

# 2024 Interagency Fair Lending Webinar

Outlook Live Webinar – December 4, 2024

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# Webinar Overview

- CFPB: Enforcing HMDA
- FHFA: FHFA's Fair Lending, Fair Housing, and Equitable Housing Finance Plan Rule
- OCC: The Relationship Between CRA and Fair Lending
- FRB: Redlining Risk in Marketing and Outreach
- FDIC: REMAs and CRA Assessment Areas in Redlining
- NCUA: Redlining Considerations for Credit Unions that Serve Geographically Defined Areas
- HUD: Rocket Mortgage, LLC (*HUD Case No. 08-23-6774-8*) Home Mortgage Lending in Indian Country
- DOJ: DOJ's Combating Redlining Initiative: A Year in Review



# Enforcing HMDA

*Kelsie Williams*

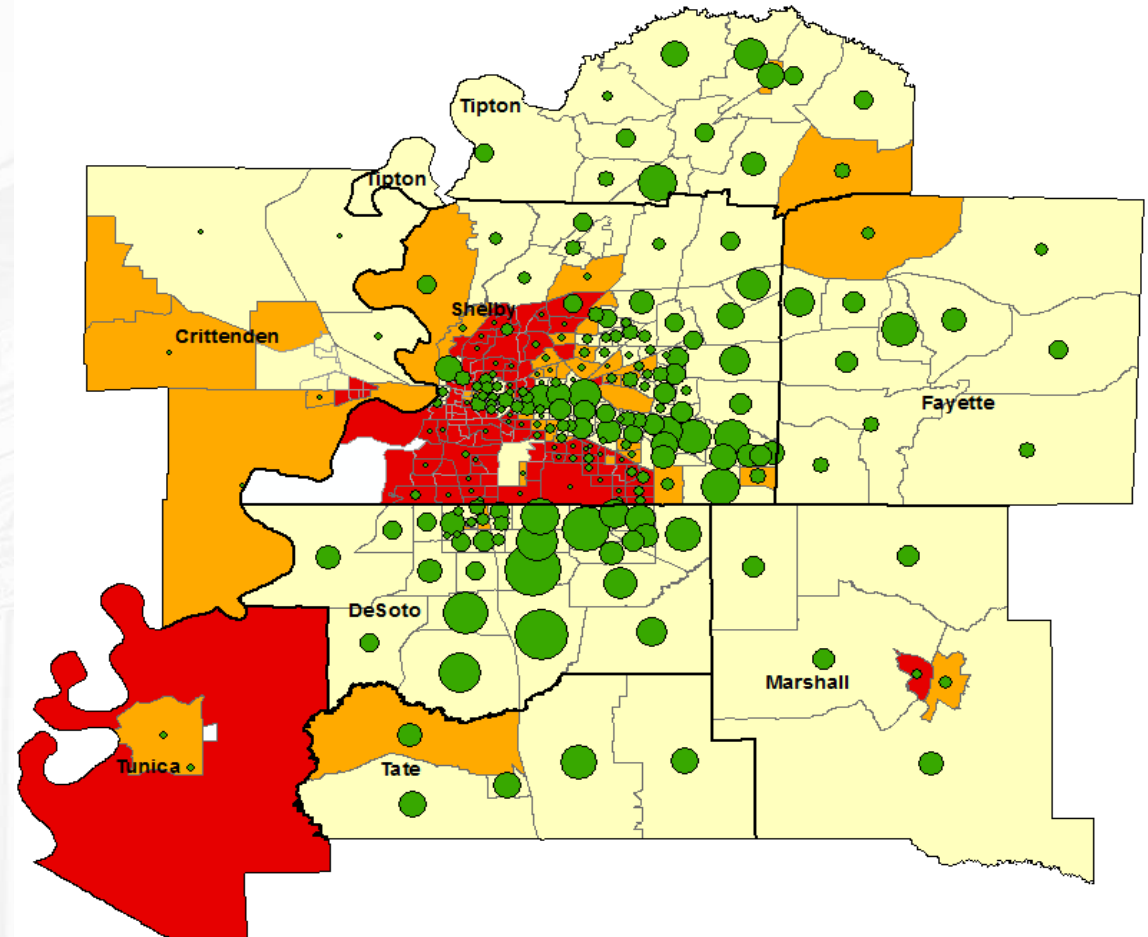
*Office of Fair Lending and Equal Opportunity  
Consumer Financial Protection Bureau*

# HMDA Data and Fair Lending

- HMDA has been the foundation of fair lending, fair housing work since 1975.
- 48 data points on mortgage applicant (e.g., race, sex, age), the property (e.g., address, property type, property value), underwriting (e.g., credit score, LTV, DTI), and loan terms (e.g., rate spread, points and fees)
- Annual and quarterly reporting
- [HMDA Data Browser](#) – filtering, maps, & graphs

# BancorpSouth Application Volume, 2011-2013, Memphis MSA

- CFPB and DOJ joint complaint against BancorpSouth alleged that it engaged in discriminatory mortgage lending practices including illegal redlining.
- [Consent Order](#) required \$10.6 million payment, including \$4 million in direct loan subsidies in minority neighborhoods in Memphis and a \$3 million penalty.





# Freedom Mortgage HMDA Enforcement Litigation

- First litigated case under HMDA since its enactment in 1975
- Ongoing 2019 [Consent Order](#) for intentional HMDA violations
- Case arose from spring 2021 supervisory exam conducted by the CFPB:
  - Almost 20% of 2020 LAR contained errors stemming from several root causes
  - Systemic deficiencies in compliance management system:
    - Lack of Board/CEO, management oversight
    - Lack of controls, monitoring
    - No HMDA training
- Spotlight on Freedom's monitoring/audit
  - Call monitoring – Freedom had HMDA issues in 1 out of every 4 calls
  - Monitoring for data accuracy – no transaction testing; little more than what is built into HMDA platform
  - Multiple internal audits showed widespread errors, recommended additional monitoring, controls

# Freedom Mortgage HMDA Enforcement Litigation

## *(continued)*

- Court denied Freedom Mortgage's Motion to Dismiss, holding:

*"The Defendant argues that the meaning of 'accuracy' cannot be determined by the text of the statute. However, I am certain that any reasonable borrower would dispute such a premise: to be accurate, the data must be veracious and credible. Common sense regarding the meaning of Regulation C's plain text cuts Defendant's argument off at its knees."*

*J. Middlebrooks, U.S. District Court for the Southern District of Florida*
- As [announced](#) June 18, 2024, Freedom Mortgage – a repeat offender – agreed to enter judgment requiring:
  - Civil monetary penalty of \$3.95 million
  - Injunctive relief:
    - Independent auditor (subject to non-objection by Supervision Director) to transaction test, root cause analysis of 2021-2023 HMDA data, resubmit any corrected data;
    - Quarterly transaction tests for five years;
    - CFPB to receive annual reports from independent auditor with results of the transaction tests, annual Compliance Progress reports.



