

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA,  
Plaintiff,

v.

CHEVY CHASE FEDERAL SAVINGS BANK,  
and B.F. SAUL MORTGAGE COMPANY,  
Defendants.

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CONSENT DECREE

**I. INTRODUCTION AND SUMMARY**

This decree is entered, upon consent of the parties, to resolve claims of the United States and the Chevy Chase Federal Savings Bank and the B.F. Saul Mortgage Company [herein after referred to as the Bank and Mortgage Company] violated the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and the Equal Credit opportunity Act, 15 U.S.C. §§ 1691-1691f, by discriminating on the basis of race in home mortgage financing and other types of credit transactions in the Washington, D.C. metropolitan area. The United States contends that the Bank and Mortgage Company have considered the racial composition of residential areas in determining where to market their products, and have avoided doing business in areas where African American persons reside. The United States further alleges that the challenged practices and policies are intended to deny, and have the effect of denying, an equal credit opportunity to residents of African American neighborhoods, on account of the racial identity of the neighborhood, to obtain mortgage financing and other types of credit transactions. The totality of the policies or practices challenged are commonly referred to as redlining.

In June 1993, the United States began the investigation that resulted in this lawsuit. Before and after that date the Bank and Mortgage Company initiated an aggressive effort to market their products to African American residential areas. Most notably, the Bank and Mortgage Company have opened three Chevy Chase Bank branches and four B.F. Saul Mortgage Company offices in African American residential neighborhoods of the Washington, D.C. metropolitan area, and have engaged in an aggressive campaign to solicit business in African American neighborhoods. Those effects will be continued and expanded by the terms of this Consent Decree.

By this decree, the Bank and Mortgage Company have committed to a remedial plan by which they will take all reasonable actions to obtain a market share of mortgage loans in African American neighborhoods, that is comparable to the Bank and Mortgage Company's market share in white residential areas. The Bank and Mortgage Company's plan to achieve this objective includes opening another three mortgage offices in African American residential neighborhoods of the Washington, D.C. metropolitan area in the near future, which will provide some banking services by automated teller machines (ATM's). The Mortgage Company also will expand significantly its outreach efforts to market loan products in African American neighborhoods. Promptly upon receipt of regulatory approval from the Office of Thrift Supervision, the Bank will open a branch in the Anacostia area of Washington, D.C., and the Bank expects to open additional

branches in African American residential neighborhoods of Washington, D.C. and Prince George's County, Maryland during the term of this consent decree.

The Bank and Mortgage Company will invest \$11,000,000.00 in the African American community of the Washington, D.C. metropolitan area during the five year consent decree period to settle the claims of the United States for the damage caused by the alleged redlining, and in furtherance of their commitment to better serve this community. This investment will be undertaken through a combination of subsidized lending programs directed to Washington, D.C. metropolitan area African American neighborhoods and the opening of new bank branches and mortgage offices in these neighborhoods. Specifically, over five years the Bank and Mortgage Company will provide at least \$7,000,000.00 in lending subsidies for the special home mortgage loans, which may be increased depending on the number of bank branch/mortgage office locations to be opened during the consent decree period.

Chevy Chase and the Mortgage Company adamantly deny that any act or omission on their part as alleged in the government's complaint or this consent decree as violative of federal law was motivated in any way by discriminatory intent or racial bias. The Bank and Mortgage Company have agreed to the undertakings set forth in the Consent Decree to settle the government's claims against them and because they believe the affirmative lending actions and practices described will enable them to better serve the African American community.

This Consent Decree is entered into solely for the purposes of resolving the claims against Chevy Chase and the Mortgage Company in the present proceeding involving their lending practices in the Washington, D.C. metropolitan area. The Court has not made any finding or determination that there has been a violation of the law. The entry of this Consent Decree is not to be considered an admission or finding of any violation of law by Chevy Chase or the Mortgage Company.

Since this lawsuit is being resolved without a public trial, the United States believes the public interest is furthered by explaining, in [Part II](#) of this Decree, the factual allegations of the Fair Housing Act and the Equal Credit Opportunity Act. [Part III](#) of the Decree will describe the remedial steps taken by the Bank and Mortgage Company since June of 1993. [Part IV](#) will describe the remedial plan to be implemented in the future. [Part V](#) will describe the special loan programs which will provide compensation to the alleged redlined areas. The remaining Parts describe record keeping, reporting requirements, modification of the decree, jurisdiction retention, dismissal procedures and costs.

## 2. DESCRIPTION OF THE ALLEGED LEGAL VIOLATIONS

Chevy Chase began operating from a single facility in 1969, and the B.F. Saul Mortgage Company was established as a wholly owned subsidiary in 1975. Chevy Chase has grown into the largest savings and loan association in the Washington, D.C. metropolitan area. by June of 1993, when the United States initiated its investigation, Chevy Chase operated seventy-four branches, and the Mortgage Company operated eighteen offices.

