

## McCrorry's Give-And-Take Relationship With Tree.com Highlights His Questionable Ethics

### While Serving As Mayor, McCrorry Used His Office To Help LendingTree Try To Land Millions In State Tax Incentives

**2006: McCrorry Asked The State Commerce Secretary To Offer LendingTree Millions In State Incentives.** In a January 2006 letter to N.C. Secretary of Commerce James Fain, McCrorry wrote, "Thank you for taking my phone call before Christmas to discuss two pressing business retention projects we are working on in Charlotte – namely LendingTree and Brooks Pharmacy/Eckerd distribution center. [...] Let me also thank you for agreeing to call Mr. Tom Reddin, the new CEO of LendingTree... In addition to the phone call to Mr. Reddin, we could use your help in two distinct ways on this project. First of all, we are competing against an estimated \$53 million in state and local incentives from South Carolina. While we clearly can't match this package, I would ask that you consider any and all means available to you to increase the amount of the State's incentive. Currently, the North Carolina package sits at approximately \$24 million, less than half of the South Carolina amount." [UNC Charlotte Special Collections, Mayor Pat McCrorry Papers, Letter to Commerce Secretary James Fain, 1/4/06]

- **McCrorry Also Asked The State Commerce Secretary To Encourage The State Dept. Of Transportation To Add Two Turn Lanes To A Highway To Accommodate LendingTree.** In a January 2006 letter to N.C. Secretary of Commerce James Fain, McCrorry wrote, "Secondly, we are meeting with staff from NCDOT this week to discuss adding two left turn lanes from Highway 521 onto westbound I-485. This may be a minor road improvement that could make a major difference to LendingTree's willingness to expand in Charlotte's Ballantyne area. Your encouragement of this project would be appreciated." [UNC Charlotte Special Collections, Mayor Pat McCrorry Papers, Letter to Commerce Secretary James Fain, 1/4/06]

### McCrorry Joined The Board Of Tree.com – The Parent Company Of LendingTree – While He Was Still Mayor Of Charlotte

**While Still Mayor Of Charlotte, McCrorry Was Appointed To The Board Of Directors Of Tree.com, The Parent Company Of LendingTree.** According to a Tree.com press release, "Tree.com, Inc....announces the appointment of Patrick L. McCrorry to the company's Board of Directors. Mr. McCrorry is a partner with McCrorry & Company and is also serving his seventh and final term as the Mayor of Charlotte, N.C. [...] Mr. McCrorry has a distinguished and nationally recognized leadership record in the public and private sectors. Prior to joining McCrorry & Company, Mr. McCrorry had an extensive career with Duke Energy where he worked for nearly 30 years in several top management positions." [Tree.com Press Release, 1/26/09]

### McCrorry Was Paid Over \$140,000 To Sit On Tree.com's Board While He Was Mayor & Has Been Paid A Total Of At Least \$355,833

**McCrorry Received Over \$140,000 In Compensation From Tree.com While Still Serving As Mayor.**

According to documents filed by Tree.com with the Securities and Exchange Commission, McCrorry received \$140,833 in compensation for his role as a director in 2009. He was paid \$78,333 and received stock valued at \$62,500. [SEC, 2009 Tree.com Proxy Statement, Schedule 14A, 3/19/10]

Year	Fees Earned or Paid in Cash	Value of Stock Awards	Total Compensation
2009	\$78,333	\$62,500	\$140,833
2010	\$52,500	\$50,000	\$102,500
2011	\$62,500	\$50,000	\$112,500
<b>TOTAL</b>	<b>\$193,333</b>	<b>\$162,500</b>	<b>\$355,833</b>

## LendingTree Was One Of McCrory's Top Campaign Contributors, With Executives Giving Him At Least \$24,950 For His Political Efforts

**McCrory Funded His Political Aspirations For Years With Money From LendingTree, Accepting At Least \$24,950 In Campaign Contributions From The Company's Executives.** According to state and city campaign finance records, McCrory has received at least \$24,950 in campaign contributions from executives at LendingTree, including at least \$18,500 from Douglas Lebda, the company's CEO. [Mecklenburg County Board of Elections, accessed 7/22/11; N.C. State Board of Elections, accessed 7/22/11]

