

Underwriting Discrimination

Discrimination in underwriting -- the process of evaluating the qualifications of credit applicants -- was the issue in our investigations leading to suits against Decatur Federal Savings & Loan Association in Atlanta, The Northern Trust Company in Chicago, and First National Bank of Doña Ana County in New Mexico. United States v. Decatur Federal Savings & Loan Association, Case No. 1 92-CV-2198-CAM (N.D. Ga. 1992); United States v. The Northern Trust Company, Civil Action No. 95C 3239 (N.D. Ill. 1995); United States v. First National Bank of Doña Ana County, Civil Action No. 97-0096 HB (D.N.M. 1997). Our attention was focused on these institutions by Home Mortgage Disclosure Act (HMDA) statistics showing that African-American and Hispanic applicants were rejected for mortgage loans at significantly higher rates than were white applicants. When our lawyers examined loan files, they uncovered disturbing evidence that bank employees were providing assistance to white applicants that they were not providing to African-American and Hispanic applicants. Loan officers often did not help minority applicants explain negative information on their credit reports and document all of their income. Similar loan officer behavior was responsible for the inordinately high denial rate of African-American applicants underlying the Federal Reserve Board's referral to us of the Shawmut Mortgage Company in Boston. United States v. Shawmut Mortgage Company, Case No. 3:93CV-2453 (AVC) (D. Conn. 1993). The relief we obtained in these four underwriting suits included fair lending training for loan officers, advertising and marketing to minority communities, "second reviews" of rejected minority applications, and new bank branches in minority neighborhoods. Our lawsuits against these lenders, and follow-up bank examinations by the regulatory agencies, have focused lending industry attention on this issue and, we hope, encouraged lenders to institute a variety of programs to prevent disparate treatment.