The expansion of the Bank and Mortgage Company's business has taken place in a metropolitan area with segregated living patterns. According to the 1990 Census, over 74.3 percent of the African American population of the Washington, D.C. metropolitan area resides in the District of Columbia and Prince George's County; African Americans constitute 65.1 percent of the population of the District of Columbia. African Americans are concentrated in majority African American neighborhoods. Approximately 90.3 percent of the 395,213 African American residents

of the District of Columbia reside in 126 majority African American census tracts, most of which are located in the Northeast, Southeast, and Southwest quadrants of the city; the vast majority (85.9 percent) of the District's white residents live in the Northeast quadrant. Approximately 76.7 percent of the African American residents of Prince George's County live in majority African American census tracts, most of which are concentrated in the central and southern portions of the county. The Bank and Mortgage Company have marketed their loan products in a number of ways. The Community Reinvestment Act requires Chevy Chase to define the area it intends to serve, and the Bank and Mortgage Company's business intentions are further revealed through branching decisions and loan office location decisions.

The Bank and Mortgage Company also market loan products through outreach by loan offices and other employees to real estate professionals and builders, and to the community at-large by advertising. The Bank and Mortgage Company have provided instructions to loan-production employees regarding the areas to which they should devote their efforts, and also have indirectly influenced loan production in some residential areas by the manner in which the Bank and Mortgage Company advertise their products, and by employee recruitment and retention.

In defining a Community Reinvestment Act delineated area, the Bank and Mortgage Company's treatment of the District of Columbia has varied. In 1986, Chevy Chase included the District of Columbia in its delineated area although it had no branches in the District and made few loans outside of heavily white residential areas. In 1989, the institution eliminated the District of Columbia in its entirety from its delineated community, even though, by that time, it had a branch in the heavily white upper northwest area of the District. When that decision was criticized by federal regulators, the institution, in 1992, added the heavily white upper northwest corner of the District to the delineated area. At the time the United States began its investigation, Chevy Chase was still operating under this delineation that included only the most heavily white portion of the District of Columbia. Chevy Chase did include all of Prince George's County in its delineated community.

If this lawsuit had proceeded to trial, the United States would have presented evidence from real estate professionals demonstrating that the Bank and Mortgage Company rarely solicited loan-production business from professionals serving African American residential areas, but actively solicited such business from professionals serving white residential areas. At least one witness would testify that in 1980, the company established a policy for its own employees not to seek financial transactions in the District of Columbia south of Calvert Street, N.W. or east of Connecticut Avenue, N.W. the area accepted for business is the most heavily white residential area of the District of Columbia. Exceptions to this policy were made for residential areas into which white persons were moving, such as Capitol Hill and Dupont Circle. The policy allegedly remained in effect until 1992.<sup>(1)</sup>

Loan Officers of the Bank and Mortgage Company have been paid on a commission basis, which encourages them to direct mortgage production toward residential areas with higher housing values. This policy has contributed to the overall failure to service African American residential areas, since the properties in many of the African American neighborhoods sell for a lower amount than properties in white residential areas. Prior to the initiation of the United States' investigation, the Bank and Mortgage Company had rarely, if ever, used minority-directed media to advertise the availability of mortgage loans and other products offered by the Bank and Mortgage Company.

At the time the investigation began, in June 1993, Chevy Chase was serving the public through a

system of seventy-four branches. Four of the seventy-four branches operating in June 1993 were located in majority African American census tracts; one was located in majority African American census tract in Annapolis, Maryland and the three remaining branches were located in African American areas in the Washington, D.C. metropolitan area. Two of these branches located in African American census tracts in the D.C. area were acquired in purchasing another institution. The other branch, which opened in 1976, is located in a census tract that was white at the time of the 1970 census and majority African American at the time of the 1980 census. In sum, prior to the United States' notice of investigation, Chevy Chase had never opened a branch in an identifiably African American neighborhood in the Washington, D.C. metropolitan area.<sup>2</sup> The location of mortgage offices reveal a similar pattern. The Bank and Mortgage Company did not open a mortgage office in a majority African American census tract until May of 1993.

Further evidence of redlining -- and the overall impact of the challenged practices -- is revealed by the location of properties secured by loans actually made by the Bank and Mortgage Company. Data submitted by the Bank and Mortgage Company pursuant to the Home Mortgage Disclosure Act (HMDA) show that from 1985 through 1993, the Bank and Mortgage Company made the vast bulk of their home mortgage loans in majority white census tracts of the Washington, D.C. metropolitan area; in no year was the percentage of loans in white census tracts less than 95 percent of the total.<sup>3</sup> During 1993, the Bank and Mortgage Company originated 6,524 mortgage loans in the Washington, D.C. metropolitan area. Of these loans, 6,206 (95.1 percent) were secured by properties located in majority white census tracts, and 318 (4.9 percent) were secured by properties located in majority African American census tracts.

The Bank and Mortgage Company's loan applications also showed the same disparities. Only 5.7 percent of the loan applications received from 1988 - 1992 were from majority African American census tracts. Moreover, during 1993, the institutions received 7,311 mortgage applications from the Washington, D.C. metropolitan area. Of these applications, 6,947 (95 percent) were received from applicants in majority white census tracts, and 364 (5 percent) were received from applicants in majority African American census tracts.

