



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC and HUD Settle Case Against New England Mortgage Company for Accepting Kickbacks for Business Referrals**

*East-West Mortgage Co. Received Kickbacks From Closing Attorneys, Appraisers, Title Companies*

WASHINGTON - The Department of Housing and Urban Development and the Federal Deposit Insurance Corporation today announced a \$150,000 settlement with one of the largest mortgage companies in New England for violations of the *Real Estate Settlement Procedures Act (RESPA)*. HUD and FDIC found that 1-800-East-West Mortgage Company solicited and received tickets from certain settlement service providers to Boston Red Sox and New England Patriots events as well as music concerts and restaurant gift certificates in exchange for the referral of business.

The *Real Estate Settlement Procedures Act* was enacted in 1974 to provide consumers advance disclosures of settlement charges and to prohibit illegal kickbacks and excessive fees in the homebuying process. Section 8 of RESPA prohibits a person from giving or accepting anything of value in exchange for the referral of settlement service business.

"RESPA can't be any more clear when it comes to the giving or receiving of 'things of value' in exchange for the referral of business-it's illegal," said Brian Montgomery, HUD's Assistant Secretary for Housing-Federal Housing Commissioner. "The message to the rest of the industry should be equally clear-we will not only investigate those who give, but those who receive kickbacks."

"RESPA provides important protections for home buyers. We fully support enforcement of this important consumer protection legislation," said Chris Spoth, Acting Director of the FDIC Division of Supervision and Consumer Protection.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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East-West is a wholly owned subsidiary of Commerce Bank and Trust Company of Worcester, Massachusetts, which is a state non-member bank supervised by the FDIC. Through a joint investigation conducted over the past year, HUD and FDIC determined that East-West instituted a "give-to-get policy." East-West pressured certain closing attorneys, appraisers and title companies for gifts totaling tens of thousands of dollars that East-West used as employee incentives.

To maintain their status as East-West's top settlement service providers, East-West expected certain attorneys and appraisers to pay for luxury seating at Boston Red Sox games and concert events at Fenway Park. In addition, East-West induced attorneys and appraisers to pay for semi-private barbeques and charitable galas with Patriot players. East-West also regularly requested gift certificates to numerous upscale restaurants in the Boston area.

East-West agreed to pay \$150,000 to the U.S. Treasury, to stop accepting kickbacks from settlement service providers, and to cooperate with the agencies' ongoing investigation of the closing attorneys, appraisers, title companies and other settlement service providers who provided kickbacks to East-West. To read the settlement agreement announced today, visit [HUD's website](#).