

The Boston Globe

Conn. casinos employ hardball tactic to collect debts

Foxwoods and Mohegan Sun, two of the firms gunning for casino licenses in Mass., use tactics rare in their very tough-minded industry

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February 09, 2014

REVERE — In 2006, years before Mohegan Sun arranged to lease 42 acres for a proposed casino and hotel at Suffolk Downs, the company went after a much humbler piece of real estate in the neighborhood, the home of an elderly man who had gambled far beyond his means.

Mohegan Sun won a court judgment to place a lien on 45 Clark Road, a white cape owned in part by Louis H. Cutler, an 80-year-old retiree who failed to repay \$36,000 the casino had lent him for gambling.

Foxwoods, too, put a lien on Cutler's house, in 2007, seeking repayment of \$30,600 in gambling credit, plus interest and fees.

Not only is the collection tactic uncommonly aggressive — a number of industry specialists said they had never before heard of casinos using it — but the liens raise questions about whether the businesses allow or enable gamblers to extend themselves too far.

Cutler's 2007 bankruptcy filing declared that his sole income was a monthly Social Security check of \$640, yet two of the world's biggest gambling palaces — both applicants in the Massachusetts casino sweepstakes — had lent him more than \$66,000 to make bets, and then went after his house when he could not pay it back.

“It's extremely hard-core predatory behavior,” said Tom Coates, who runs Iowa's largest credit counseling service and works with problem gamblers.

The two Connecticut tribal casinos have placed dozens of liens on homes across the state since the early 2000s, for amounts as small as a few thousand dollars, according to a Globe review of land and court records.

Mohegan Sun, for instance, recorded liens for \$13,962 in Wayland in 2005; \$6,396 in Worcester in 2007; \$10,392 in Boylston in 2007; \$14,961 in Everett in 2009; \$7,437 in Beverly in 2009; and \$18,604 in Gardner in 2012.

The liens recorded by Foxwoods include one for \$20,000 in Boston in 2001; \$6,922 in Lowell in 2006; \$11,935 in Saugus in 2009; \$44,807 in Arlington in 2009; \$11,621 in Framingham in 2011; and \$9,712 in Chicopee in 2013.

Experts interviewed by the Globe — including current and former casino executives, academics, problem gambling counselors, and a representative of the American Gaming Association, the commercial casino industry's trade group — said it is unusual for a casino to use property liens to collect debts.

“Frankly, I have not heard of any casino company that goes after homes,” said Whittier Law School professor I. Nelson Rose, an international expert on gambling law. “It’s really extreme.”

Mohegan Sun, in a response letter to the Globe, said the company “treats this issue seriously and takes significant measures to ensure credit is extended in a responsible manner and that our policies to seek repayment of debt are equally responsible.”

The casino also defended the practice of using liens.

“Your inference that our methods of seeking repayment are somehow more aggressive than other gaming companies is not accurate,” said the letter from Charles Bunnell, chief of staff of the Mohegan Tribe. He noted a controversial practice by Nevada authorities to prosecute unpaid gambling debts as crimes.

Foxwoods declined to comment. “As a matter of policy we do not discuss any topics that may involve litigation,” said Dale Wolbrink, the casino’s public relations manager, in an e-mail.

People gamble their way into financial disaster all the time — it’s one of the main arguments used by casino opponents — often by draining their own bank accounts, tapping college funds, or maxing out credit cards.

Casino credit is supposed to be only a convenience for big players who don’t want to travel with thousands of dollars in their pockets, not a loan for people lacking the assets to play, said industry consultant and author Gary Green, who has managed casinos. He said gambling companies normally run credit bureau checks before issuing credit, to see if the customer can afford the advance.

“They’ve got to have the money in the first place before I give them the credit,” Green said.

While gambling at Foxwoods Resort Casino, Lucille Ciampi found herself in trouble. “I got a lot of credit. It was too much and I couldn’t afford it,” said Ciampi, 70. Foxwoods placed a lien on her Boston home in 2009.

Players approved for credit will sign what is essentially a check for the amount of the loan, drawn on the customer's bank account.

Later, when the gambler is ready to go home, he or she can repay the loan to a casino cashier. If the player leaves without settling the debt, as routinely happens, the casino deposits the check and the money is transferred from the customer's account — unless the account is short and the check bounces.

Green said it would be “ridiculous” to use a lien to chase a gambling debt.

“From a PR standpoint, you can't have it both ways,” said Green, in an interview. “If we're going to argue to legislators and the public and to you guys in the press that we're an entertainment business, we can't at the same time be foreclosing on people's homes.”

Cutler, according to Bunnell, applied for credit at Mohegan Sun in 1996.

