



Department of Justice

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CHICAGO BANK CHARGED WITH DISCRIMINATORY "REDLINING" LENDING

WASHINGTON, D.C. - The Justice Department today announced the filing and resolution of a lawsuit against a Chicago lender. First American intentionally avoided serving the credit needs of residents and small businesses located in minority neighborhoods, a practice commonly referred to as redlining. First American has agreed to invest \$5.7 million and open new branches in these minority neighborhoods to settle the lawsuit.

"All Americans should be able to access the financial markets without regard to their race," said R. Alexander Acosta, Assistant Attorney General for Civil Rights. "We will continue to oppose vigorously any discrimination in credit and lending services."

The Justice Department's complaint, filed in federal court in Chicago, alleges that First American intentionally failed to market and provide lending products and services to predominantly minority neighborhoods because of race. The complaint notes that not one of First American's 34 branch offices is located in a minority area. The complaint alleges that statements by First American officials indicate that the Bank's business practices were racially and ethnically motivated.

The Justice Department also filed today in federal district an enforceable settlement agreement resolving the complaint. Under the agreement, which remains subject to court approval, First American is enjoined from discriminating on the basis of race, color, or national origin in any aspect of a residential real estate-related or credit transaction. In the settlement, First American agrees that over the next five years it will:

- open four new full-service branch offices in areas affected by its allegedly discriminatory conduct;
- invest \$5 million in a special financing program under which it will offer residents and small businesses in predominantly minority neighborhoods, residential real estate-related, consumer, and small business loans at subsidized interest rates - at least one-half of a percentage point below that which the Bank would normally charge;
- spend at least \$400,000 to advertise its products in media and direct mailings targeted to generate loan applications from neighborhoods allegedly discriminated against;
- provide a minimum of \$300,000 to develop and implement a comprehensive consumer education program in credit counseling, financial literacy, and business planning for residents and small businesses in

predominantly minority areas.

“Home ownership is the American dream, and the ability to gain credit is crucial to the realization of that dream and to the development of all communities,” said Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois. “Redlining robs residents of minority communities of their equal right to a better life. As this case shows, it will not be tolerated.”

The Federal Reserve Board referred this matter to the Department of Justice for enforcement after its 2001 periodic examination of the Bank gave the Board reason to believe that First American was engaged in discriminatory lending practices by redlining minority census tracts in the Chicago and Kankakee areas. Since November 2003, the Federal Deposit Insurance Corporation has been the Bank’s regulator.

The case resulted from a joint investigation conducted by the Civil Rights Division of the Department of Justice and the Office of the United States Attorney for the Northern District of Illinois. First American Bank cooperated fully in the investigation. A copy of the Consent Order, as well as additional information about fair lending enforcement by the Department of Justice, can be obtained from the Justice Department website at www.usdoj.gov/crt/housing.

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