UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU

Administrative Proceeding
File No. 2014-CFPB-0006

In the matter of:

Stonebridge Title Services, Inc.

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed certain business practices of Stonebridge Title Services, Inc. and its owners, Bruce Dostal and Cesare Stefanelli (collectively, Respondents as defined below), and has identified violations of Section 8 of the Real Estate Settlement Procedures Act, 12 U.S.C. § 2607, and its implementing regulation, Regulation X, 12 C.F.R. § 1024.14 (formerly codified at 24 C.F.R. § 3500.14) (collectively, RESPA). Under Sections 1053 and 1055 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I

JURISDICTION

1. The Bureau has jurisdiction over this matter under Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

II

STIPULATION

2. Respondents have executed a "Stipulation and Consent to the Issuance of a Consent Order," dated June 5, 2014 (Stipulation), which is incorporated by reference and is accepted by

the Bureau. By this Stipulation, Respondents have consented to the issuance of this Consent Order under Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any findings of fact or violations of law, except that Respondents admit the facts necessary to establish the Bureau's jurisdiction over Stonebridge and the Owners and the subject matter of this action.

III

DEFINITIONS

3. The following definitions shall apply to this Consent Order:

   a. "Corporate Respondent" or "Stonebridge" shall mean Stonebridge Title Services, Inc., and its successors and assigns.

   b. "Effective Date" shall mean the date on which the Consent Order is issued.

   c. "Independent Salespeople" shall mean individuals who referred business to Stonebridge and received a percentage of the title insurance premiums as commission.

   d. "Individual Respondents" shall mean Bruce Dostal and Cesare Stefanelli and any company or entity directly or indirectly under their individual or joint ownership or control.

   e. "Related Consumer Action" shall mean a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondents based on substantially the same facts as set forth in Section IV of this Consent Order.

   f. "Respondents" shall mean all of the Individual Respondents and the Corporate Respondent, individually, collectively, or in any combination.

BUREAU FINDINGS AND CONCLUSIONS

IV

GENERAL

The Bureau finds the following:

4. Stonebridge is a title services company, owned equally by Bruce Dostal and Cesare Stefanelli, and based in Parsippany, New Jersey; there are no other owners or investors. Dostal also serves as President of the company. Among other things, Stonebridge, acting as an agent for several of the national title insurance companies, sells title insurance to consumers who are engaged in real estate transactions.

5. The Owners were aware of, directed, and participated in the acts ascribed to Stonebridge in this Consent Order.

Findings and Conclusions as to RESPA

6. Stonebridge receives premiums from consumers for placing title insurance coverage with title insurance underwriters and remits a percentage of those premiums back to the title insurance underwriters.

7. Beginning in at least 2008 and continuing until at least 2013, Stonebridge paid referral commissions of up to 40% of the title insurance premiums they received from consumers to Independent Salespeople for the referral of title insurance work to Stonebridge.

8. In particular, Stonebridge sought Independent Salespeople who could solicit title insurance business for Stonebridge. These Independent Salespeople had or developed relationships with entities, typically law firms, and referred these entities to Stonebridge for title insurance and related services on behalf of consumers.

9. Per agreements with Stonebridge, an Independent Salesperson would receive

commissions for each title insurance order placed by a firm that the Independent Salesperson had referred to Stonebridge. The commission payment amounts for title insurance orders were determined solely based on the value of the title insurance premiums multiplied by a previously agreed-to commission percentage.

10. The Independent Salespeople did not perform any title services for the consumers who paid the title insurance premiums to Stonebridge. The Independent Salespeople did not provide any non-referral service for Stonebridge for which they were to receive compensation.

11. Many, if not most, of the transactions for which Stonebridge paid commissions to the Independent Salespeople involved a federally related mortgage loan.

12. Based on the foregoing facts, the Bureau finds that Respondents violated Sections 8(a) and (b) of RESPA, 12 U.S.C. §§ 2607(a), (b).

13. RESPA's Section 8(a) prohibits a person from paying or receiving a thing of value pursuant to an agreement to refer business incident to or a part of a real estate settlement service involving a federally related mortgage loan. 12 U.S.C. § 2607(a); 12 C.F.R. § 1024.14(b).

