

**UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING
File No. 2023-CFPB-0009

In the Matter of:

**Realty Connect USA Long Island,
Inc.**

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed the mortgage referral activities of real estate broker Realty Connect USA Long Island, Inc. (Realty Connect or Respondent, as defined below) and has identified violations of Section 8(a) of the Real Estate Settlement Procedures Act's prohibition on accepting things of value for referrals of business incident to or part of a settlement service involving federally related mortgage loans. 12 U.S.C. § 2607(a) (RESPA), and its implementing regulation, Regulation X, 12 C.F.R. part 1024.

Under §§ 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 §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, and RESPA Section 8, 12 U.S.C. § 2607(d)(4).

II.

Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated August 15, 2023 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

III.

Definitions

3. The following definitions apply to this Consent Order:
 - a. “Effective Date” means the date on which the Consent Order is entered on the administrative docket.
 - b. “Enforcement Director” means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or their delegate.
 - c. “Freedom” means Freedom Mortgage Corporation, and its subsidiaries, successors, and assigns.
 - d. “Real Estate Agents” means those persons or entities, whether employees or independent contractors, who are affiliated with Respondent and for whom Respondent, directly or indirectly, holds a real estate license allowing them to represent buyers and sellers of real estate.
 - e. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

- f. “Relevant Period” includes from January 1, 2017 through the Effective Date.
- g. “Respondent” means Realty Connect USA Long Island, Inc., and its successors and assigns.

IV.

Bureau Findings and Conclusions

The Bureau finds the following:

- 4. Respondent is a privately held real estate brokerage firm based in Suffolk County, New York. Approximately 420 Real Estate Agents are currently associated with Respondent.
- 5. Respondent is a “person” under 12 U.S.C. § 2602(5) and provides real estate brokerage and real estate agent services, which are “settlement services” as defined by 12 U.S.C. § 2602(3).

Findings and Conclusions as to Respondent’s acceptance of a subscription service from Freedom in exchange for referrals

- 6. Realty Connect real estate agents and brokers accepted a subscription service that was paid for by Freedom and given to Realty Connect without charge. Many of the Realty Connect real estate agents and brokers who accepted free access to the subscription service made mortgage referrals to Freedom.

7. The subscription service was a thing of value that Realty Connect accepted from Freedom. The retail cost of the subscription service—which provided information concerning property reports, sales comparables, and foreclosure data—was at least \$300 per month if a real estate agent or broker paid for their own subscription. More than 100 Realty Connect real estate agents and brokers accepted subscriptions through Freedom’s account.
8. Freedom required Realty Connect real estate agents and brokers to agree to be paired with a Freedom loan officer before Freedom would give them access to its subscription service. The Realty Connect real estate agents and brokers who accepted free access to the subscription service made more than 400 mortgage referrals to Freedom during the Relevant Period, as part of a pattern, practice, or course of conduct of accepting free access to the subscription service to create, maintain, and strengthen mortgage referral relationships, in violation of RESPA Section 8(a). *See* 12 C.F.R. § 1024.14(e).

Findings and Conclusions as to Respondent’s acceptance of food, drinks, and entertainment from Freedom in exchange for referrals

9. From at least July 1, 2017 to 2022, Realty Connect also accepted things of value from Freedom in the form of events that Freedom either subsidized or hosted.

10. For example, Realty Connect brokers and agents attended an event hosted and paid for by Freedom in June 2019, at a bar-restaurant on Long Island. Freedom paid more than \$6,300 for the food, drinks (including alcohol), and rented sports simulators. Fifty Realty Connect agents attended (out of about 500 total Realty Connect agents active at that time). Freedom's selected guest list included agents who were invited because they referred the most business to Freedom, and some newer agents that Freedom hoped would develop a referral relationship with their assigned Freedom loan officer.
11. Freedom also hosted or subsidized several other events for Realty Connect. Realty Connect real estate agents and brokers also accepted free tickets to charity galas and other events where the brokers and agents otherwise would have needed to pay for their own tickets to attend these events.
12. These events were things of value that Realty Connect accepted from Freedom. The events frequently cost several thousand dollars or more.
13. Realty Connect accepted the things of value that Freedom gave to Realty Connect brokers and agents at these events as part of a pattern, practice, or course of conduct to create, maintain, and strengthen mortgage referral relationships, in violation of RESPA Section 8(a). *See* 12 C.F.R. § 1024.14(e).

