

Federal Agencies File Action Against Bank for Discriminatory Redlining

December 23, 2015

The Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice filed a complaint in New Jersey District Court against Hudson City Savings Bank, F.S.B., alleging it engaged in illegal redlining practices between 2009 and 2013. The agencies claim the Bank violated the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA) by engaging in a pattern or practice of unlawful, discriminatory redlining designed to avoid the credit needs of residents in majority black and Hispanic neighborhoods in New York, New Jersey, Connecticut, and Pennsylvania. According to the complaint, the Bank “plac[ed] its branches and loan officers principally outside of majority black and Hispanic neighborhoods, exclud[ed] many majority Black and Hispanic neighborhoods from its Community Reinvestment Act [CRA] assessment area and one of its low-to-moderate income loan programs, select[ed] mortgage brokers that are mostly located outside of, and do not effectively serve, majority Black and Hispanic neighborhoods, and focus[ed] its limited marketing in neighborhoods with relatively few Black and Hispanic residents.” The Bank also allegedly “failed to exercise adequate oversight or hire sufficient staff to ensure compliance with its fair lending obligations,” had no “written policies or procedures to monitor for [fair lending] compliance,” and its fair lending policy “consisted only of a statement asserting that it is an equal opportunity lender.” The Consent Order submitted for approval will require the Bank to provide \$25 million in direct loan subsidies, invest over \$1 million in targeted outreach and consumer education, and \$750,000 on partnerships with community-based or governmental organizations, in addition to imposing a \$5.5 million civil penalty. **According to the CFPB, if approved, the Order will represent the largest redlining settlement in history to provide direct loan subsidies to qualified borrowers in affected neighborhoods.** Other obligations imposed on the Bank under the Order include using an independent consultant to monitor fair lending compliance; hiring/designating a fair lending officer; expanding CRA assessment areas; assessing and addressing the credit needs of majority black and Hispanic neighborhoods in the affected communities; and opening additional branches within the affected communities. Institutions regulated by the CFPB should ensure fair lending policies and

practices comply with, and provide continued training and education on, fair lending obligations. They should also monitor their own institutions and third-party service providers to ensure discriminatory redlining is not occurring.

Related Practices

Consumer Finance

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