14. RESPA's Section 8(b) prohibits a person from paying or receiving a portion, split or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan, other than for services actually rendered. 12 U.S.C. § 2607(b); 12 C.F.R. § 1024.14(c).

15. Title insurance is a "settlement service." 12 U.S.C. § 2602(3).

16. The commission payments made by Stonebridge to the Independent Salespeople for referrals violate RESPA's referral-fee prohibition and RESPA's fee-splitting prohibition.

17. Although the Independent Salespeople received Form W-2s during this period of time, they were not "employees" covered by 12 C.F.R. § 1024.14(g)(1)(vii). Rather, they acted as independent contractors, and Stonebridge did not have the right or power to control the manner

and means by which the Independent Salespeople performed their duties.

Ability to Pay

18. Though Respondents' conduct involved a significant number of transactions, the civil money penalty amount set forth below was established upon consideration of all the particular facts and factors applicable to this matter, including a review of Stonebridge's ability to pay and remain a viable business.

CONDUCT PROVISIONS

V

ORDER TO CEASE AND DESIST AND TO TAKE OTHER AFFIRMATIVE ACTION

IT IS ORDERED, under Sections 1053 and 1055 of the CFPA, that:

19. Respondents and their officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, shall cease and desist from giving or accepting any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person and giving or accepting any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed, in violation of Section 8 of RESPA, 12 U.S.C. § 2607, and its implementing regulation, Regulation X, 12 C.F.R. § 1024.14.

VI

PROHIBITED REFERRAL PAYMENTS

IT IS FURTHER ORDERED that:

20. In addition to the order to cease and desist from paying illegal fees, kickbacks, and things of value, as prohibited by Section 8 of RESPA and Regulation X and included in

paragraph number 19, Respondents and their officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not pay any employee any fee, kickback, or thing of value that is contingent on the referral of title insurance business or other settlement services, notwithstanding the 'employee exception' contained in 12 C.F.R. § 1024.14(g)(vii). This provision shall apply to any payments due under existing contracts or agreements. This provision shall not be construed to prohibit Respondents from making payments for services actually performed or from paying salaries or bonuses to bona fide employees that are not contingent on referrals.

MONETARY PROVISIONS

VII

ORDER TO PAY CIVIL MONEY PENALTIES

IT IS FURTHER ORDERED that:

21. Under Section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law set forth in Section IV of this Consent Order, and taking into account the factors set forth in 12 U.S.C. § 5565(c)(3), Corporate Respondent shall pay a civil money penalty of $30,000 to the Bureau, as directed by the Bureau and as set forth herein.

22. Within 10 calendar days of the Effective Date, Corporate Respondent shall pay the civil money penalty in the form of a wire transfer to the Bureau or to such agent as the Bureau may direct, and in accordance with wiring instructions to be provided by counsel for the Bureau.

23. The civil money penalty paid under this Consent Order shall be deposited in the Civil Penalty Fund of the Bureau in accordance with Section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

24. Respondents shall treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses

those funds, Respondents shall not:

a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or

b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

25. To preserve the deterrent effect of the civil money penalty, in any Related Consumer Action, Respondents shall not argue that Respondents are entitled to, nor shall Respondents benefit by, any offset or reduction of any monetary remedies imposed in the Related Consumer Action, because of the civil money penalty paid in this action (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondents shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment shall not be deemed an additional civil money penalty and shall not be deemed to change the amount of the civil money penalty imposed in this action.

26. In the event of any default on Corporate Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, shall accrue on any outstanding amounts not paid from the date of default to the date of payment, and shall immediately become due and payable. If Corporate Respondent has failed to make payment of all amounts due and payable within 120 days of the Effective Date, the Individual Respondents shall become jointly and severally liable for that entire amount to be paid immediately. In that case, all references to the Corporate Respondent in this Section shall be read to include Individual Respondents.

27. Respondents shall relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds shall be returned to Respondents.

28. In accordance with 31 U.S.C. § 7701, Corporate Respondent, unless it already has done so, shall furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

29. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondents shall notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification shall indicate the amount of redress, if any, that Respondents paid or are required to pay to consumers and should describe the consumers or classes of consumers to whom that redress has been or will be paid.

