

Enforcement Alert from Hudson Cook, LLP: Feds Order Large Mortgage Lender to Pay \$22M For Deliberate Discrimination

July 28, 2022 | [Francis Conlon](#) and [Mark E. Rooney](#)

HIGHLIGHTS:

- CFPB and DOJ filed a complaint and proposed consent order in connection with their allegations that a mortgage company redlined majority-minority neighborhoods through marketing, sales, and hiring actions.
- According to the government, the mortgage company's actions discouraged prospective applicants from applying for mortgages and refinance loans in majority-minority neighborhoods in the Philadelphia metropolitan area.
- If the proposed order is approved, the mortgage company will be required to pay \$18.4 million into a loan subsidy program, a \$4 million penalty, and an additional \$2 million on remedial programs.

CASE SUMMARY:

On July 27, 2022, CFPB and DOJ together filed a complaint and proposed consent order in the U.S. District Court for the Eastern District of Pennsylvania to resolve their allegations that a mortgage company intentionally discriminated against families living in majority-minority neighborhoods in the Philadelphia metropolitan area. Prior to the filing of the joint complaint, the mortgage company had ceased originating mortgages.

CFPB and DOJ's complaint alleges that from at least 2015 to 2019, the mortgage company engaged in unlawful discrimination against mortgage applicants, including by denying or discouraging applications for mortgage loans and other credit services in majority-minority neighborhoods (or "redlining"), in violation of the Equal Credit Opportunity Act, its implementing regulation, the Consumer Financial Protection Act, and the Fair Housing Act. Specifically, the government's complaint alleges that the mortgage company's loan officers and other employees exchanged emails containing racial slurs and content and used disparaging terms to describe minority neighborhoods. The complaint also alleges that the mortgage company failed to provide mortgage lending services to communities of color in the Philadelphia metropolitan area, that its offices were concentrated in majority-white neighborhoods, and that its loan officers did not serve the credit needs of majority-minority neighborhoods.

Under the proposed consent order, which is subject to court approval, the mortgage company has agreed to invest \$18.4 million in a loan subsidy fund under which the mortgage company will contract

with a lender to increase the credit made available to residents of majority-minority neighborhoods in the Philadelphia metropolitan area, pay a civil money penalty of \$4 million, and pay an additional \$2 million to fund consumer financial education, advertising and outreach, and other initiatives to increase credit services to majority-minority neighborhoods in the Philadelphia metropolitan area. In addition to the CFPB and DOJ's joint action, the attorneys general of Pennsylvania, New Jersey, and Delaware entered into concurrent agreements with the mortgage company and one of its affiliates to resolve related allegations.

RESOURCES:

You can review all the relevant court filings and press releases at the CFPB's Enforcement page:

- [Complaint](#)
- [Proposed Consent Order](#)
- [CFPB Press Release](#)

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7037 Ridge Road, Suite 300, Hanover, Maryland 21076
410.684.3200

hudsoncook.com

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