# Bank of America HMDA Enforcement Matter

- CFPB Findings: Failure to accurately collect and report HMDA data and falsified data reporting
  - Bank discontinued monitoring for excessive “does not wish to provide” demographic information reporting by loan officers
  - Hundreds of loan officers failed to ask applicants for demographic information and then reported “does not wish to provide” for 100% of applications over three-month period
- [Consent Order](#) entered Nov. 28, 2023
  - Violation of HMDA, Regulation C, and the Consumer Financial Protection Act of 2010
  - Relief: \$12 million civil monetary penalty, significant enhancements to compliance management system

# HMDA Research Featured on [CFPB Blog](#)

- Each year, half of institutions include demographic information for 94.3 percent or more of their HMDA records.... The worst 10 percent of lenders failed to report demographic information 4.4 times more often, on average, than a lender at the median.
- The institutions with the lowest demographic reporting rates tend to be larger lenders reporting more loans and applications.
- In 2022, there were over 7,000 loan officers nationwide that reported that demographic information was “not provided by the applicant” in 95 percent or more of their mortgage applications reported in HMDA.

**The CFPB is working to reinforce the foundation of a fair, nondiscriminatory and competitive mortgage market**

*HMDA Data and Enforcement Actions Reveal Inaccurate Data Reporting Practices*

By Bobby Conner, Adrian Gonzalez, Danny Harris, and Hallie Ryan - JUN 28, 2024

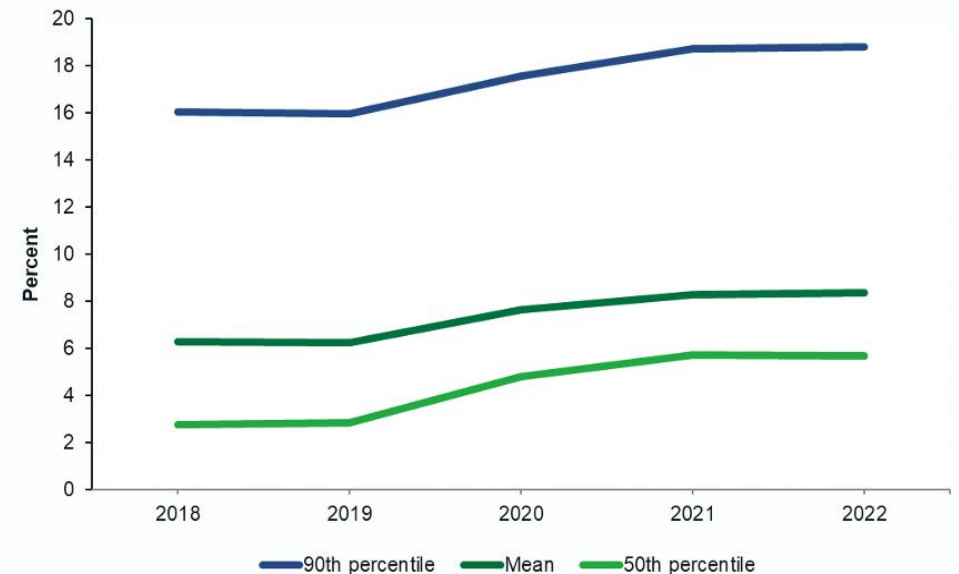


Fig. 1. Unreported demographic information over time

# Federal Housing Finance Agency's Fair Lending, Fair Housing, & Equitable Housing Finance Plan Rule

*Renita Roberts, Policy Analyst  
Office of Fair Lending Oversight  
Federal Housing Finance Agency*



# Objectives

1. Describe the [Fair Lending, Fair Housing, and Equitable Housing Finance Plan rule](#)
2. Review statutory authority for the Equitable Housing Finance Plan Program
3. Discuss contents of the Equitable Housing Finance Plan, including:
  - Barriers
  - Objectives
  - Meaningful actions
  - Goals
4. Explore how the Enterprises are moving towards a more equitable housing finance system
  - 2022 – 2024 Equitable Housing Finance Plans

# Codification of Existing Programs

## Fair Lending Data Reporting Orders for the Enterprises | 12 CFR 1293.12(a)

- Quarterly submission of fair lending data to FHFA
- FHFA requests for special reports related to fair lending.

## Supervision & Oversight Policies | 12 CFR 1293.3

- Targeted, risk-based fair lending examinations of all regulated entities.

## Equitable Housing Finance Plans | 12 CFR 1293.21

- Three-year public plan describing how Enterprises will overcome barriers to sustainable housing opportunities faced by one or more underserved communities through objectives, meaningful actions, and measurable goals.

## Supplemental Consumer Information Form | 12 CFR 1293.41

- Data collection of language preference and housing counseling/ homeownership education information.

## Public Engagement | 12 CFR 1293.24(b)

- Stakeholder engagement during Equitable Housing Finance Plan development
- Written summary of stakeholder consultation.

# New Regulatory Requirements

## Unfair, Deceptive, and Abusive Acts and Practices (UDAP) Oversight | 12 CFR 1293.11(b)

- Prohibition against unfair and deceptive practices
- Regulated entities have always been subject to it, but FHFA has yet to formally enforce

## Fair Lending Certification | 12 CFR 1293.12(b)

- Certify compliance with fair lending, fair housing and UDAP laws with all regular reports

## Standards for Board Decisions | 12 CFR 1293.11(c)

- Consideration of fair lending and fair housing implications in business decision-making
- Consideration of mission goals, including Equitable Housing Finance Plans, Duty to Serve, and affordable housing goals in decision making

## FHLBs' Voluntary Reporting | 12 CFR 1293.31(a)

- Annual reports from the Federal Home Loan Banks on any voluntary actions taken to further equity