Contributor	Profession	Employer	Amount	Date
Bob Flemma	General Counsel	Lending Tree	\$400.00	6/30/03
Bob Harris	Sr VP Marketing	Lending Tree	\$500.00	6/30/03
Bob Sian	CMO	Lending Tree	\$1,000.00	9/11/05
CD Davies		Lending Tree	\$250.00	8/14/07
Charles Jones		Lending Tree	\$200.00	9/11/05
Douglas Lebda	Chairman	Lending Tree	\$1,000.00	5/10/11
Douglas Lebda	Chairman	Lending Tree	\$4,000.00	6/20/08
Douglas Lebda	Chairman	Lending Tree	\$4,000.00	3/31/08
Douglas Lebda	Chairman	Lending Tree	\$4,000.00	1/23/08
Douglas Lebda	President	Lending Tree	\$1,500.00	9/9/05
Douglas Lebda	CEO	Lending Tree	\$4,000.00	6/27/03
Eric Cunliffe	Sr. VP	Lending Tree	\$400.00	9/8/05
Jeff Lyons	VP	Lending Tree	\$400.00	9/1/05
Michael Brady	Sr. VP	Lending Tree	\$400.00	9/1/05
Michael Salamone	VP	Lending Tree	\$200.00	9/11/05
Mike Anderson		Lending Tree	\$200.00	9/9/05
Phillip Henderson	Strategy	Lending Tree	\$200.00	6/30/03
Rick Stiegler	CTO	Lending Tree	\$400.00	6/30/03
Tom Reddin	CEO	Lending Tree	\$400.00	1/31/07
Tom Reddin	VP	Lending Tree	\$1,000.00	9/11/05
Tom Reddin	Exec	Lending Tree	\$500.00	6/30/03
				<b>TOTAL: \$24,950</b>

[Mecklenburg County Board of Elections, accessed 7/22/11; N.C. State Board of Elections, accessed 7/22/11]

## After McCrory Left Office & Joined A Lobbying Firm, Tree.com Began Using McCrory's Firm To Lobby State Officials

**McCrory Joined The Lobbying Firm Moore & Van Allen In January 2010 As Senior Director Of Strategic Initiatives.** According to a press release from Moore & Van Allen, "Moore & Van Allen PLLC, one of the Carolinas' largest law firms, announced today that Pat McCrory, Charlotte's longest-serving mayor, will join the firm as its Senior Director of Strategic Initiatives." [Moore & Van Allen Press Release, January 2010]

- **McCrory's Firm Lobbied On Behalf Of Tree.com In 2011 & 2012 In North Carolina, The First Time Tree.com Had Hired State Lobbyists Since 2005-2006.** According to North Carolina's Lobbyist Disclosure Database, Walter Price & Tommy Sevier, employees of Moore & Van Allen, lobbied for Tree.com in 2011-2012. [North Carolina Lobbying Disclosure Database, accessed 2/27/12]

Lending Tree's North Carolina State Lobbying		
Year	Lobbyist	Company
2005-2006	Tom Fetzer	Fetzer Strategic Partners
2005-2006	Kevin Leonard	Womble Carlyle Sandridge & Rice
2005-2006	Alexander Sands, III	Womble Carlyle Sandridge & Rice
2011	Walter S. Price	Moore & Van Allen, PLLC
2011	Tommy Sevier	Moore & Van Allen, PLLC
2012	Walter S. Price	Moore & Van Allen, PLLC

[North Carolina Lobbying Disclosure Database, accessed 2/27/12]

## **McCrory Refused To Disclose Details About His Work At His Lobbying Firm**

**McCrory's Campaign Spokesman "Refused To Disclose Detailed Information" About McCrory's Work At Moore & Van Allen.** The News & Observer reported, "The state Democratic Party launched a website Tuesday that raises questions about McCrory's work with Moore Van Allen, a major law firm that includes a lobbying practice. Democrats want more information about McCrory's work with the firm, his connections to top state lawmakers and a list of his clients. McCrory's campaign spokesman Brian Nick rejected the party's attacks and refused to disclose detailed information about his work. 'He's not a lobbyist. Period,' Nick said." [News & Observer, 1/4/12]

## **Tree.com & Its Subsidiaries Paid Hefty Settlements After Being Sued For Misleading Homebuyers & Charging Illegal Fees**