The racial disparities in the Bank and Mortgage Company's loan applications and originations cannot be explained by differences in demand for mortgages in white areas and majority African American areas. The Bank and Mortgage Company's performance, when analyzed in relation to records of the total number of mortgage loans made by all providers, reveals that the Bank and Mortgage Company have a significantly greater market share in the white census tracts than in majority African American census tracts. For example, from 1990 through 1992, Chevy Chase's share of all purchase money mortgages originated in majority white census tracts ranged from 1.5 to 2.1 percent. During the same period, the institution's share of such mortgages originated in majority African American census tracts ranged from 0.2 percent to 0.4 percent. The disparities are statistically significant and cannot be explained by non-racial variations in the institutions marketing and loan solicitation practices.

The redlining practices were not limited to home financing. The vast majority of the Bank and Mortgage Company's residential construction and commercial loans also support properties and businesses in white residential areas, with little corresponding support for properties and businesses located in African American residential areas. The Bank and Mortgage Company made at least 502 residential construction and commercial loans from the late 1970's to the early 1990's in the four most populous jurisdictions in the Washington, D.C. metropolitan area (Montgomery County, Prince George's County, Fairfax County, and the District of Columbia). More than 90 percent of those loans were made in the very heavily white jurisdictions of Fairfax County and

Montgomery County; 5.7 percent were made in the District of Columbia, virtually all in white areas; and 3.5 percent were made in Prince George's County.

### 3. PROACTIVE LENDING INITIATIVES BY THE BANK AND MORTGAGE COMPANY

The United States recognizes that the Bank and Mortgage Company have voluntarily taken a number of steps toward improving fair lending performance since early to mid 1993, and the receipt of the United States' investigation notice letter in June 1993.

Throughout this period the Bank and Mortgage Company have taken steps to help meet the credit needs of African American neighborhoods. Advertising efforts directed to African American neighborhoods have been increased. Advertisements have been placed in three newspapers directed to African American citizens: Capitol Spotlight, New Dimensions, and Washington Informer. The advertising initiative also has included the use of radio stations directed to the African American community. The Bank and Mortgage Company have increased efforts to solicit business from real estate professionals and builders serving African American residential areas. A recent survey in May 1994 undertaken by an independent consultant found that the Mortgage Company now has the highest name recognition amongst such real estate professionals.

In late 1993, the Mortgage Company retained an independent consultant to conduct a mystery shopper program to test for racial discrimination and no discrimination in the treatment of applicants was reported.

In January 1994, the Mortgage Company revised the method of compensating loan officers in an effort to increase loan originations in residential areas with lower housing values. The revised method provides for a commission payment of 10 basis points more than the standard commission of 50 basis points for all loans of \$60,000.00 or less in the Washington, D.C. metropolitan area. In addition, the Mortgage Company has established a special salary plus commission compensation structure for four Washington, D.C. originators. The Mortgage Company has also increased substantially the number of African American employees in loan-production positions.

In February 1994, Chevy Chase revised its Community Reinvestment Act delineated community so as to include the District of Columbia in its entirety. Chevy Chase has opened three new branches in African American residential areas. The location of the new branches and the date of openings are as follows:

- a. Fort Washington, Maryland. Opened in December 1993.
2. Largo, Maryland. Opened in May 1994.
3. Riggs Road, N.E., Washington, D.C. Opened in June 1994.

The B.F. Saul Mortgage Company has opened four loan offices serving African American residential areas. The location of the new offices and the date of opening are as follows:

- a. Greenbelt, Maryland. Opened in March 1993.
2. Camp Springs, Maryland. Opened in May 1993.
3. Landover, Maryland. Opened in March 1994.

4. Riggs Road, N.E., Washington, D.C. Opened in June 1994.

Chevy Chase and the Mortgage Company have increased their lending initiatives in the Washington, D.C. metropolitan area. In March 1993, they offered a \$25,000,000.00 special lending program below market fixed rate mortgages to low and moderate income individuals throughout the Washington, D.C. metropolitan area. This fund was fully subscribed within 60 days. In December 1993, they committed \$20,000,000.00 to the D.C. Community Development Fund for home buyers and invested \$30,000,000.00 in the Washington, D.C. advertising campaign to publicize the program. In December 1993, they committed \$1,000,000.00 to the \$4,500,000.00 Prince George's County Revitalization Loan Fund that provides loans to small businesses in Prince George's County. In May 1994, they announced an addition of \$100,000,000.00 to the Community Development Loan Fund for low-and-moderate income borrowers, and \$50,000,000.00 in support revenue bond programs to government jurisdictions which include for the first time Prince George's County and the District of Columbia Mortgage Revenue Bond Program.

The Mortgage Company has also increased significantly the number of applications and home mortgage loan originations from African Americans during 1993. Specifically, between 1991 and 1993 the Mortgage Company increased the number of home mortgage loan applications received from African American borrowers from 249 to 1074 and increased the number of home mortgage loans made to such borrowers from 162 to 884.