# Fair Lending Rule | 12 CFR 1293

Safety &  
Soundness Act

Fair Housing Act

Equal Credit  
Opportunity Act

UDAP

# Equitable Housing Finance Program

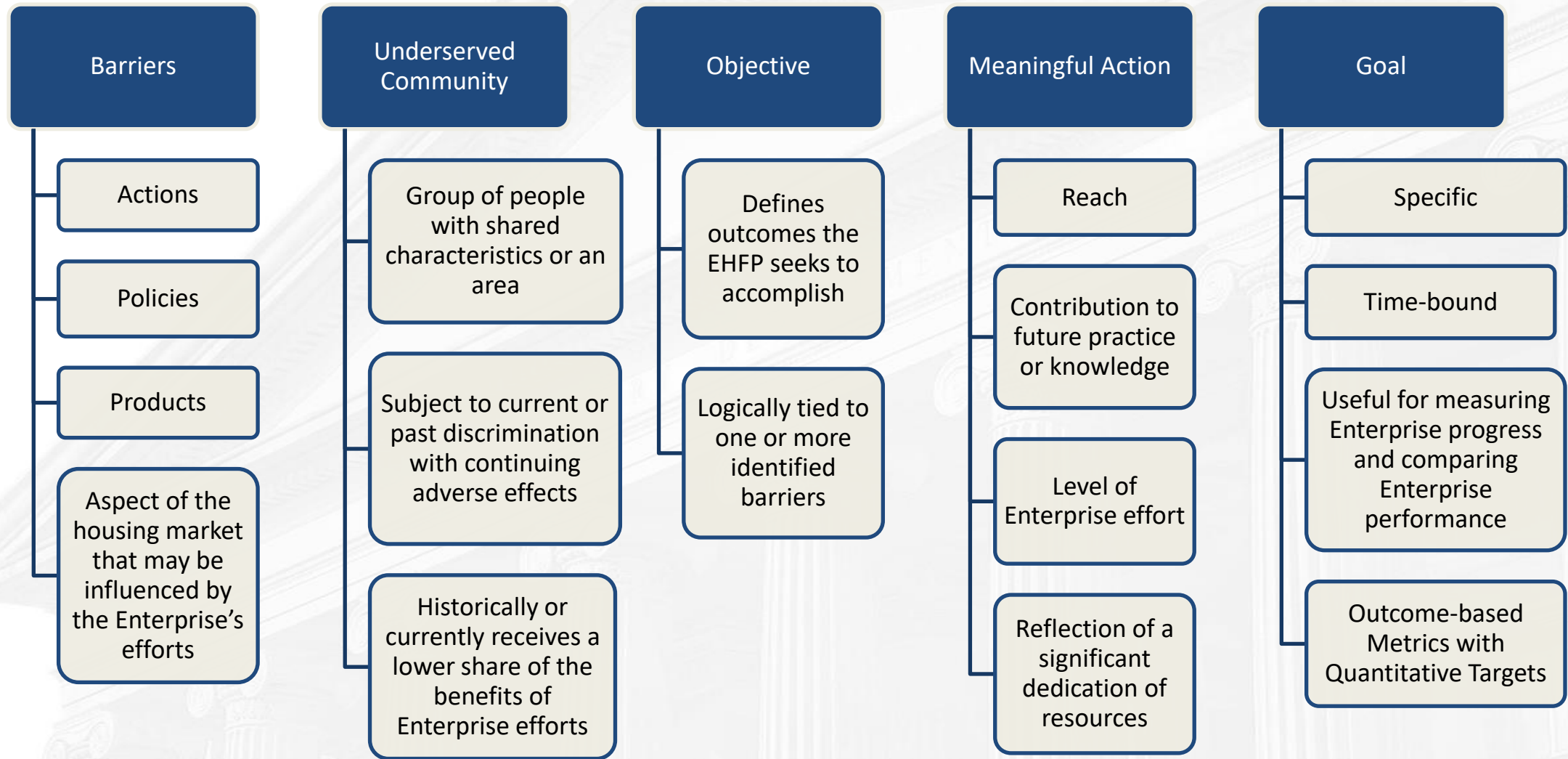
3-Year Plan  
Cycle

Annual  
Performance  
Report

Ongoing  
Monitoring

Public  
Engagement

# Contents of an Equitable Housing Finance Plan



# BARRIERS | 12 CFR 1293.22(b)(1)

Lack of  
homeownership  
education

Lack of generational  
wealth

Lack of liquidity for  
closing costs

Thin and invisible  
credit profiles/  
Inaccurate credit  
histories

Access to capital for  
home renovations

Limited loss  
mitigation options

Undervaluation of  
property due to  
appraisal bias

Credit scoring models  
with inherent bias or  
historically disparate  
impacts



# UNDERSERVED COMMUNITIES | 12 CFR 1293.2

A group of people with shared characteristics or an area that has been subjected to discrimination that has had continuing adverse effects on the group or area's participation in the housing market.

- Women of color
- Single parents
- Seniors with fixed income
- Self-employed individuals
- Areas which have historically received a lower share of housing benefits
- Persons with limited English proficiency
- Multigenerational households

- Members of racial & ethnic minority groups
- Persons with disabilities
- Individuals with limited mainstream credit and banking history
- Individuals with income variance (ex: skilled tradespeople or commission-based employees)

# OBJECTIVES | 12 CFR 1293.22(b)(2)

## Reducing

- the homeownership gap for a group with a significant homeownership rate disparity;
- disparities in acceptance rates for a group with a significant disparity in the Enterprise's AUS;
- disparities in the share of loans acquired by the Enterprise that serve a particular group

## Increasing

- the quality of the supply of affordable decent, safe, and sanitary housing available in historically underserved areas
- sustainable housing opportunities for individuals in the mortgage market and renters residing in multifamily properties financed by the Enterprise's loan purchases
- changes to underwriting standards and business practices to promote fair lending

## Promoting

- improvements in fair lending standards and compliance
- marketing and outreach to applicants who are least likely to apply for certain housing opportunities
- fair lending self-testing by primary lenders or other counterparties
- research & data on advancing equity and sustainable housing opportunities

# CONSIDERATIONS FOR ASSESSING ACTIONS | 12 CFR 1293.22(b)(3)

## Reach

- Narrow application or broad deployment?
- Contribution to future practice?
- Contribution to knowledge?

## Extent of achievements relative to baseline?

- Expand beyond recent practice or performance?

## Level of effort

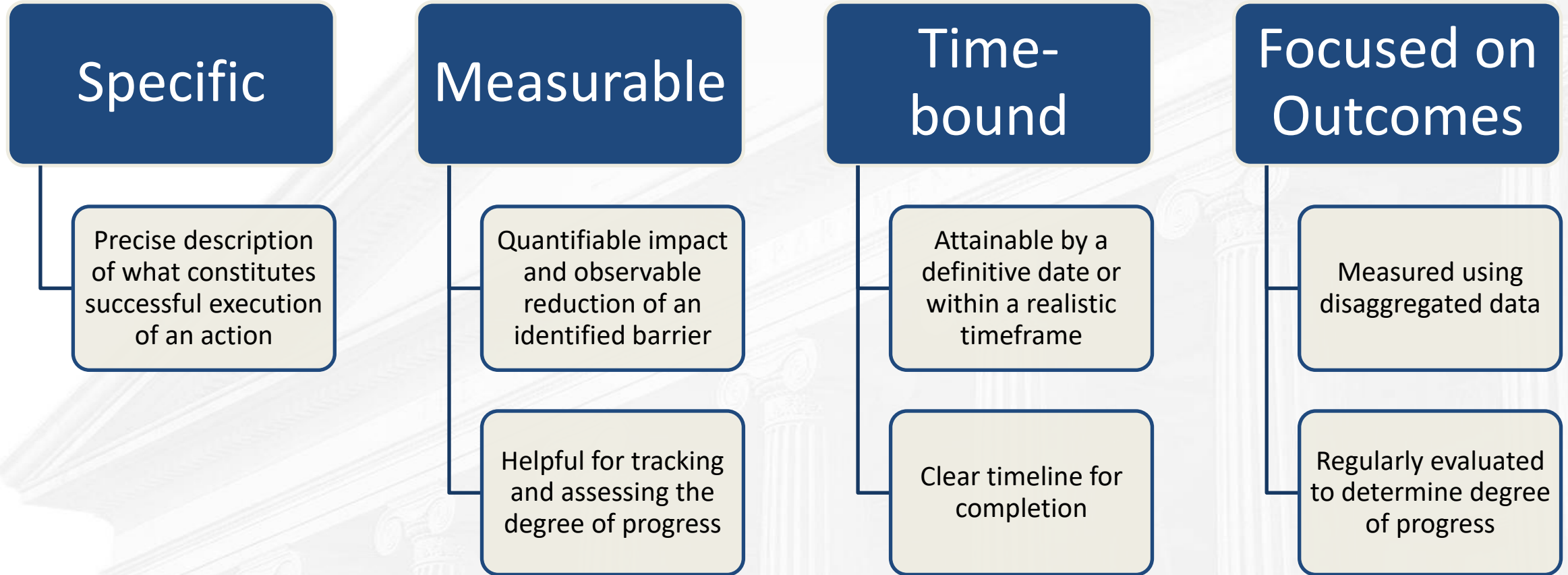
- Complex or routine?
- Would it require a large, moderate, or minimal commitment of resources?