**Findings and Conclusions as to Realty Connect
accepting monthly payments from Freedom
under a Marketing Services Agreement in exchange for referrals**

14. Realty Connect entered into a marketing services agreement (MSA) with Freedom's predecessor company, Continental Home Loans, Inc. (CHL), on November 1, 2014. Freedom took over the MSA with Realty Connect when Freedom acquired CHL, also in November 2014.
15. Realty Connect received \$6,000 per month from Freedom under the MSA from January 2017 through at least December 2022. This equates to a total of \$432,000 that Realty Connect accepted from Freedom.
16. By its own terms, the MSA focused on Freedom getting referrals from Realty Connect brokers and agents, rather than marketing Freedom to the public. The MSA's first page provided that "[Freedom] wishes to engage Real Estate Brokerage to promote and market [Freedom] and its loan products to Real Estate Brokerage's employees and agents."
17. The MSA also included an entire section of "SALES AGENT-FACING ADVERTISING ACTIVITIES," which allowed Freedom's loan officers to promote themselves at Realty Connect internal meetings, permitted Freedom to directly send emails to Realty Connect agents—including emails where Freedom described Realty Connect as a "referral partner"—and provided that Freedom would host at least one training event per quarter for Realty

Connect's agents. The purpose and effect of Realty Connect giving Freedom privileged access to its agents under the MSA was to maintain or increase the agents' mortgage referrals.

18. Realty Connect also failed to perform many of the marketing tasks required by the MSA. The MSA required Realty Connect to send 15,000 marketing emails each month, while allocating 50% of the content to Freedom. But Realty Connect sent zero marketing emails. The MSA required Realty Connect to maintain three "physical locations showing video loop or kiosk advertising" for Freedom. But Realty Connect had no such video loops or kiosks. And the MSA required Realty Connect to create an average of 75 property websites per month displaying Freedom content. But Realty Connect never created any property websites.
19. Freedom's loan officers also, when communicating with Realty Connect agents, connected joint marketing efforts under the MSA to obtaining referrals from Realty Connect. For example, when a Realty Connect agent asked for a Freedom loan officer's help with promoting an open house, the loan officer replied, "I want to continue to help you with this, do you think on your listing you can try to get me some referrals to work with?" The agent replied, "I have recommended you many times—Gave them your info on the last 2 sales."

20. Although Realty Connect did some joint marketing with Freedom, Freedom performed most of the actual marketing services. For example, Freedom's office in Melville, NY maintained a professional design team and licensed software to create the marketing copy, such as co-branded mailers or open house flyers. Freedom also owned and operated a print shop located in the Melville office that created the hard copies. Realty Connect's actual role in the marketing, despite the language in the MSA, was limited to making minor design suggestions and paying the postage for the co-branded mailers.
21. As explained above, the \$6,000 monthly payments that Realty Connect accepted under the MSA bore no reasonable relationship to the net market value of any marketing services Realty Connect performed or provided to Freedom. Realty Connect accepted monthly MSA payments from Freedom as part of a pattern, practice, or course of conduct to create, maintain, and strengthen mortgage referral relationships, in violation of RESPA Section 8(a). *See* 12 C.F.R. § 1024.14(e).

* * *

22. In summary, Respondent, as explained above in ¶¶ 4-21, accepted numerous things of value from Freedom—including monthly MSA payments, a subscription service, and meals, beverages, and entertainment—under an agreement or understanding to refer mortgage origination business for

federally related loans to Freedom, in violation of RESPA Section 8(a), 12 U.S.C. § 2607(a), and Regulation X, 12 C.F.R. § 1024.14.

CONDUCT PROVISIONS

V.

Prohibited Conduct

IT IS ORDERED, under §§ 1053 and 1055 of the CFPB, that:

23. Respondent and its brokers, Real Estate Agents, officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them who receive actual notice of this Consent Order, whether acting directly or indirectly, must not violate Section 8 of RESPA, 12 U.S.C. § 2607, or its implementing regulation, Regulation X, 12 C.F.R. § 1024.14, and are prohibited from:
 - a. accepting free or subsidized subscription services, food, drink, or entertainment, or accepting any other thing of value from settlement service providers as part of any requirement or understanding that Respondent will either endorse the use of that settlement service provider's service, or do anything else to affirmatively influence prospective home buyers to use the settlement service provider;
 - b. accepting, making, or agreeing to accept or make payments that do not bear a reasonable relationship to the market value of the goods,

- facilities, or services actually provided under an MSA that involves marketing settlement services-related business to any person; and
- c. giving or accepting any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.

MONETARY PROVISIONS

VI.

Order to Pay Civil Money Penalty

IT IS FURTHER ORDERED that:

24. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, Respondent must pay a civil money penalty of \$200,000 to the Bureau.
25. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.
26. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

27. Respondent, for all purposes, must treat the civil money penalty paid under this Consent Order as a penalty paid to the government. Regardless of how the Bureau ultimately uses those funds, Respondent may 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.
28. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action or because of any payment that the Bureau makes from the Civil Penalty Fund. If the court in any Related Consumer Action offsets or otherwise reduces the amount of compensatory monetary remedies imposed against Respondent based on the civil money penalty paid in this action or based on any payment that the Bureau makes from the Civil Penalty Fund, Respondent must, within 30 days after entry of a final order granting such offset or reduction, notify the Bureau, and pay the

amount of the offset or reduction to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

29. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
30. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.
31. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer-identification numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.
32. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Enforcement Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid

or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

COMPLIANCE PROVISIONS

VII.