### **LendingTree Paid A \$3 Million Settlement To South Carolina Following Allegations It Mised Homebuyers**

**LendingTree "Reached A \$3 Million Settlement With South Carolina."** According to the Anderson Independent Mail, "Tenth Judicial Circuit Solicitor Chrissy Adams recently gave checks for more than \$50,000 to Anderson and Oconee county governments as part of a statewide settlement from LendingTree. The online mortgage company reached a \$3 million settlement with South Carolina earlier this year and the first checks have filtered down to county governments." [Anderson Independent Mail, [2/7/12](#)]

- **The Lawsuit Alleged That LendingTree "Had Not Made Required Disclosures For Mortgage Brokers Doing Business In South Carolina."** According to the Anderson Independent Mail, "[Solicitor Chrissy] Adams and 15 other solicitors across the state each separately sued LendingTree in 2008, saying that the loan company had not made required disclosures for mortgage brokers doing business in South Carolina." [Anderson Independent Mail, [2/7/12](#)]

**Prosecutor: Lending Tree Deceived Customers Into Believing "Their Mortgage Applications Would Be Competitively Shopped For The Best Rates."** According to the Post and Courier, "Ninth Circuit Solicitor Scarlett Wilson announced financial terms of the deal... Wilson had sought penalties of up to \$7,500 for each violation in her jurisdiction and the forfeiture of any fees from those transactions. 'LendingTree misrepresented to consumers their mortgage applications would be competitively shopped for the best rates,' she said in a statement... 'This led consumers to believe that LendingTree was working for them and not against them.'" [Post Courier, [1/5/12](#)]

- **South Carolina Prosecutor Accused LendingTree Of "Failing To Tell Borrowers About Payments It Receives From Lenders," Violating Their Requirement To Provide A "Good Faith Estimate" Of Costs.** According to the Post and Courier, "[Ninth Circuit Solicitor Scarlett] Wilson alleged that LendingTree had violated state law by failing to tell borrowers about payments it receives from lenders. South Carolina-licensed

mortgage brokers are required to provide a ‘good faith estimate’ of any fees, ‘whether paid by the borrower, the institutional lender, or both,’ according to a legal statute cited in her lawsuit.” [Post and Courier, [1/5/12](#)]

### **LendingTree Also Violated The State Law That Required Every “Loan Agreement With A Mortgage Broker Or Originator...Contain An Explicit Statement That” They Were “Acting As The Agent Of The Borrower.”**

According to the Post and Courier, “Another issue was a notice on LendingTree’s website stating that the company ‘is not an agent’ of the borrower. State law requires that every ‘loan agreement with a mortgage broker or originator must contain an explicit statement that the mortgage broker or originator is acting as the agent of the borrower in providing brokerage services to the borrower,’ according to Wilson’s lawsuit.” [Post and Courier, [1/5/12](#)]

### **Tree.com’s Lending Arm Paid \$1.15 Million To Arizona To Settle A Lawsuit Alleging It Deceived Homebuyers With False Advertising**

**2010: A Subsidiary Of Tree.com Settled Lawsuit Alleging It “Advertised Payment Option Mortgages To Consumers...While Downplaying Or Not Disclosing The Risks.”** The Associated Press reported, “A mortgage company that advertised home loans with low initial ‘teaser rates’ without disclosing their risks will pay \$1.15 million to Arizona to settle a lawsuit. The state alleged that Home Loan Center Inc. advertised payment option mortgages to consumers from August 2004 through July 2007 and overemphasized their benefits while downplaying or not disclosing the risks. The company sent an estimated 600,000 ads to Arizonans and sold nearly 400 of the loans. The company then resold them. Irvine, Calif.-based Home Loan Center did not admit wrongdoing when it settled the suit... It is a subsidiary of Charlotte, N.C.-based Tree.com Inc. Arizona Attorney General Terry Goddard says his office will use the money to pay for its efforts to prevent mortgage or loan modification fraud.” [Associated Press, 11/1/10]

- **Arizona Attorney General Terry Goddard Said The Settlement He Negotiated With Tree.com Was “Another Step In Prosecuting Those Companies Who Have Misrepresented Risky Loans.”** According to a press release issued by Arizona Attorney General Terry Goddard’s office, “Attorney General Terry Goddard... announced a \$1.15 million settlement with Home Loan Center, Inc. over allegedly deceptive advertising of payment option adjustable rate mortgage loans (‘POAs’). According to the complaint filed by the Attorney General in conjunction with the settlement, from August 2004 through July 2007, Home Loan Center marketed POAs to Arizona consumers, advertising mortgages with low teaser rates, overemphasizing the supposed benefits of POAs, and downplaying or simply not disclosing their significant risks, such as negative amortization and the resulting increase in the principal balance of the loan. [...] ‘With today’s settlement, I am taking another step in prosecuting those companies who have misrepresented risky loans to Arizona borrowers,’ Goddard said.” [US Fed News, 11/3/10]
- **Arizona Republic: Settlement Was “Over Deceptive Advertising” Of Mortgages.** The Arizona Republic reported, “State Attorney General Terry Goddard’s office subsequently negotiated a \$1.1 million settlement with the California firm Home Loan Center over deceptive advertising of payment-option mortgages. The money will also be used to help prevent foreclosures and loan-modification fraud.” [Arizona Republic, 11/10/10]

