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LONG BEACH LENDER TO PAY \$3 MILLION FOR ALLEGEDLY CHARGING HIGHER RATES TO AFRICAN AMERICANS, HISPANICS, WOMEN AND THE ELDERLY

WASHINGTON, D.C. -- A Long Beach, California lender today agreed to settle charges by the Justice Department that the prices of its home mortgage loans were unlawfully influenced by the race, national origin, sex and age of the borrowers.

Under the agreement, the Long Beach Mortgage Company will pay \$3 million to African American, Hispanic, female and elderly borrowers alleged by the Justice Department to be victims of the unlawful pricing practices. It will also spend another \$1 million educating consumers on how to shop for the most advantageous loan.

"We are pleased Long Beach is taking steps to compensate borrowers who we alleged were charged excessive rates and educate the public on the need to shop around for the best mortgage deal," said Assistant Attorney General for Civil Rights Deval L. Patrick.

In a suit, filed together with the agreement in U.S. District Court in Los Angeles, the Justice Department alleged that Long Beach engaged in a practice of discrimination when making home equity, home purchasing and home refinancing loans, in violation of the Fair Housing Act and Equal Credit Opportunity Act.

Under today's settlement, the lender will not engage in any lending practice that discriminates on the basis of race, national origin, gender or age, and has agreed to:

- set up a \$3 million fund to reimburse 1,200 borrowers who received Long Beach loans and are identified by the Justice Department as victims of unlawful lending discrimination;
- train its employees about the requirements of fair lending laws, and offer similar training opportunities to mortgage brokers with whom Long Beach does business;
- take steps to ensure that employees do not act inconsistent with fair lending laws, and inform brokers that it may reject loans if the proposed prices are inconsistent with fair lending laws;
- develop and put into place a model to ensure that unlawful factors do not influence loan prices proposed by its employees, and periodically review its broker lending operations to ensure compliance with fair lending laws; and
- spend \$1 million on education programs to help consumers understand how to shop for the most appropriate loan.

"Lending decisions, including the price of a loan, should be based on the qualifications of the borrower and the resulting risk to the lender," added Patrick. *"Such decisions should not be based in any way on race, gender, national origin or age."*

The Justice Department began investigating the lending practices of Long Beach after a 1993 examination by the Office of Thrift Supervision determined the lender may have engaged in discriminatory conduct. A subsequent Justice Department investigation of the company's lending practices from January 1991 through June 1994 confirmed the OTS findings.

The complaint alleged that Long Beach, which makes most of its loans to less credit-worthy borrowers, known as the B/C market, established a base price for its loans depending on a borrower's level of risk--a practice that was not challenged by the Justice Department. Then, Long Beach would permit the brokers and employees to propose a loan price that exceeded the base price set by Long Beach for the stated risk level.

The complaint said that the portion of the proposed price above the base price was unrelated to the qualifications of the borrower or the risk to the lender. The portion of the proposed price instead determined the compensation to be paid to the employee or broker.

These practices allegedly were carried out in a way in which African Americans, Hispanics, women and the elderly were charged higher rates than others.

Although Long Beach makes loans through brokers as well as employees, the loans at issue were made by and in the name of Long Beach, and Long Beach specifically reserved the right to set the terms and conditions of the loans.

The complaint alleged that the disparities between the loan rates for African Americans, Hispanics, women and people more than 55 years old, as compared to others without those characteristics, could not have occurred by chance and cannot be explained by factors unrelated to race, national origin, gender or age.

"We are pleased Long Beach recognized the problems that many people face when dealing with lenders, and decided to help confront those problems through education," added Patrick.

The agreement still must be approved by the U.S. District Court.

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