In addition, Chevy Chase is aggressive in offering other types of credit to the African American communities in the Washington, D.C. metropolitan area. Chevy Chase's commitment to lending to African American borrowers is exemplified by the bank's credit card lending record, which shows that the bank has aggressively made credit card loans available to residents of majority African American census tracts in its community. Indeed, Chevy Chase has the second highest market share in credit card lending to lower income and minority groups of any lender in the Washington, D.C. metropolitan area.

The United States agrees that the above-described actions are positive remedial steps that address the issues which were the subject of the United States' investigation and complaint. These successful actions are hereby incorporated by reference in the remedial plan described in [Part IV](#).

4. REMEDIAL ORDER

A. **General Injunction**

Defendant Chevy Chase Federal Savings Bank and defendant B.F. Saul Mortgage Company, and all officials, employees, agents and successors of the Bank and Mortgage Company are hereby enjoined from engaging in any act or practice that discriminates on the basis of race in any aspect of residential real estate-related transactions or in the extension of other types of credit. The Bank and Mortgage Company shall take the steps necessary to ensure racial fairness in the marketing, solicitation, and processing of home mortgages, and other forms of financing, such as commercial loans and residential construction loans, and other credit offered by the institutions, and in the provisions of services or facilities in connection with any such credit transactions. The Bank and Mortgage Company are further enjoined from imposing, on the basis of race, difference terms or conditions for the availability of credit. Fair Housing Act, 42 U.S.C. §§ 3604 and 3605; Equal Credit Opportunity Act, 15 U.S.C. § 1691(a)(1).



## 2. **Community Reinvestment Act Delineated Community**

As noted in Part III, in February 1994 Chevy Chase revised its delineated territory to include the District of Columbia, in its entirety. During the period that the Consent Decree remains in effect, Chevy Chase will continue to include all portions of the District of Columbia and Prince George's County, Maryland in its delineated territory.

## 3. **Marketing Program**

The Bank and Mortgage Company shall implement an aggressive marketing program designed to improve in meeting the credit needs of African American residential areas of the Washington, D.C. metropolitan area. The Bank and Mortgage Company will take all reasonable steps to ensure that home mortgage loans are marketed and made available in African American residential areas to an extent comparable to white residential areas. The success of the remedial plan will be judged by its effectiveness in achieving a market share of home mortgage loans in majority African American census tracts that is reasonably comparable to the Bank and Mortgage Company's market share in white residential areas during the period of time that this decree is in effect. This provision should not be interpreted as requiring the Bank and Mortgage Company to make bad loans. Rather, the provision requires aggressive marketing and outreach as a remedy for the alleged past discrimination, and envisions that the expected applicants will be treated without regard to race. So long as all reasonable steps have been taken to achieve this goal, the Bank and Mortgage Company will be considered to be in compliance with this provision of the decree.

The Bank and Mortgage Company will retain discretion to implement other actions that they believe appropriate to achieve the remedial goal, without prior approval of the United States or this Court except as otherwise provided in this order. All provisions of the Consent Decree are to be implemented consistent with the safety and soundness of the institution. The initial plan of the Bank and Mortgage Company for achieving the remedial goal is as follows:

### 1. **Additional Bank Branch and Mortgage Office Locations.**

In addition to the new branches and mortgages loan offices described in part III, the Bank and Mortgage Company will take further action to provide banking and lending services to African American communities. Subject to the approval, where necessary, of the Office of Thrift Supervision, the Bank and Mortgage Company will open additional bank branch and/or mortgage office locations in African American neighborhoods in the Washington, D.C. metropolitan area during the consent decree period. The mortgage offices will effectuate home mortgage lending in the African American communities in which they are established and will also provide certain banking services through automated teller machines (ATM's). Specifically, the Bank and Mortgage Company already have opened a branch/mortgage office on Riggs Road and plan to open a similar facility in the Anacostia section of Southeast Washington, D.C. promptly upon receipt of regulatory approval from the Office of Thrift Supervision. The Bank will exercise its best efforts to open this branch by year end 1994. In addition, the Mortgage Company will open a mortgage office in or around the Seat Pleasant area of Prince George's County, Maryland by June 1995. Additionally, the Mortgage Company will open another mortgage office in a majority African American census tract in D.C., outside of the Northwest quadrant, by January

1996.

The bank shall continue to evaluate sites for branches in majority African American census tracts that the United States contends were redlined. By March 1, 1995, the Bank shall present its evaluation of branching possibilities to the United States and the parties shall jointly consider whether the overall goals of the decree can be better served by additional branches or by utilizing in the special loan fund money that would have been committed to new branches.<sup>4</sup>

The prior approval of counsel for the United States shall be obtained for the precise location of the mortgage offices and branches. If the United States fails to object to a location within thirty days of receipt of a request for approval, the request shall be deemed to be approved. Any branch the bank seeks to open pursuant to this decree shall be subject to the normal regulatory approval of the Office of Thrift Supervision. The new branches and mortgage offices opened pursuant to the terms of this decree shall remain open during the like of this decree.

