



News Release

HUD No. 05-173
Brian Sullivan
(202) 708-0685
www.hud.gov/news/

For Release
Monday
December 19, 2005

HUD SETTLES CASE AGAINST NINE TENNESSEE BUILDERS POSING AS LEGITIMATE BUSINESSES IN KICKBACK SCHEME

Agreement follows July case against Tennessee Title Company

WASHINGTON - The Department of Housing and Urban Development today announced a legal settlement with nine Tennessee builders for violating the Real Estate Settlement Procedures Act (RESPA). HUD claimed the nine, collectively known as "Title Group Builders," received payments from a Tennessee title company for settlement services that were never performed. Such "sham affiliated business arrangements" violate RESPA's anti-kickback and unearned fee provisions.

Title Group Builders agreed to make a \$226,000 payment to the U.S. Treasury and cease any further business operations involving the sham business affiliations. Today's agreement follows another settlement HUD announced in July against First American Title Insurance Company (doing business as Memphis Title Company) for making payments through sham affiliated businesses in the Memphis area. This settlement demonstrates HUD's commitment to enforce RESPA not only against parties giving funds but also against parties receiving funds.

"It's pretty obvious the law requires that when money changes hands in the mortgage transaction, actual service should be provided," said Brian Montgomery, HUD's Assistant Secretary for Housing and FHA Commissioner. "But there's a big difference between performing real work and creating sham business arrangements designed to mask illegal kickbacks and referral fees."

Sham Business Arrangements

Section 8 of RESPA prohibits a person from giving or accepting anything of value in exchange for the referral of settlement service business. It also prohibits a person from giving or accepting any part of a charge for services that are not performed.

HUD's investigation determined that First American paid the nine builders that make up Title Group Builders for certain title and settlement work they did not perform-services that were essentially provided by First American. HUD concluded that the nine companies were sham businesses that were paid to make referrals to First American in violation of RESPA.

The following builders constitute Title Group Builders and are parties to this agreement:

- Oaktree Homes, LLC;
- Vintage Homes, LLC;
- Bronze-Christian, LLC;
- P & G Capital Partners, LLC;
- Summit Homes, LLC;
- Lenox Homes, LLC;
- Riverbirch Homes, LLC;
- Richard and Milton Grant Company; and,
- Downing Homes, Incorporated.

In its settlement with HUD, Title Group Builders further agreed:

- To have sufficient initial and operating capital to perform settlement services;
- To be staffed with employees who work for that entity;
- To comply with RESPA and HUD policy statements;
- To actively compete in the marketplace for title insurance business by actively seeking business from parties other than the builders, real estate agents, and mortgage brokers, or other settlement service providers that created the entity.

To read the settlement agreement announced today, visit HUD's website.

HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development as well as enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet and espanol.hud.gov.

###

U.S. Department of Housing and Urban Development

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)