

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

UNITED STATES OF AMERICA,  
Plaintiff,

v.

Civil Action No. 1 92-CV-2198-CAM

DECATUR FEDERAL SAVINGS AND  
LOAN ASSOCIATION,  
Defendant.

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COMPLAINT

The United States of America alleges:

1. This action is brought by the United States to enforce the provisions of Title VIII of the Civil Rights Act of 1968 (the Fair Housing Act), as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§1691-1691f.
2. This Court has jurisdiction of this action pursuant to 28 U.S.C. §1345, 42 U.S.C. §3614, and 15 U.S.C. §1691(h).
3. Defendant, Decatur Federal Savings and Loan Association (hereinafter "Decatur Federal" or "the Association"), is a federally chartered savings and loan association doing business in the State of Georgia, and is a subsidiary of DFSoutheastern Incorporated. Its headquarters office is located in Decatur, Georgia. Its business includes engaging in residential real estate-related transactions and regularly extending credit to persons.
4. As of December 31, 1991, Decatur Federal had \$2.03 billion in deposits, assets of \$2.56 billion, a net worth of \$124 million, and 39 branch offices (including five regional loan offices) in nine counties in the state of Georgia. All but four of those branch offices are located in the 18-county Atlanta Metropolitan Statistical Area (MSA), as defined by the 1990 Census.
5. Decatur Federal is one of the largest originators of home mortgages in the Atlanta area. According to data submitted by the Association pursuant to the Home Mortgage Disclosure Act, in 1990 Decatur Federal originated in the Atlanta MSA 1,738 home mortgage loans (purchase or refinance) totaling more than \$170 million. As used in this complaint, "home mortgage loan" refers to conventional mortgage loans and government-insured mortgage loans for the permanent financing of one-to-four-family dwellings.
6. As a federally chartered savings and loan institution, Decatur Federal is subject to the regulatory authority of the Office of Thrift Supervision, formerly known as the Federal Home Loan Bank Board. As a federally regulated lending institution, Decatur Federal is subject to federal laws governing fair lending, including the Fair Housing Act, the Equal Credit Opportunity Act, and the Community Reinvestment Act of 1977 (12 U.S.C. §§2901-2906). The Community Reinvestment Act and its implementing regulations require Defendant to meet the credit needs of the entire community in which it operates, including the credit needs of low- and moderate-income neighborhoods.
7. Decatur Federal commenced operations in 1927, in an identifiably white neighborhood in the Atlanta area. At that time black citizens of the Atlanta area were subjected to segregation in virtually all aspects of public life, including, but not limited to, housing, education, and public accommodations and facilities. Banking and lending institutions owned and operated by white persons, including Decatur Federal, rarely made home mortgage loans to black persons, or home mortgage loans on properties located in black residential areas.