“Our decision to provide credit to Mr. Cutler was based upon his significant assets at the time of his application and the lines of credit already extended to him at numerous other gaming facilities across the country,” Bunnell wrote. “Mr. Cutler, a successful business owner, was a good customer at Mohegan Sun until 2004,” when he incurred the debt.

He said Mohegan Sun offered to settle the debt for “approximately 15 percent of the amount,” but Cutler declined, and later went into bankruptcy.

“Mohegan Sun takes credit extension abuse very seriously and employs commercially sound policies to offer casino credit to our patrons,” Bunnell wrote.

The company did not answer questions about the amount of Cutler's credit line, or whether it was ever raised.

Over at Foxwoods, Lucille Ciampi, 70, of Boston never thought she had a gambling problem; for her, playing slot machines was just a relaxing getaway.

“Some people like golf,” Ciampi said. “I like to pull the arm.”

Then on one overnight visit, “I had lost my money and didn't have any more on me,” she said. “I was staying over so what was I suppose to do? Look at the stars? I thought lemme get some credit.”

Getting credit was “very easy,” she said, and even easier once she developed a record of paying it back. Then, one time, “I ended up with more credit than I should have gotten.

“The machines spun me around like a merry-go-round,” she said. “I got a lot of credit. It was too much and I couldn't afford it. I couldn't pay it back.”

Foxwoods put a \$11,663 lien on Ciampi's house in 2009. She later negotiated a settlement to get the lien removed.

She looks forward to playing in a Massachusetts casino someday, though never again on credit.

One Massachusetts blackjack player said Foxwoods, which is now seeking to build a casino in Fall River, originally approved him for just a few thousand dollars in credit, but raised the limit when he asked for more.

"I got it up to \$12,000 in a matter of months," said the player, in his 60s, who asked not to be identified due to the stigma associated with compulsive gambling. "They don't care. They know they'll get their money in the long run."

In 2012, the casino put a lien on the player's Southeastern Massachusetts home. "It's on there until I sell the house or it's foreclosed on," the player said. He still gambles sometimes, with cash, hoping to win his way out of a very deep hole.

The simplest way for a casino to minimize unpaid gambling debts is to be very conservative with credit, said Anthony Ricci, chief executive of the company that owns Parx Casino, in Pennsylvania, and a partner in a slot parlor proposal at Raynham Park.

"I love being able to say for the record that we have never put a lien on anybody's house," said Ricci. "Nobody in the Legislature who voted for this casino bill is going to want to see us putting people out of their homes."

Jay Snowden, chief operating officer for Penn National Gaming, another applicant for the Massachusetts slot license, said the company bases credit decisions on the financial history of each applicant, as well as the casino's relationship, if any, with the applicant.

"We much prefer cash business unless the customer has a good justification and the means to justify the credit line," he said.

Snowden reviewed the histories of five busy Penn casinos that issue credit and said he could find only one instance in which the company employed a property lien for delinquent gambling debt. "That was a very rare and extreme case," Snowden said, in which a customer who did not repay a \$25,000 credit line could not be reached to negotiate a payment plan.

Cutler, from Revere, was a morning regular at the Bagel Bin Deli on Shirley Avenue, according to Billy Bell, 71, of Revere, who knew Cutler from the restaurant. Bell recalled Cutler as a friendly bachelor, who did not talk about the trouble he was in with the casinos and may even have misled people about it.

"I got the impression the casinos banned him for being too good," said Bell.

Mohegan Sun alleged that seven gambling loans totalling \$36,000 issued to Cutler in July and August 2004 were unpaid, according to court files. The casino sued, and in 2006 placed a lien of

\$41,635 – which included interest and fees – on Cutler’s house, a 1955, three-bedroom cape, according to court and land records.

Foxwoods’ lien against Cutler’s house was for \$40,756.

Liens, which accrue 12 percent interest a year, cloud the title to a piece of real estate, meaning the home cannot be sold or refinanced unless the debt is paid off. In certain circumstances, creditors can force the auction of the property to satisfy the debt.

The casinos were the only creditors Cutler listed in his bankruptcy filing. The court record catalogued his slim financial holdings. Beside the home he shared with his elderly sister, the entirety of Louis Cutler’s listed earthly assets were these: \$75 in cash and \$250 in the bank; a life insurance policy with a cash value of \$387; \$200 in clothing, \$1,000 in “miscellaneous household furniture”; and a 1995 Buick Park Avenue with 117,000 miles on the odometer. Cutler said the car was worth \$700.

The court in 2007 granted Cutler’s motion to avoid the liens, because of bankruptcy rules that protect a debtor’s residence.

Cutler died three years later, at 84.

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