### **Tree.com’s Direct Lending Unit Paid Penalties To The State Of Maryland For Buying Mortgages From Unlicensed Lenders**

**2010: Home Loan Center Paid A \$68,900 Penalty To The State Of Maryland For Buying Mortgage Loans From Unlicensed Mortgage Lenders.** In 2010, the State of Maryland’s Office of the Commissioner of Financial Regulation reached a settlement agreement with Home Loan Center, Inc, the direct mortgage lending arm of Tree.com. According to the Settlement Agreement and Consent Order, Home Loan Center “accepted mortgage loans from, and otherwise engaged in the mortgage lending business through fifty-seven (57) unlicensed mortgage loan originators; and...these Unlicensed Loan Originators violated Maryland law by originating, on behalf of the Respondent, one hundred four (104) mortgage loans involving Maryland residential real property. [...] Immediately

upon execution and delivery of the Agreement, Respondent will remit a \$68,900 civil penalty to the Commissioner by check, money order or certified check made payable to the Commissioner of Financial Regulation.” [Office of the Maryland Commissioner of Financial Regulation, [8/27/10](#)]

## **Massachusetts Bank Regulators Fined Tree.com’s Direct Lending Unit & Forced It To Reimburse Consumers For Undisclosed Fees**

**2012: The Massachusetts Banking Commissioner Issued An Enforcement Action Requiring Home Loan Center To Reimburse Consumers For Fees That Were Not Disclosed Prior To Closing.** On March 2, 2009, the Massachusetts Office of Consumer Affairs’ Division of Banks found that Home Loan Center involved with “alleged non-compliance with applicable state and federal statutes, rules, and regulations governing the conduct of those engaged in the business of a mortgage lender and mortgage broker in Massachusetts. On January 30, 2012, the Massachusetts Commissioner of Banks issued a consent order requiring Home Loan Center to “reimburse the consumers identified in the Report for the amounts collected as loan fees, application fees, processing fees, discount fees, points, or similar fees at settlement that had not been disclosed to the consumer, in writing, prior to loan closing. The amount of such reimbursement shall equal the difference between the actual charges assessed to the consumer and the amount disclosed in writing for such fee(s) prior to loan closing.” [Massachusetts Officer of Consumer Affairs, Division of Banks, [1/30/12](#)]

- **Home Loan Center Also Agreed To Pay A \$38,000 Penalty To The State Of Massachusetts For Using Mortgage Loan Originators Who “Did Not Hold An Active Mortgage Loan Originator License.”**  
According to the consent order issued on January 30, 2012, “Home Loan Center agrees to submit a payment in the amount of thirty-eight thousand dollars (\$38,000.00) in satisfaction of an administrative penalty collected in consideration of the Corporation’s conducting business with mortgage loan originators who either did not hold an active mortgage loan originator license or were not sponsored by the Corporation.” [Massachusetts Officer of Consumer Affairs, Division of Banks, [1/30/12](#)]

## **A California Appeals Court Ruled That Tree.com’s Lending Arm Could Be Sued For Violating State Anti-Fraud Laws**

**California Appeals Court Ruled That Tree.com’s Lending Arm Could Be Sued For Violating State Anti-Fraud Laws By Failing To “Disclose The Negative Consequences” Of Its Loans.** Lawyer Weekly USA reported, “A home lender can be sued for fraud based on its alleged failure to clearly disclose the negative consequences when only the scheduled monthly payments are made on an adjustable rate mortgage loan, the California Court of Appeal has ruled in reversing a dismissal. The plaintiff obtained an option adjustable rate mortgage (ARM) loan from the defendant. He sued for fraud under state law, alleging that loan documents failed to adequately disclose that ‘negative amortization’ occurred when he only made his monthly payments in accordance with the schedule provided by the defendant. [...] The state court decided that such allegations were likewise sufficient to pursue a claim for fraud under California law.” The lender in the case was Home Loan Center, Inc., the lending arm of Tree.com. [Lawyers Weekly USA, 8/16/11]