30. Under Section 604(a)(I) of the Fair Credit Reporting Act, 15 U.S.C.§ 168l b(a)(1), any consumer reporting agency may furnish a consumer report concerning any Respondent to the Bureau, which shall be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

VIII

MISREPRESENTATION OR OMISSION REGARDING FINANCIAL CONDITION

IT IS FURTHER ORDERED that:

31. The Bureau's agreement to issue this Consent Order is expressly premised on the truthfulness, accuracy, and completeness of Respondents' financial statements and supporting documents submitted to the Bureau, which Respondents assert are truthful, accurate, and complete.

32. If the Bureau in its sole discretion determines that Respondents have failed to disclose any material asset or that any of their financial statements contain any material misrepresentation or omission, including materially misstating the value of any asset, then the

Bureau can seek such additional penalties or other remedies to which it would otherwise have been entitled without regard to any statute of limitations or the provisions of paragraph number 55.

33. Upon imposition of additional civil monetary penalties under this Section, the Bureau shall be entitled to interest on the amounts, computed from the date of entry of this Consent Order, at the rate prescribed by 28 U.S.C. § 1961, as amended, on any outstanding amounts not paid.

COMPLIANCE PROVISIONS

IX

REPORTING REQUIREMENTS

IT IS FURTHER ORDERED that:

34. Respondents shall notify the Bureau of any change in Respondents that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondents; or a change in Respondents' name or address.

35. Within 7 days of the Effective Date, Respondents shall designate at least one telephone number and an email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondents;

36. For a period of 3 years, Respondents shall report any change in the information required to be submitted under Paragraphs 35 and 36 at least 30 days prior to such change. *Provided, however*, that for any proposed change about which Respondents learn less than 30 days

before the change, Respondents shall notify the Bureau as soon as is practicable after obtaining such knowledge.

X

ORDER DISTRIBUTION AND ACKNOWLEDGMENT

IT IS FURTHER ORDERED that:

37. Within 7 days of the Effective Date, Respondents shall submit to the Enforcement Director an acknowledgment of receipt of this Consent Order, sworn under penalty of perjury.

38. Within 30 days of the Effective Date, Corporate Respondent, and Bruce Dostal and Cesare Stefanelli, for any company or entity directly or indirectly under their individual or joint ownership or control, shall deliver a copy of this Consent Order to any managers, employees, Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order, including the Independent Salespeople.

39. For 3 years from the Effective Date, Corporate Respondent, and Bruce Dostal and Cesare Stefanelli, for any company or entity directly or indirectly under their individual or joint ownership or control, shall deliver a copy of this Consent Order to any business entity resulting from any change in structure as set forth in Section IX, any future board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.

40. Respondents shall secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, with any electronic signatures complying with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

XI

RECORDKEEPING

IT IS FURTHER ORDERED that: Corporate Respondents, and Bruce Dostal and Cesare Stefanelli, for any company or entity directly or indirectly under their individual or joint ownership or control, shall create, for at least 3 years from the Effective Date, and then retain, for at least 5 years, and make available to the Bureau upon request, the following business records:

41. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau;

42. For sales of title insurance, accounting records showing the gross and net revenues generated by the title insurance;

43. Records showing, for each employee providing services related to the marketing and sale of title insurance that person's: name; telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination.

44. Records showing, for each service provider providing services related to the marketing and sale of title insurance the name of a point of contact, and that person's telephone number; email, physical, and postal address; job title or position; dates of service; and, if applicable, the reason for termination.

XII

NOTICES

IT IS FURTHER ORDERED that:

45. Unless otherwise directed in writing by the Bureau, all submissions, requests, communications, consents, or other documents relating to this Consent Order shall be in writing and shall be sent by overnight courier (not the U.S. Postal Service), as follows:

Anthony Alexis

Acting Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552
The subject line shall begin: *In re* Stonebridge Title Services, Inc., File No. 2014-CFPB-[docket number listed above].

Provided however that Respondents may send such reports or notifications by first-class mail, but only if Respondent contemporaneously sends an electronic version of such report or notification to Enforcement_Compliance@cfpb.gov.

XIII

COOPERATION WITH THE BUREAU

IT IS FURTHER ORDERED that:

46. Respondents shall cooperate fully to assist the Bureau in determining the identity and location of, and the amount of injury sustained by, each affected consumer. Respondent shall provide such information in its or its agents' possession, custody, or control to the Bureau within 14 days of receiving a written request from the Bureau.