## Approach and design

- Well-targeted and focused?
- Innovative?
- Responsive to public input?



# GOAL STANDARDS | 12 CFR 1293.25(d)



# ENTERPRISES' EQUITABLE HOUSING FINANCE PLANS

The Plans may be viewed at: [FHFA's Equitable Housing Finance Plans](#)



## Equitable Housing Finance Plan



FREDDIE MAC

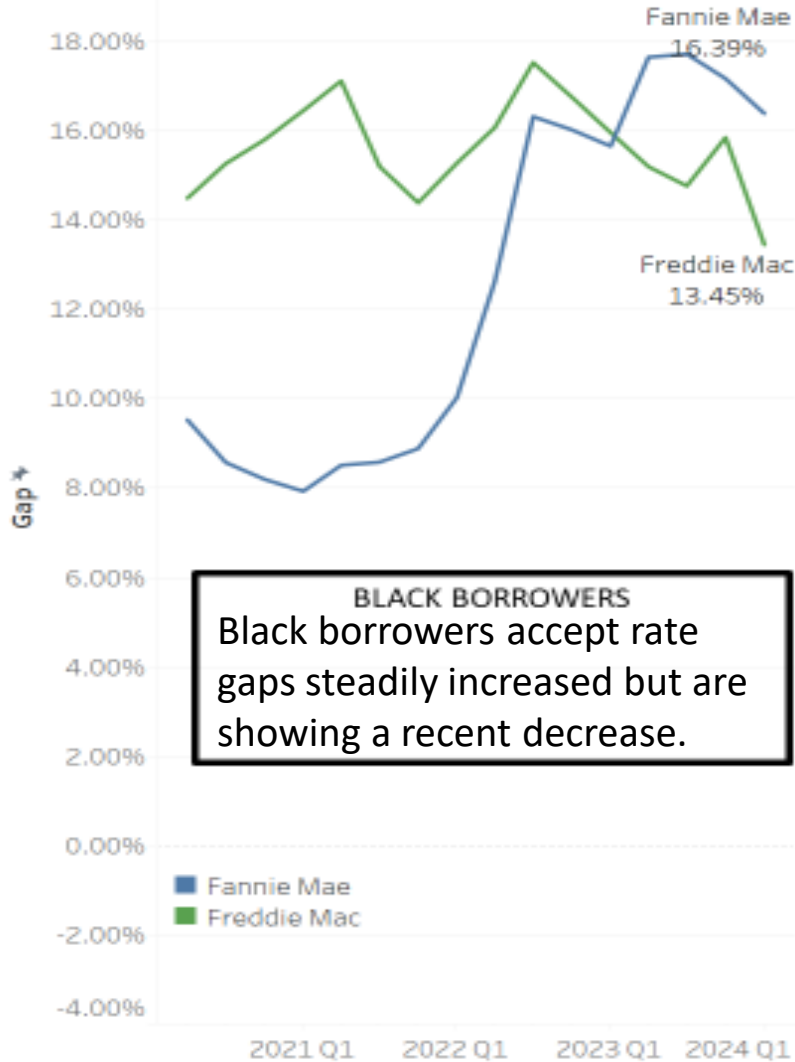
## Equitable Housing Finance Plan

Our Commitment to **Making Home Possible** Equitably

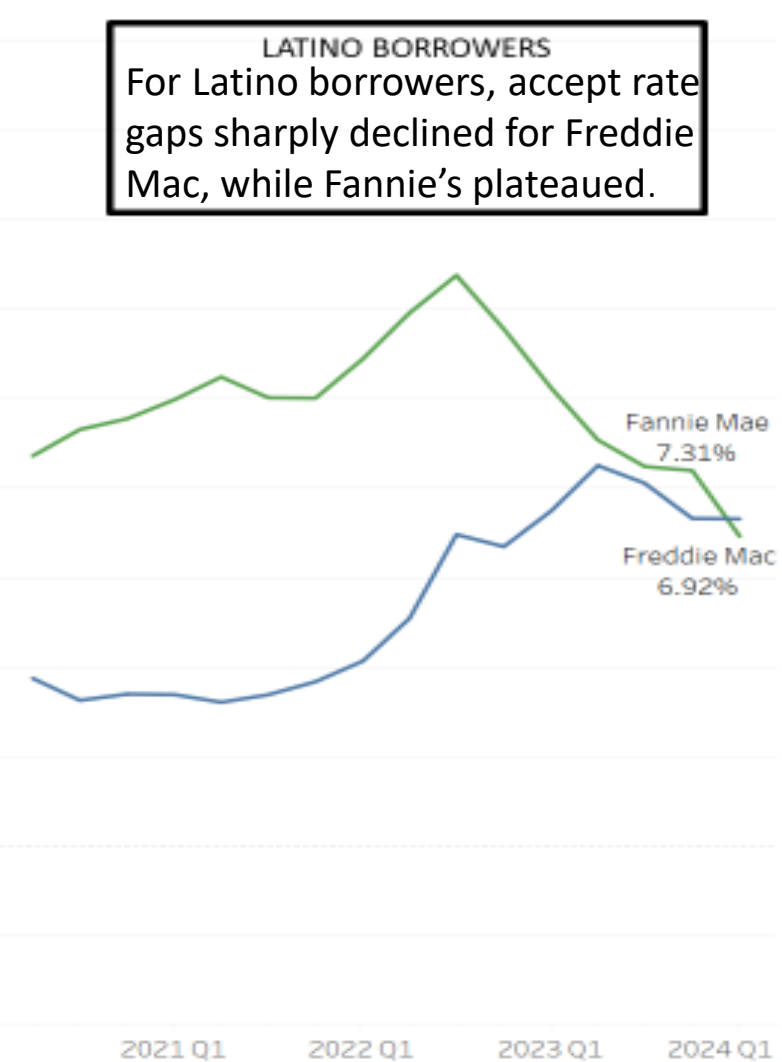
April 2024



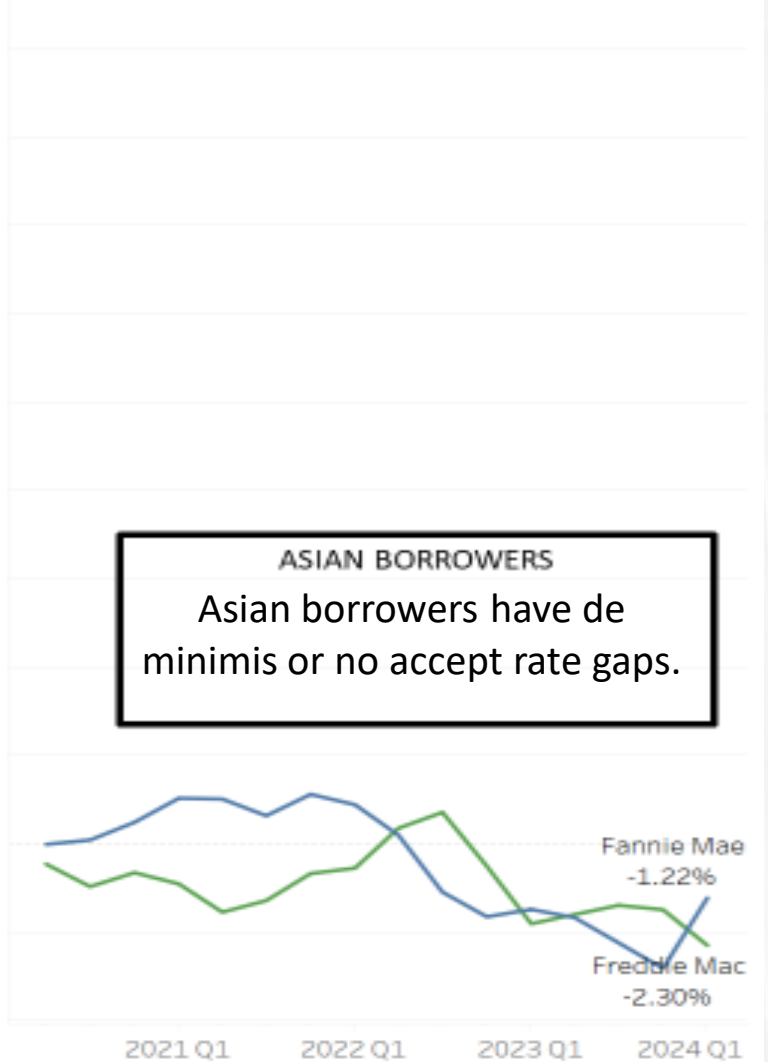
# ENTERPRISE ACCEPT RATE GAPS



**LATINO BORROWERS**  
For Latino borrowers, accept rate gaps sharply declined for Freddie Mac, while Fannie's plateaued.



**ASIAN BORROWERS**  
Asian borrowers have de minimis or no accept rate gaps.





# The Relationship Between the Community Reinvestment Act and Fair Lending

*Andrea Shearin  
CRA and Fair Lending Policy Specialist  
Bank Supervision Policy  
Office of the Comptroller of the Currency*

# Evidence of Discriminatory or Other Illegal Credit Practices and CRA Ratings

The CRA rules provide that a bank's CRA performance rating is adversely affected by evidence of discriminatory or other illegal credit practices. The regulation provides that evidence of discriminatory or other credit practices that violate an applicable law, rule, or regulation includes, but is not limited to, violations of:

- The prohibition against discrimination of applicants on a prohibited basis under the Equal Credit Opportunity Act or the Fair Housing Act
- The Home Ownership and Equity Protection Act
- Section 5 of the Federal Trade Commission Act
- Section 8 of the Real Estate Settlement Procedures Act

# Regulatory Requirements for CRA Assessment Area Delineation

CRA AAs must:

- include the geographies in which the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (except for wholesale or limited purpose banks)
- consist generally of one or more whole MSAs or MDs or one or more contiguous political subdivisions (such as counties, cities, or towns).
  - If a bank cannot reasonably be expected to serve the entire political subdivision, the AA may be adjusted to include only a part
- consist of whole geographies, i.e., census tracts



# Regulatory Requirements for CRA Assessment Area Delineation *(continued)*

## CRA AAs may not:

- reflect illegal discrimination
- arbitrarily exclude low- or moderate-income geographies
- extend substantially beyond an MSA boundary or beyond a state boundary (unless located in a multistate MSA)

# Regulatory Requirements for CRA Assessment Area Delineation *(continued)*

## Adjustments to geographic area(s)

- A bank may make adjustments to the boundaries of its AAs to include only the portion of a political subdivision that it reasonably can be expected to serve
- An assessment area may not meet the CRA regulatory requirements if it excludes the contiguous census tracts or political subdivisions that include LMI or majority-minority geographies

# Some Assessment Area Delineation Risks

Irregular or unusually shaped assessment areas may present risk of non-compliance with regulatory requirements

- Patterns of assessment areas with irregular shape or unusual configuration
  - Donut
  - Partial Donut or Horseshoe
  - Adjacent to a concentration of LMI or majority-minority census tracts
- Often involve a portion of a political subdivision