2. Criteria for Future Locations of Branch Banks and Mortgage Offices.

The Bank and Mortgage Company will follow an objective set of criteria to evaluate future branch and mortgage office openings, closings, and other significant changes in services, and these criteria will incorporate the Bank and Mortgage Company's Community Reinvestment Act obligations, as well as the remedial design of this decree. The institutions will pay particular attention to how any proposed changes would affect the Bank and Mortgage Company's ability to meet the credit needs of low-and-moderate-income neighborhoods, especially neighborhoods in predominantly African American census tracts. The Bank and Mortgage Company will promptly provide to counsel for the United States a copy of any applications or notices to open or close any branches or mortgage offices during the period in which this decree is in effect.

3. Advertising

The Bank and Mortgage Company will further augment an advertising program, as described in Part III, designed to attract qualified applicants for home mortgages from African American residential areas of its community, as defined pursuant to the Community Reinvestment Act. The advertising program will include special provisions to target residents of predominantly African American neighborhoods.

- a. The Mortgage Company shall continue to advertise in media directed to the African American community as described in Part III. During the term of this decree it will place a total of at least 960 column-inches of advertising during each one-year period of the Consent Decree in newspapers or other publications oriented towards African Americans in the Washington, D.C. metropolitan area. It may vary the size and frequency of advertisements and the choice of publications for this advertising campaign, as long as the above overall average is met for each one-year period. These advertisements will be for home mortgage products, and will mention the availability of FHA and VA loans and may also include references to other loan products that have comparable advantages.



2. The Mortgage Company will create special point-of-sale materials (e.g., posters, brochures, etc.) to advertise products and services of interest to African American home buyers and place the materials in bank branches and mortgage offices in predominantly African American neighborhoods.
  3. The Mortgage Company will develop a brochure describing its special products for first time home buyers, community home buyers program, its FHA and VA loan programs, and/or comparable programs. The Mortgage Company will distribute at least 2,500 of these brochures per year during the Consent Decree period through direct mail and appropriate channels such as real estate professionals serving African American residential areas of the Washington, D.C. area.
  4. All advertisements for home mortgage loan products will contain an equal housing opportunity logotype, statement, or slogan as described in the Fair Housing Advertising regulations of the United States Department of Housing and Urban Development, 24 C.F.R. Part 109. The lender will follow the guidance of Tables I and II of Appendix I to 24 C.F.R. Part 109 in selecting appropriate type size as well as a slogan, statement, logotype, and other standards for advertising.
  5. All of the Mortgage Company's advertising that uses human models in video, photograph, drawings, or other graphic techniques will reasonably represent African American as well as white residents and other minorities of the same area which the Bank and Mortgage Company serve. Models, if used, will portray persons in an equal social setting and indicate to the general public that the Bank and Mortgage Company's products are available on a nondiscriminatory basis.
  6. The Mortgage Company will place a total of at least 360 thirty-second spots per one-year period on the Consent Decree on at least three radio stations orientated to the African American communities in the Washington, D.C. metropolitan area. All of this advertising will be for home mortgage products and the Mortgage Company's advertising program will include advertising of the availability of FHA and VA loans and other comparable loan programs. The Mortgage Company may vary the frequency of the spots and choice of stations for its advertising campaigns, as long as the above overall total is met for each one-year period.
  7. In all radio and television advertisements and promotions for home mortgage loans, the statement "Equal Housing Lender" will continue to be audibly stated. In the alternative, if a television advertisement or promotion for home mortgage loans includes a written statement appearing on the screen, the nondiscrimination statement may so appear; the nondiscrimination statement must continue to meet the requirements set forth in Appendix I to 24 C.F.R. Part 109 and must appear on the screen as long as any other written statements appear.
4. Ascertaining Credit Needs of African American Neighborhoods.

The Mortgage Company will conduct additional ascertainment efforts to further understand the home mortgage credit needs of the African American community. In this regard, representatives of the lender will meet each year with members of at least three African American community or civil groups to examine current Mortgage Company loan products, services, and advertising, and discuss ideas for improvements if improvements are necessary.<sup>5</sup>

5. Other Efforts to Solicit Business in African American Residential Areas.
  - a. The Mortgage Company will continue to target real estate agents and builders active in neighborhoods on predominantly African American census tracts within its delineated community for sales calls. the lender will maintain a list of the names and addresses of the real estate agents, builders, and developers on whom it intends to make sales calls, including those entities the Mortgage Company currently calls on pursuant to the initiatives discussed in Part III.
  2. Each loan officer will maintain a log of all sales calls on a real estate agent or agency, builder, or other person or organization contacted for the purpose of soliciting loan applications in targeted African American neighborhoods.
  3. The Mortgage Company will authorize a position for a supervisor who will be responsible for overseeing the activities of all loan officers regarding soliciting and originating home mortgage loans in predominantly African American neighborhoods in the Washington, D.C. metropolitan area and special loan programs that are geared toward low-and moderate-income neighborhoods. The individual will additionally develop a program to provide loan officers with expertise in these special loan programs, and in targeting low- and moderate-income neighborhoods. The supervisor will also prepare annual reports on these activities, and serve as a resource to loan office managers and loan officers to encourage the origination of more home mortgage loans to African American borrowers.
  4. The Mortgage Company will retain the lending incentives discussed in the compensation package for loan officers described in Part II for the duration of the decree.