## **Lending Tree’s Finances “Shrunk Under The Weight Of Subprime And Nonconforming Loans”**

**Lending Tree’s Value Dropped From \$725 Million To Just \$100 Million “Under The Weight Of Subprime And Nonconforming Loans.”** The New York Times reported, “[In 2008], Mr. Diller, the former agent and movie and television executive, announced that he was splitting up much of the conglomerate. By then LendingTree’s finances had shrunk under the weight of subprime mortgages and nonconforming loans. Toward the end of... August [2008], just before the meltdown of the financial industry, LendingTree was spun off into a new company, Tree.com, and [Lending Tree founder Douglas] Lebda moved back to Charlotte as its chairman and chief executive. [...] When Mr. Diller bought the company, it was valued at \$725 million. After recovering from a steep decline [in 2008], it now has a market value of about \$100 million.” [New York Times, 8/16/09]

**Lending Tree Was “Hampered By The Subprime Mortgage Crisis.”** The St. Petersburg Times reported, “Barry Diller’s IAC/InterActiveCorp is bowing out as owner of Lending Tree, the Web-based online price-comparison and home mortgage lead generator that’s been hammered by the subprime mortgage crisis.” [St. Petersburg Times, 8/1/08]

**Lending Tree Connected Homebuyers With A Variety Of Subprime Lenders.** Broker Magazine reported, “Champion Mortgage, a subprime lender based in Parsippany, N.J., prepared itself for the current market... Champion was not involved in any of the new Web technology, from the standpoint of obtaining leads through its own Web-site, using entities such as Lending Tree. [...] During the first three months after their alliance with Internet based lead generator Lending Tree, Champion was ‘doing twice as many loans for every ten leads given’ than any other subprime customer of Lending Tree.” [Broker Magazine, 4/1/01]

**Lending Tree’s Business Model Included Originating Loans & Then Selling “The Loans Right Away.”** Discussing Lending Tree’s business model, Barry Diller, the Chairman and CEO of Lending Tree’s former parent company, said, “We’re also in the Lending Tree loans business where we originate loans but we sell the loans right away. We don’t hold them and our reserves for people who miss their first months payment which is our obligation are extremely conservative, and so we will not be hurt, and Lending Tree this year will make money.” [Fair Disclosure Wire, 9/18/07]

## **Tree.com Was Accused Of Deceptive Practices In Its Student Loan Business & Exclusively Sent Users To A Lender Under Investigation By The IRS**

**Then-New York Attorney General Andrew Cuomo Accused Tree.com Of “Deceptive Practices For Not Disclosing” It Had An “Exclusive Agreement” To Send Students To A Single Loan Company.** The Chronicle of Higher Education reported, “One of the nation’s largest loan-comparison sites, LendingTree, primarily serves consumers seeking mortgages and car loans. The site has a link for users who want student loans but until recently only directed users to a single lender, EduCap. Mr. Cuomo accused them...of deceptive practices for not disclosing that ‘exclusive agreement.’” [Chronicle of Higher Education, 11/9/07]

- **The Lender That Received All Of Tree.com’s Student Loan Users Was “Under Investigation By The Internal Revenue Service.”** The Chronicle of Higher Education reported, “EduCap Inc., a nonprofit student-loan company that is under investigation by the Internal Revenue Service and key U.S. senators, will scale back its lending operation.” [Chronicle of Higher Education, 8/1/07]
- **The Lender Was Investigated For Abusing Its Tax-Exempt Status After It Bought A \$30 Million Jet & Donated Millions To Its Chairman’s Favorite Charities, Including Her Daughter’s Private School.** The Washington Post reported, “The chairman of the House education committee called...for an investigation into whether nonprofit student loan companies are abusing their tax-exempt status. [...] Miller asked the Government Accountability Office to conduct the investigation, citing a story in The Washington Post...about one nonprofit lender. The story focused on EduCap of McLean, a pioneer in the student loan industry, which bought an airplane worth about \$30 million. It has also paid its chairman, Catherine B. Reynolds, \$1 million in annual compensation and donated millions to her favorites charities, including \$400,000 to her daughter’s private school.” [Washington Post, 7/19/07]