# Redlining Risk in Marketing and Outreach

*Westra Miller, Managing Counsel  
Fair Lending Enforcement  
Division of Consumer & Community Affairs  
Federal Reserve Board*

# Definition of Redlining

- Definition of Redlining:
  - Providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located
- Redlining is a multi-factored analysis
  - Redlining is based on an analysis of several risk factors that are set forth in the 2009 Interagency Fair Lending Examination Procedures, as well as federal and state enforcement actions
  - Determination of a pattern or practice of lending discrimination, including redlining, is based on the totality of the circumstances and the facts of a particular matter

# Redlining Risk Factors

- The Federal Reserve evaluates fair lending risk at every consumer compliance examination
- Based on the 2009 Interagency Fair Lending Examination Procedures, examiners generally will review the following risk factors for redlining:
  - CRA Assessment Areas
  - Lending Disparities
  - Branching
  - Marketing and Outreach
  - Overt Statements
  - Complaints
- While it is important to monitor and address all risk factors, today's discussion will focus on marketing and outreach as a component of redlining risk



# Key Risks: Marketing

*Key Risk:* The bank's marketing activities tend to exclude residents of majority Black and Hispanic Census Tracts

- Notable fact patterns that may elevate redlining risk:
  - The bank's marketing uses criteria that may exclude residents of majority Black and Hispanic Census Tracts and/or minority applicants:
    - Marketing materials are available inside of branches only
    - Filters are used by geography, branch radius, income, loan amount, current customer status
    - Using close proxies for protected characteristics and "Lookalike Audience" filters
    - The bank does not conduct affirmative marketing to majority Black and Hispanic Census Tracts
    - No marketing is conducted in Spanish or other languages, despite demographics

# Key Risks: Marketing *(continued)*

*Key Risk:* The bank does not engage in marketing of mortgage credit

- Notable fact patterns that may elevate redlining risk:
  - Marketing is exclusively for brand-recognition or awareness
  - Bank does not meaningfully advertise mortgage credit products in the Assessment Area or credit market area
  - Marketing is for commercial lending only
  - There may be an absence of an advertising strategy for generating mortgage applications

# Key Risks: Marketing *(continued)*

*Key Risk:* The bank's website and/or marketing materials do not include diverse human models

- Notable fact pattern that may elevate redlining risk:
  - Digital and traditional print advertising is not visually inclusive when using human models



# Key Risks: Outreach

*Key Risk:* The bank's reliance on MLOs for conducting outreach tends to exclude residents of majority Black and Hispanic Census Tracts

- Notable fact patterns that may elevate redlining risk:
  - MLOs serve limited geographic areas
  - The bank allows MLOs to conduct all outreach using their relationships with real estate agents or others in their networks
  - The bank does not track or monitor MLOs' outreach activities
  - The bank does not train its MLOs to ensure appropriate outreach to entire Assessment Area or credit market area