8. As years passed and various civil rights statutes were implemented, public and private institutions in the Atlanta area, including Decatur Federal, began to serve black persons to a greater extent. Throughout its history, however, Decatur Federal has implemented a policy and practice of marketing its services and products primarily to white residents of the Atlanta area. These policies and practices are described in paragraphs 9 through 16 below.
9. Decatur Federal opened all of its branch offices and regional loan offices in areas that were majority-white at the time. Five of its branch offices were acquired through purchase or merger, all located in majority-white areas. Defendant closed the single branch that it opened in an area with a population more than 25% black, known as Kirkwood, after only three years of operation. Defendant has closed only one other full-service branch, known as Glendale, in the Atlanta Region. Decatur Federal had opened this branch when the neighborhood surrounding it was 3% black, and closed the branch when the neighborhood had become 85% black.
10. Defendant employs "account executives" to market its mortgage products to real estate agents and their clients. Nearly all of the persons who have been employed as account executives have been white, and such persons have actively solicited business primarily from real estate agencies that are owned and operated by white persons. Defendant's account executives have rarely directly solicited mortgage loans from members of the Empire Realty Board, an organization of black real estate professionals who serve black residential areas, although Defendant has included some Board members on its routine mailing lists.
11. Defendant employs professional real estate appraisers and also contracts with other appraisers to conduct the property appraisals in connection with its mortgage loan products. Defendant has rarely or never employed or contracted with appraisers who are members of the National Society of Real Estate Appraisers, a professional organization of black real estate appraisers with substantial experience in appraising properties located in black residential areas. All of Defendant's staff appraisers are white.
12. In advertising its mortgage products through the media, Defendant has rarely or never utilized newspapers, radio stations, or other media that are oriented to the black community of Atlanta.
13. Certain mortgage products, such as loans insured through the Federal Housing Administration (FHA) or the Veterans' Administration (VA), are in greater demand in black residential areas than in white residential areas. While Defendant offers both FHA and VA loans, it rarely advertises the availability of such loans and has made only a small number of such loans. Most of the loans made have been directed to the white, rather than the black, community. For example, according to data from the Association's automated loan tracking system, reported pursuant to the Home Mortgage Disclosure Act, during 1989 Decatur Federal originated 1,410 home mortgage loans (including refinances) in the Atlanta Region (the seven-county urban core, as defined by the Atlanta Regional Commission). Of these loans, only 75 (5%) were FHA loans, and 20 (1%) were VA loans. Of the FHA loans, 65 (87%) went to white applicants and of the VA loans, 17 (85%) went to white applicants. During that same period, FHA and VA loans accounted for 47.9% of the total mortgage loan originations (excluding refinances) for all lenders in majority-black census tracts in the Atlanta Region, but only 32.7% of the loan originations in majority-white census tracts.
14. In 1979, Decatur Federal defined its lending area pursuant to the requirements of the Community Reinvestment Act (CRA). Decatur Federal circumscribed its CRA lending area in Fulton County to exclude most of the predominantly black neighborhoods of the City of Atlanta and South Fulton County by largely following the tracks of the Seaboard Coast/Southern Railway line and the Georgia Railroad, which historically separated black neighborhoods from white neighborhoods in South Fulton County. As a result, over 76% of the black population of Fulton County at that time, based on the 1970 Census, was excluded from Decatur Federal's CRA lending territory, while the predominantly white areas of North Fulton county were included.
15. From 1985 through 1990, Decatur Federal processed approximately 24,300 total applications for home mortgage loans (including refinances). Approximately 21,750 (90%) of those applications were from white applicants and approximately 1,420 (6%) were from black applicants.
16. Decatur Federal has served the credit needs of predominantly white neighborhoods of the Atlanta Region to a significantly greater extent than it has served the credit needs of predominantly black neighborhoods. For example, according to loan origination information for the seven-county Atlanta Region provided by Decatur Federal pursuant to the Home Mortgage Disclosure Act:

- a. During 1988, Decatur Federal originated 1,470 home mortgage loans in the Atlanta Region. Of these loans, 1,425 (97%) were in census tracts which the 1980 Census reveals to be more than 50% white in total population (hereinafter "white tracts"); but only 45 (3%) of those loans were originated in census tracts in which blacks constituted 50% or more of the total population (hereinafter "black tracts").
  2. During 1989, Decatur Federal originated 1,225 home mortgage loans in the Atlanta Region of which 1,190 (97%) were in white tracts, but only 35 (3%) were in black tracts.
  3. During 1990, Decatur Federal originated 1,225 home mortgage loans in the Atlanta Region of which 1,192 (97%) were in white tracts, but only 33 (3%) were in black tracts.
17. Black applicants who have sought mortgage loans from Decatur Federal have been subjected to stricter underwriting standards than white applicants. In some instances, white applicants who failed to meet certain underwriting standards have been extended special considerations and have been approved for financing, while similar considerations have not been extended to black applicants. In other instances, black applicants who satisfied Defendant's underwriting standards have been denied financing. As a result of the disparate treatment on the basis of race, black applicants for mortgage loans have been rejected at significantly higher rates than white applicants.
18. Decatur Federal has consistently rejected black applicants for home mortgage loans at significantly higher rates than white applicants:
- a. During 1988, information Decatur Federal provided to the Office of Thrift Supervision in data submission reports shows that the Association processed 1,943 home mortgage applications in tracted areas, of which 1,809 were from white applicants and 101 were from black applicants. Forty-three percent of the black applicants and 14% of the white applicants were rejected for mortgage loans.
  2. During 1989, information from Decatur Federal's automated loan tracking system shows that the Association processed 3,072 home mortgage applications in tracted areas, of which 2,436 were from white applicants and 194 were from black applicants. Thirty-eight percent of the black applicants and 9% of the white applicants were rejected for mortgage loans.
  3. During 1990, information from Decatur Federal's automated loan tracking system shows that the Association processed 3,054 home mortgage applications in tracted areas, of which 2,404 were from white applicants and 326 were from black applicants. Twenty-six percent of the black applicants and 10% of the white applicants were rejected for mortgage loans.
19. The disparities in rejection rates between white mortgage loan applicants and black mortgage loan applicants, as well as the disparities in the loans actually originated in white and black census tracts as described in paragraph 16, are statistically significant, could not have occurred by chance, and cannot be explained by differences in the relative qualifications of white applicants and black applicants for mortgage loans, or by other, nonracial factors.
20. The totality of Defendant's policies and practices as described in paragraphs 7 through 19 constitute:
- a. Discrimination on the basis of race in making available residential real estate-related transactions in violation of Section 805 of the Fair Housing Act, 42 U.S.C. §3605(a);
  2. The making unavailable or denial of dwellings to persons, because of race, in violation of Section 804(a) of the Fair Housing Act, 42 U.S.C. §3604(a);
  3. Discrimination on the basis of race in the terms, conditions, or privileges of the provision of services of facilities in connection with the sale or rental of dwellings, in violation of Section 804(b) of the Fair Housing Act, 42 U.S.C. §3604(b); and
  4. Discrimination against applicants with respect to credit transactions, on the basis of race, in violation of the Equal Credit Opportunity Act, 15 U.S.C. §1691(a)(1).
21. Defendant's policies and practices as described in paragraphs 7 through 19 above, constitute:

- a. A pattern or practice of resistance to the full enjoyment of rights secured by the Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619; and
  2. A denial to a group of persons of rights granted by Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619, that raises an issue of general public importance.
22. Persons who have been victims of Defendant's discriminatory policies and practices as described in paragraphs 7 through 19 are aggrieved persons as defined in 42 U.S.C. §3602(i). As a consequence of Defendant's policies and practices, these persons have been denied their rights to equal opportunity in housing, credit, and residential real estate-related transactions. Some victims also may have experienced other actual, compensable injuries such as economic loss and emotional distress.
  23. The racially discriminatory policies and practices of Defendant as described herein were, and are, intentional and willful, and have been implemented with reckless disregard for the rights of black persons.

WHEREFORE, the United States prays that the Court enter an ORDER that:

1. Declares that the totality of the policies and practices of Defendant constitute a violation of Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§1691-1691f;
2. Enjoins Defendant, its agents, employees and successors, and all other persons in active concert or participation with it, from discriminating on account of race in any aspect of their mortgage lending activities;
3. Requires Defendant to develop and submit to the Court for its approval a detailed plan that: (a) remedies the vestiges of Defendant's discriminatory policies and practices; (b) ensures that future black mortgage loan applicants are treated in a nondiscriminatory manner that does not differ from the treatment afforded to white applicants; and (c) ensures that, in the future, Defendant will meet the credit needs of the black residential areas located within a service area that is defined in a nondiscriminatory manner;
4. Awards such damages as would fully compensate the victims of Defendant's discriminatory policies and practices for the injuries caused by the Defendant;
5. Awards punitive damages to the victims of Defendant's discriminatory policies and practices; and
6. Assesses a civil penalty against Defendant, in order to vindicate the public interest.

The United States further prays for such additional relief as the interests of justice may require.

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