6. Recruitment of Personnel.

The Bank and Mortgage Company will continue their efforts to recruit African American candidates for positions with the companies with particular emphasis on loan-production positions, such as Loan Officer, Underwriter, Loan Processor, Staff Appraiser, Assistant Branch Manager, and Branch Manager.

7. Special Programs.

- a. The Mortgage Company will regularly conduct seminars for real estate agents or agencies active in African American neighborhoods of the Washington, D.C. metropolitan areas whereby the institution apprises the agents of products offered, including the programs set out in this decree, and otherwise furthers business contact with the agents. At least six such seminars will be conducted

by the B.F. Saul Mortgage Company each year at locations reasonably convenient to the agents' business operations during the consent decree.

2. The Mortgage Company will regularly conduct programs such as the Community Home Buyers Program developed by Fannie Mae in the African American neighborhoods of the Washington, D.C. metropolitan area. The Mortgage Company's program, such as the Homebuyer Program, will instruct participants about such topics as managing credit, controlling the households budget, preparing for and applying for a home mortgage loan. The company will use its best efforts to present this Program at least twelve times per year during the consent decree period.
  3. The Mortgage Company will hire a new credit counselor who will be responsible to assist borrowers that do not meet the institution's underwriting standards.
8. Non-discriminatory Treatment of Home Mortgage Loans
- a. The Bank and Mortgage Company will develop procedures that outline guidance for bank branch personnel to follow regarding all inquires for home mortgage loans. Such guidelines shall include, among other things, that bank branch personnel record the name and race of each person who inquires about a home mortgages and shall provide each person with a copy of a home mortgage loan application and assist the customer in setting up an interview with a loan officer at a mortgage office, bank branch, or other mutually convenient location.
  2. The B.F. Saul Mortgage Company will solicit information necessary to allow for fair evaluation of applications and will assess completed applications from African American customers in the same manner and under the same underwriting criteria that it applies to white customers.
  3. The Mortgage Company will continue its Second Review Committee review of each initially rejected loan. The members of the Mortgage Review Committee will certify by signature that he/she concurs with or has elected to change (for reasons noted) the initial decision.
9. Training
- a. The Mortgage Company will continue to provide training to all of its staff with significant involvement in home mortgage lending to ensure their activities are conducted in a non-discriminatory manner.
  2. The Mortgage Company will provide training to its loan origination staff on its affirmative marketing programs, including targeted sales calls, and will monitor their activities.
  3. Within 45 days after the entry of this Consent Decree, the Mortgage Company will conduct comprehensive training sessions on the applicable provisions of this Consent Decree for every Loan Originator, Underwriter, Staff Appraiser,

Loan Processor, Assistant Branch Manager, and Branch Manager.

4. The Bank and Mortgage Company will continue to conduct regular compliance training of staff with significant involvement in home mortgage lending on the Community Reinvestment Act, the Fair Housing Act, the Equal Credit Opportunity Act, and this Consent Decree. This training will continue to include scheduled training sessions, staff meetings, compliance newsletters, videotapes, regulatory updates, and/or comparable methods. The lender will incorporate cultural diversity and sensitivity training into its training programs given to all managers and customer-contact employees. The lender may contact with outside consultants to provide any of this training.
5. The Mortgage Company will continue to contract with a qualified organization during the consent decree period to periodically test for racial discrimination in its home mortgage lending. The Mortgage Company will review the testing results with the relevant individual employees and will use the results to determine how to address any concerns with individual employees and whether changes in training are necessary.

#### 5. SATISFACTION OF THE UNITED STATES' CLAIM FOR MONETARY RELIEF

The Bank and Mortgage Company will invest \$11,000,000.00 in the neighborhoods that the United States contends were redlined. This investment will satisfy the claim of the United States for monetary damages, and the monetary remedy will be enforceable by the United States as would be any other court order or judgement.

At least \$7,000,000.00 of the investment will be provided in the form of special mortgage loans offered to residents of majority African American census tracts that the United States contends were redlined. The financing will be offered at interest rates, or on terms, that are more advantageous to the borrower than normally would be provided, and thereby the lender will subsidize each transaction. Each \$1,000,000.00 of subsidy provided by the Mortgage Company will provide approximately \$20,000,000.00 in special financing for the community.

Persons living in the defined census tracts who desire to participate in the financing program for home mortgage loans up to \$203,150.00 will, if they otherwise qualify for financing, have an option of (1) obtaining a mortgage loan (including both purchase money and refinancing) at an interest rate that is one percent below the rate that the Bank and Mortgage Company would charge or (2) a one-half percent below-market interest rate and a grant in the amount of two percent of the loan which would be applied to the down payment requirement, and a \$400.00 waiver of fees.