# Key Risks: Outreach *(continued)*

*Key Risk:* Bank does not conduct any outreach connected to mortgage lending or increasing homeownership

- Notable fact pattern that may elevate redlining risk:
  - The bank does not offer any outreach events connected to expanding access to mortgage credit, such as events on homebuying or homebuyer education, even though it donates to other types of local charity efforts or fundraisers

# Key Risks: Outreach *(continued)*

*Key Risk:* Outreach is held in locations that tend to exclude residents of majority Black and Hispanic Census Tracts

- Notable fact patterns that may elevate redlining risk:
  - The bank holds outreach events exclusively in majority non-Hispanic White Census Tracts, with limited or no public transportation options
  - Outreach events are focused within a radius of branches, which excludes a large concentration of majority Black and Hispanic Census Tracts in another part of the geography at issue



# Risk Assessments and Marketing/Outreach

- As part of risk assessment, lenders can:
  - Have policies and procedures to regularly evaluate fair lending risk arising from marketing and outreach initiatives (or from lack of initiatives)
  - Monitor marketing and outreach activities, including those conducted by MLOs, to ensure that those activities are reaching the entire Assessment Area or credit market area
  - Review use of all criteria or filters used in digital marketing and outreach to determine fair lending risk
  - Manage third party risks by:
    - Understanding whether any digital or online advertising platforms utilize algorithms or filters that could exclude majority-minority communities or minority applicants
    - Requesting reports from vendors and partners indicating the reach of the lender's marketing and outreach activities

# Resources

- [Consumer Compliance Outlook](#) – Federal Reserve publication dedicated to consumer compliance
- [Outlook Live](#) – Federal Reserve webinars on consumer compliance topics
- [Interagency Fair Lending Examination Procedures and Appendix](#)

# REMAAs and CRA Assessment Areas in Redlining

*Christin Sutton*  
*Sr. Examination Specialist*  
*Federal Deposit Insurance Corporation*



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The presentation is not formal opinions of, nor binding on, the Federal Deposit Insurance Corporation

# Objectives

- What is Redlining?
- Assessment Areas versus Reasonably Expected Market Areas
- Understanding FDIC Redlining Evaluations
- Addressing Redlining Risks
- Resources

# What is Redlining?

- A form of illegal disparate treatment in which a lender provides **unequal access** to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located. Redlining may violate both the FHAct and the ECOA.
- Geographies versus Individuals



# Assessment Area

- Assessment Area: The geographies used to assess performance under the CRA
  - Must consist only of whole geographies;
  - May not reflect illegal discrimination;
  - May not arbitrarily exclude low- or moderate- income geographies taking into account the bank's size and financial condition;
  - May not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in the multistate MSA. If a bank serves a geographic area that extends substantially beyond a state boundary, the bank shall delineate separate assessment areas for the areas in each state. If a bank serves a geographic area that extends substantially beyond an MSA boundary the bank shall delineated separate assessment areas for the areas inside and outside the MSA.

# CRA Q&A

- Community Reinvestment Act Interagency Questions and Answers: Must an institution lend to all portions of its assessment area?
  - “The Agencies do not expect that simply because a census tract is within an institution’s assessment area(s), the institution must lend to that census tract. Rather the Agencies will be concerned with conspicuous gaps in loan distribution that are not explained by the performance context. Similarly, if an institution delineated the entire county in which it is located as its assessment area, but could have delineated its assessment area as only a portion of the county, it will not be penalized for lending only in that portion of the county, so long as that portion does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income geographies.”

# Reasonably Expected Market Area

- **Reasonably Expected Market Area: FFIEC Fair Lending Procedures** defines REMA as:
  - Where an institution actually marketed and provided credit, and where it could reasonably be expected to have marketed and provided credit
  - REMA may be beyond or otherwise different from a bank's CRA assessment area



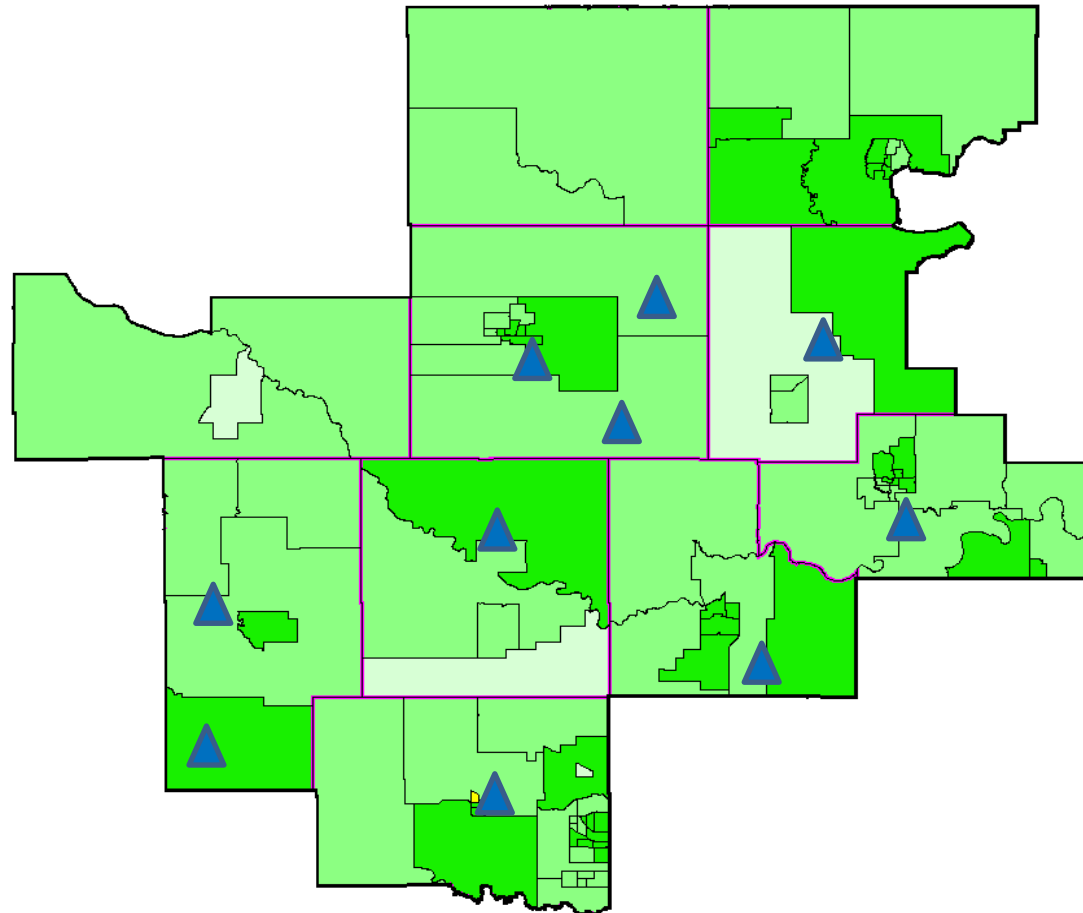
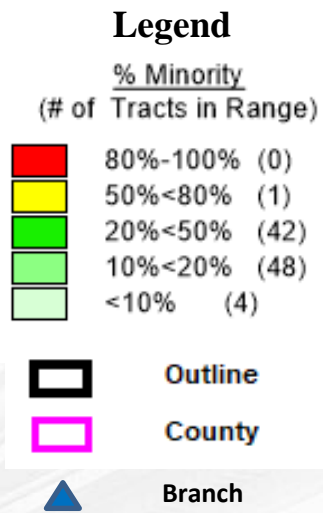
# Determining the REMA