Reporting Requirements

IT IS FURTHER ORDERED that:

33. Respondent must notify the Bureau of any development 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 Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.
34. Within 7 days of the Effective Date, Respondent must:

- a. Designate at least one telephone number and email, physical, and postal addresses as points of contact that the Bureau may use to communicate with Respondent;
 - b. Identify Respondent's registered agent for service of process, if any, and the agent's physical address and phone number;
 - c. Identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses; and
 - d. Describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.
35. Respondent must report any change in the information required to be submitted under Paragraph 34 at least 30 days before the change or as soon as practicable after learning about the change, whichever is sooner.
36. One year after the Effective Date, Respondent must submit to the Enforcement Director an accurate written compliance progress report (Compliance Report) that has been approved by Respondent's owners and executive officers, and the accuracy of which has been sworn to under penalty of perjury, which, at a minimum:

- a. lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Respondent has complied with each such paragraph and subparagraph of the Consent Order; and
- b. attaches a copy of each Order Acknowledgment obtained under Section VIII, unless previously submitted to the Bureau.

VIII.

Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

37. Within 7 days of the Effective Date, Respondent must 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, Respondent must deliver a copy of this Consent Order to each of its owners and executive officers, as well as to any Real Estate Agents, brokers, or other licensed real estate salespersons, managers, employees, service providers, and representatives who have responsibilities related to the subject matter of the Consent Order.
39. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure

referred to in Section VII, any future owners and executive officers, as well as to any Real Estate Agents, real estate brokers, or other licensed real estate salespersons, managers, employees, Service Providers, and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.

40. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply 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.
41. 90 days from the Effective Date, Respondent must submit to the Bureau a list of all persons and their titles to whom this Consent Order was delivered as required by the section of this order titled “Order Distribution and Acknowledgment” and a copy of all signed and dated statements acknowledging receipt of this Consent Order under Paragraph 40.

IX.

Recordkeeping

IT IS FURTHER ORDERED that:

42. Respondent must create and retain the following business records:
 - a. all documents and records necessary to demonstrate full compliance

with each provision of this Consent Order, including all submissions to the Bureau;

- b. general ledger accounting records in the format used in the ordinary course of business, for all expenses and revenues associated with any thing of value given to Respondent by a settlement service provider;
 - c. all emails, instructions, and other documents related to any subscription service used by Respondent or its Real Estate Agents, brokers or other licensed real estate sales persons, owners, managers, employees, service providers, and paid for or subsidized in whole or in part by a settlement service provider; and
 - d. all emails, instructions, and other documents related to any event hosted by or paid in full or in part by a settlement service provider and attended by Respondent's Real Estate Agents, brokers or other licensed real estate salespersons, owners, managers, employees or service providers.
43. All documents and records must be maintained in their original electronic format. Data should be centralized and maintained in such a way that access, retrieval, auditing, and production are not hindered.
44. Respondent must make the documents identified in Paragraph 42 available to the Bureau upon the Bureau's request.

X.

Notices

IT IS FURTHER ORDERED that:

45. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, “*In re Realty Connect USA Long Island, Inc.*, File No. 2023-CFPB-0009,” and send them to the following email: Enforcement.Compliance@cfpb.gov addressed as follows:

ATTN: Assistant Director for Enforcement
Consumer Financial Protection Bureau
Office of Enforcement

XI.

Compliance Monitoring

IT IS FURTHER ORDERED that:

46. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

47. For purposes of this Section, the Bureau may communicate directly with Respondent, unless Respondent retains counsel related to these communications.
48. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview regarding: (a) this matter; (b) anything related to or associated with the conduct described in Section IV; or (c) compliance with the Consent Order. The person interviewed may have counsel present.
49. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XII.

Modifications to Non-Material Requirement

IT IS FURTHER ORDERED that:

50. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Enforcement Director.
51. The Enforcement Director may, in their discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if they determine good cause justifies the

modification. Any such modification by the Enforcement Director must be in writing.

ADMINISTRATIVE PROVISIONS

XIII.

IT IS FURTHER ORDERED that:

52. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau from taking any other action against Respondent, except as described in Paragraph 53, below. Further, for the avoidance of doubt, the provisions of this Consent Order do not bar, estop, or otherwise prevent any other person or governmental agency from taking any action against Respondent.
53. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its 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 does not preclude or affect

any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

54. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 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. This Consent Order will terminate on the later of 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 Respondent, if such action is initiated within 5 years of the Effective Date. If such action is dismissed or the relevant adjudicative body rules that Respondent 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 will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.
56. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

57. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
58. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under §1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.
59. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
60. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Real Estate Agents, brokers or other

licensed real estate salespersons, its owners, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 17th day of August, 2023.

Rohit Chopra

Rohit Chopra
Director
Consumer Financial Protection Bureau