The Mortgage Company will underwrite the loans for this special program accordance with the underwriting guidelines of Fannie Mae's enhanced FannieNeighbors with Community Home Buyers Program (including the 3/2 Option) or other programs with similarly flexible underwriting guidelines. FannieNeighbors Mortgages are conventional, fixed-rate mortgages secured by single family residences in designated neighborhoods. The program offers various flexibilities that are designed to allow a minimum down payment of five percent; the borrower is permitted to obtain two percent of the down payment through gifts, thus necessitating that the borrower provide only three percent from his or her own funds. Under this program Fannie Mae will waive the standard requirement that the borrower have reserves equal to two mortgage payments at the time of closing. The program also allows closing cost flexibilities. Any initially rejected applications will

be reviewed by the Mortgage Company's Second Review Committee.

The precise amount of the subsidy to be provided by the Mortgage Company pursuant to this special program will be related to the number of branches opened. For planning purposes, however, the Bank and Mortgage Company shall make an initial investment of \$7,000,000.00 over the five year period of the consent decree, thereby allocating approximately \$28,000,000.00 in special loan products for each of the five years. The total monetary amount will be made available for loans secured by properties in defined census tracts of the District of Columbia and Prince George's County, Maryland. The money will be apportioned between the District and Prince George's County in relation to the United States' estimate of the manner in which the alleged underlying violation affected each community. the initial estimated distribution will be as follows:

- a. Approximately \$20,000,000.00 each year, for five years, will be allocated for loans secured by properties in the District of Columbia census tracts identified in [Attachment A](#) and
2. Approximately \$8,000,000.00 each year, for five years, will be allocated for loans secured by properties in the Prince George's County census tracts identified in [Attachment B](#).

For the duration of this program, the balance from each year's fund which has not been loaned by the anniversary date of the program, will be added to the next year's fund. If by the fourth anniversary of this decree, the Bank has not completed its projected investment in bank branches/mortgage offices, the additional funds will be supplied in the final year of the special program so as to ensure that the \$11,000,000.00 investment has been fully made within the consent period. If, at the end of five years, that amount has not been fully invested in the community, the Bank and Mortgage Company shall make a contribution to a charitable or community organization(s) dedicated to the improvement of housing or home ownership in the targeted census tracts in an amount equal to the remaining balance in the compensation program.

#### 6. RECORD-KEEPING AND REPORTING REQUIREMENTS

- a. The Bank and Mortgage Company will retain all records relating to its obligations under this Consent Decree, including its advertising, mortgage production, branching, special programs, recruitment, and compliance activities.
2. The Bank and Mortgage Company will provide the United States annually for the duration of the Consent Decree on magnetic tape in standard EBCDIC format the Home Mortgage Disclosure Act data provided by it to the FFIEC within 30 days of providing such data to the FFIEC.
3. The Bank and Mortgage Company will report their progress under this Consent Decree to the Civil Rights Division of the United States Department of Justice on an annual basis for a period of five years. All reports will be submitted to the United States within 30 days after the close of the annual time period and will include the following information:
  - i. A report on advertising conducted pursuant to this Consent Decree, including the media names, types, and frequencies. The report will include representative copies of all advertising.
  2. A report on lending efforts conducted pursuant to this Consent Decree. The report

will discuss the program to target African American neighborhoods as set forth in Part IV and will include a list of the individuals determined to be active in those neighborhoods. It will include the loan officers' sales call logs and the reports from the loan officers who specialize in originating loans in low-and moderate-income areas detailing their activities. It will analyze the effectiveness of the incentive programs in increasing mortgage production in predominantly African American areas. It will detail all ascertainment efforts, including the dates, descriptions, and results of all market research and the dates, groups contacted, and matters discussed in all community outreach meetings.

3. A report on the Bank and Mortgage Company's branching activity in its delineated community, including detailed explanations of all branch openings, significant service changes, or closing. This report will analyze the effect of all changes on the lender's obligation under the Community Reinvestment Act to meet the credit needs of low-and moderate-income neighborhoods in its delineated area. The report will detail alternatives considered and/or instituted to avoid closing a branch and the results of any meetings conducted with community organizations regarding the branch.
4. A report of the activities of the Compliance Employees. This report will include a description of all compliance training, the dates held, instructors, content, audience, and the number of individuals who attended. The lender will also preserve the results of the tests described in Part IV above, and report to the United States a summary of the test results and any sanctions or disciplinary actions taken in connection with the test findings.

Copies of all notices, correspondence, reports, or documents required to be provided under this Consent Decree will be mailed to the following addresses:

Chief, Housing and Civil Enforcement Section  
Civil Rights Division  
U.S. Department of Justice  
P.O. Box 65998  
Washington, D.C. 20035

Vice Chairman  
Chevy Chase FSB  
8401 Connecticut Avenue  
Chevy Chase, Maryland 20815

President  
B.F. Saul Mortgage Company  
8401 Connecticut Avenue  
Chevy Chase, Maryland 20815

## 7. MODIFICATION

This Consent Decree may be modified by written agreement of the parties.