- Designated Assessment Area
- Branching
- Geographic Boundaries
- Marketing Area and Marketing Efforts
- Lending Activity

# Determining the REMA *(continued)*

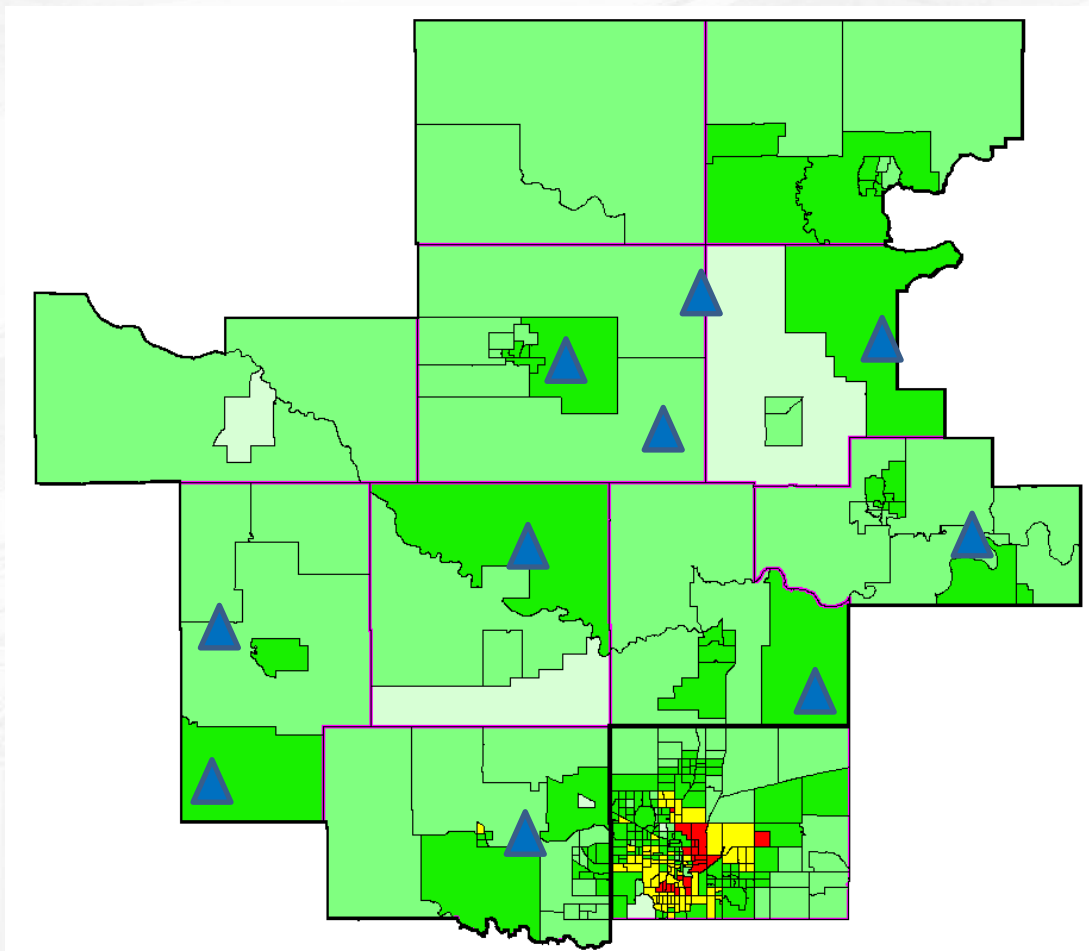
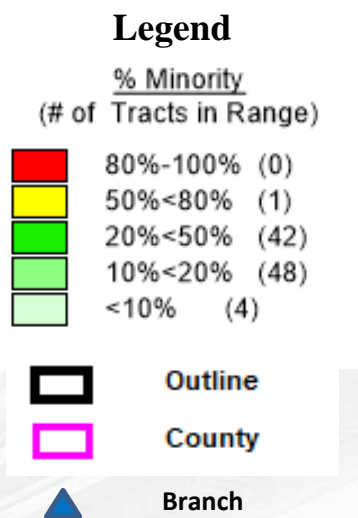
- Review Lending Relationships
- Consider Loan officer Outreach
- Analyze Demand for Credit
- Hold Discussions with Bank Management

# Redlining: Assessment Area

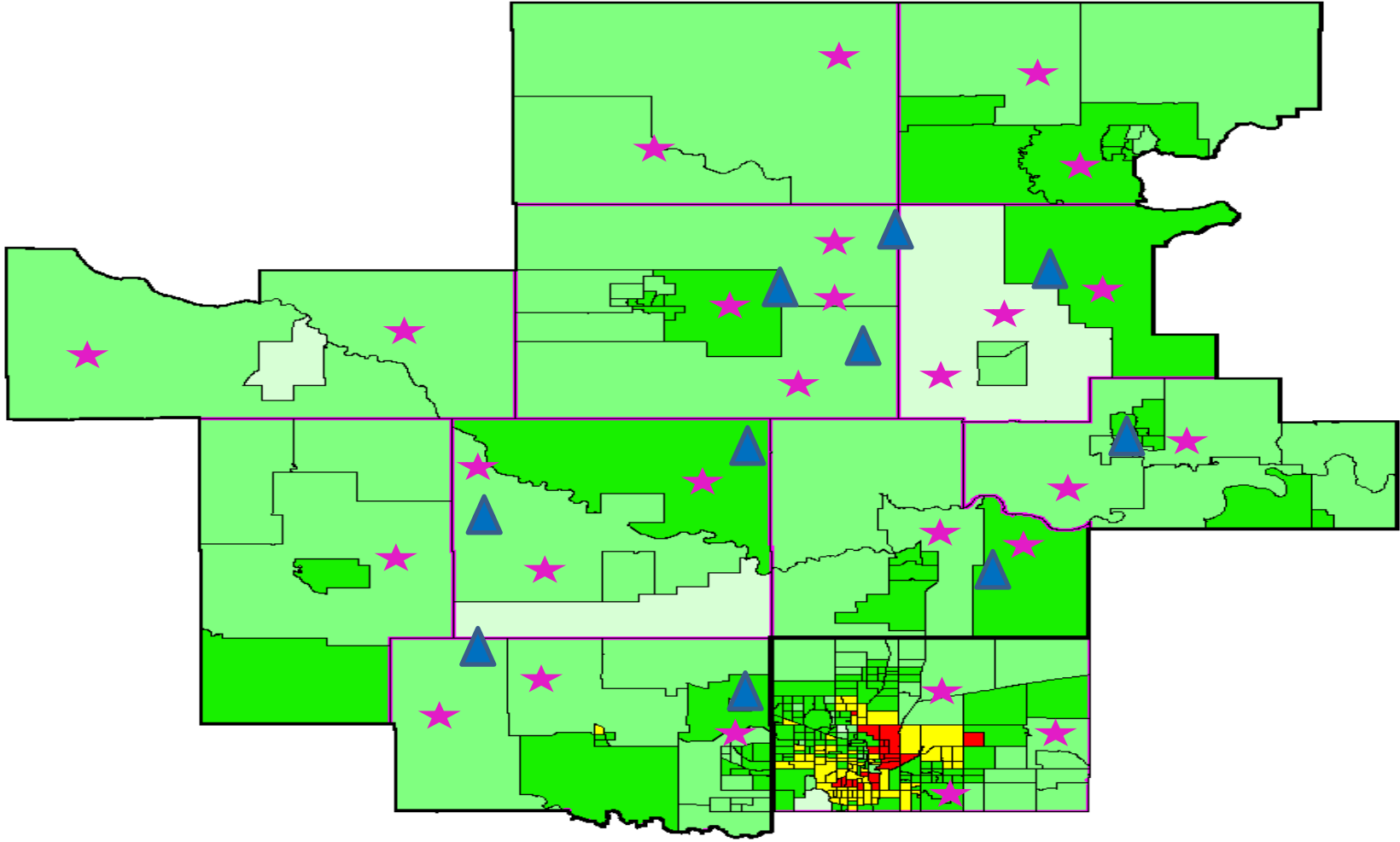
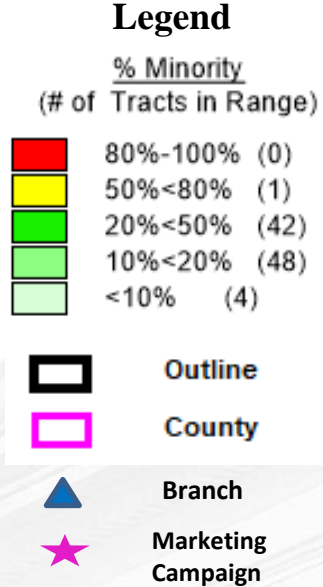