47. Respondents shall fully cooperate with the Bureau in this matter and in any investigation related to or associated with the conduct described in Section IV. Respondents shall provide truthful and complete information, evidence, and testimony. Individual Respondents shall appear and Corporate Respondent shall cause Corporate Respondent's officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 5 days written notice, or other reasonable notice, at such places and times as the Bureau may designate, without the service of compulsory process.

XIV

COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, to monitor Respondents' compliance with this Consent Order, including the financial representations:

48. For purposes of this Section, the Bureau may communicate directly with Respondents, unless Respondents retain counsel in connection with such communications.

49. Corporate Respondent shall permit Bureau representatives to interview any employee or other person affiliated with Corporate Respondent who has agreed to such an interview, and Bruce Dostal and Cesare Stefanelli shall permit Bureau representatives to interview any employee or other person affiliated with any company or entity directly or indirectly under their individual or joint ownership or control. The person interviewed may have counsel present.

50. Nothing in this Consent Order shall limit the Bureau's lawful use of compulsory process, under 12 C.F.R. § 1080.6.

51. For the duration of the Order in whole or in part, Corporate Respondents, and Bruce Dostal and Cesare Stefanelli, for any company or entity directly or indirectly under their individual or joint ownership or control, agree to be subject to the Bureau's supervisory authority under 12 U.S.C. § 5514. Consistent with 12 C.F.R. § 1091.111, Respondents shall not petition for termination of supervision under 12 C.F.R. § 1091.113.

XV

COMPLIANCE AND EXTENSION OF TIME

IT IS FURTHER ORDERED that:

52. Upon a written showing of good cause, the Enforcement Director may, in his/her discretion, modify any non-material provisions of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements). Any such modification by the Enforcement Director shall be in writing.

ADMINISTRATIVE PROVISIONS

XVI

ADMINISTRATIVE PROVISIONS

53. The provisions of this Consent Order shall not bar, estop, or otherwise prevent the Bureau, or any other governmental agency from taking any other action against Respondents.

54. This Consent Order is intended to be, and shall be construed to be, a final Consent Order issued under Section 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

55. The Bureau releases and discharges Respondents from all potential liability for violations of law that have been or might have been asserted by the Bureau based on the practices described in Section IV of this Consent Order, to the extent such practices occurred prior to Effective Date and are known to the Bureau as of the Effective Date. Notwithstanding the foregoing, the Bureau may use the practices described in this Consent Order in future enforcement actions against Respondents and their affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release shall not preclude or affect any right of the Bureau to determine and ensure compliance with the terms and provisions of the Consent Order, or to seek penalties for any violations of the Consent Order. This release shall be of no effect in the event that the Bureau determines pursuant to paragraph 32 that Respondents have failed to disclose any material asset or that any of their financial statements contain any material misrepresentation or omission, including materially misstating the value of any asset.

56. This Consent Order shall terminate 5 years from the Effective Date, or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondents. *Provided, further*, that if such action is dismissed or the relevant adjudicative body rules that Respondents did not violate any provision of the Consent Order, and the

dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order shall remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order shall have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

57. Calculation of time limitations shall run from the Effective Date and shall be based on calendar days, unless otherwise noted.

58. The provisions of this Consent Order shall be enforceable by the Bureau. Any violation of this Consent Order may result in the imposition by the Bureau of the maximum amount of civil money penalties allowed under section 1055(c) of the CFP Act, 12 U.S.C. § 5565(c).

59. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. No promises, representations, or warranties other than those set forth in this Consent Order and the accompanying Stipulation have been made by any of the parties. This Consent Order and the accompanying Stipulation supersede all prior communications, discussions, or understandings, if any, of the parties, whether oral or in writing.

60. Nothing in this Consent Order or the accompanying Stipulation shall be construed as allowing the Corporate Respondent, or its officers or employees, or Individual Respondents, or their officers or employees, to violate any law, rule, or regulation.

IT IS SO ORDERED, this 12th day of June, 2014.

Richard Cordray

Richard Cordray
Director
Consumer Financial Protection Bureau