## 8. RETENTION OF JURISDICTION



The Court will retain jurisdiction for a period of five years from the date hereinafter affixed. At the conclusion of this five year period the Consent Decree shall expire without any action by any party thereto. The United States may petition the Court to extend the court's jurisdiction if it has a reasonable basis for concluding that the remedial goals for the decree have not been achieved and that the Bank and Mortgage Company have not taken all reasonable steps to achieve the remedial goals. The parties to the decree will endeavor in good faith to resolve informally any differences regarding interpretation and compliance with this Decree prior to bringing such matters to the Court for resolution.

9. COSTS

Each party to this litigation will bear its own costs.

It is so ORDERED, ADJUDGED, and DECREED this 22d day of August, 1994

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UNITED STATES DISTRICT JUDGE

The undersigned apply for and consent to the entry of this Order:

FOR THE UNITED STATES:

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Attorney General

DEVAL L. PATRICK  
Assistant Attorney General

PAUL F. HANCOCK  
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FOR CHEVY CHASE FEDERAL SAVINGS BANK  
AND B.F. SAUL MORTGAGE COMPANY:

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WILLIAM J. SWEET, JR.  
Bar #256875

ANDREW L. SANDLER  
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HEIDI L. MASON  
Bar #436090

SKADDEN, ARPS, SLATE & FLOM  
1440 New York Avenue, N.W.  
Washington, D.C. 20005  
(202)371-7000

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**ATTACHMENT A**

Targeted Census Tracts in the District of Columbia

0016.00	0017.01	0017.02	0018.03
0018.04	0019.01	0019.02	0020.01
0020.02	0021.01	0021.02	0022.01
0022.02	0023.01	0024.00	0025.01
0025.02	0026.00	0028.01	0029.00
0030.00	0031.00	0032.00	0031.01
0031.02	0034.00	0035.00	0036.00
0037.00	0043.00	0044.00	0045.00
0046.00	0047.00	0048.01	0048.02
0049.01	0049.02	0050.00	0059.00
0060.20	0064.10	0068.01	0068.02
0068.04	0069.00	0071.00	0072.00
0073.02	0073.04	0073.08	0074.01
0074.04	0074.06	0074.07	0074.08
0074.09	0074.30	0075.02	0075.03
0076.05	0077.03	0077.07	0077.08
0077.09	0078.03	0078.04	0078.07
0078.08	0078.09	0078.60	0079.01
0079.03	0080.01	0080.02	0084.02
0084.10	0085.10	0086.00	0087.01
0087.02	0088.02	0088.03	0088.04
0089.03	0089.04	0090.01	0090.02
0091.02	0091.10	0092.03	0094.10
0092.40	0093.01	0093.02	0094.10
0095.01	0095.03	0095.05	0095.07

0095.08	0095.09	0095.40	0096.01
0096.02	0096.03	0096.04	0097.00
0098.03	0098.04	0098.05	0098.06
0098.07	0098.08	0098.09	0098.10
0098.20	0099.01	0099.02	0099.03
0099.04	0099.05	0099.06	0099.07

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**ATTACHMENT B**

Targeted Census Tracts in Prince George's County Maryland

8005.09	8006.01	8012.03	8012.04
8013.04	8013.98	8014.01	8014.02
8014.03	8014.04	8015.00	8016.00
8017.01	8017.02	8017.03	8017.04
8017.06	8018.01	8018.02	8018.04
8018.05	8018.06	8019.02	8019.04
8019.05	8020.01	8020.02	8021.03
8021.04	8021.05	8021.06	8022.01
8022.03	8022.04	8023.01	8024.01
8024.03	8024.01	8025.00	8026.00
8027.00	8028.03	8028.04	8028.05
8028.06	8029.01	8029.03	8030.01
8030.02	8031.00	8032.00	8033.00
8034.01	8034.02	8035.05	8035.06
8035.07	8035.08	8035.09	8035.10
8035.11	8036.01	8036.02	8036.08
8036.09	8038.03	8040.01	8041.01
8041.02	8043.00	8048.00	8049.00
8050.00	8051.01	8051.02	8052.01
8052.02	8055.00	8057.00	8058.01
	8058.02	8059.01	8059.05

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<sup>1</sup> The Bank and Mortgage Company note that during the period 1988-1992, the Mortgage Company extended 641 loans for \$139.4 million to residents of the District of Columbia within the geographic area south of Calvert Street and east of Connecticut Avenue.

<sup>2</sup> In 1989 and 1990 Chevy Chase applied to open a branch in Fort Washington, Maryland. According to the 1990 Census the population in the census tract in which Chevy Chase planned to open the branch was 52% African American

<sup>3</sup> White census tracts are defined as those tracts where African Americans do not constitute 50 percent or more of the population. Minorities may constitute a majority in some such census tracts.

<sup>4</sup> The Bank and Mortgage Company may also seek the consent of the United States to a delay of the scheduled opening of a mortgage office if they plan to incorporate a mortgage office with a branch opening.

<sup>5</sup> While this settlement provides remedies for African American communities, the defendants will ascertain the home mortgage credit needs of other minority communities in the Washington metropolitan area and aggressively solicit and originate home mortgage loans in those communities.