedures Act (RESPA), which prohibits kickbacks and payment of unearned fees in the context of residential real estate transactions.

Paying commissions for referrals is allowed under RESPA if the recipient of the payment is an employee of the company that is paying the referral. In this case, although the individuals received W-2 tax forms, the Bureau's investigation determined that these individuals were independent contractors and not bona fide employees.

Under the terms of today's consent order, Stonebridge is required to pay a civil penalty of \$30,000 to the CFPB. The case was referred to the CFPB by the Department of Housing and Urban Development. The Bureau will continue to enforce RESPA's anti-kickback provisions to protect consumers and to deter unlawful activity.

A copy of the Bureau's consent order is available

here: http://files.consumerfinance.gov/f/201406_cfpb_consent-order_stonebridge-title-services.pdf