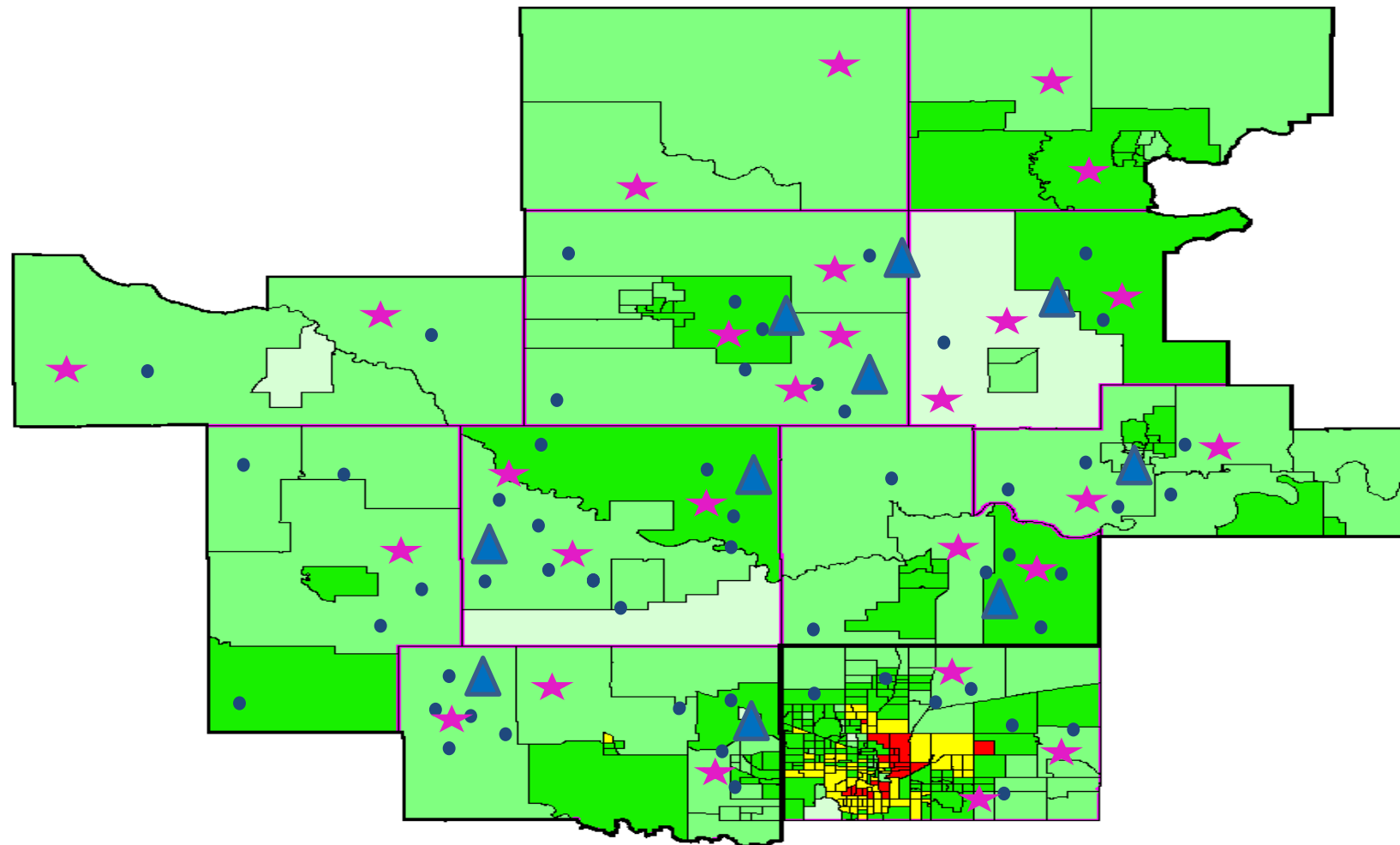
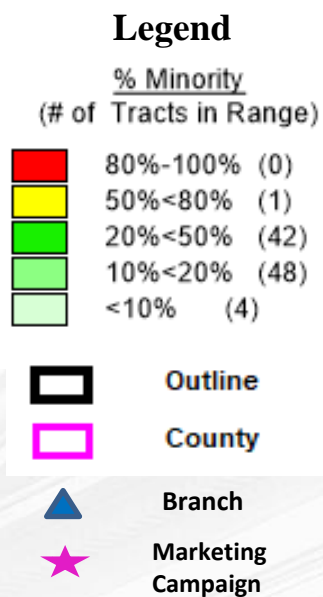
# Redlining: Outside the Assessment Area



# Redlining: Marketing Efforts



# Redlining: Plotting the Loans





# FDIC Redlining Analysis

CREDIT AND MARKET OPERATIONS - REDLINING		Response
66.	Does the bank's CRA assessment area or market area contain areas with relatively high concentrations of minority group residents or majority-minority census tracts?	No
67.	Does the area immediately surrounding the bank's CRA assessment area or market area include areas with relatively high concentrations of minority group residents or majority-minority census tracts?	No
68.	Have there been any changes in the bank's assessment area since the previous CRA evaluation?	No
69.	Does the bank's CRA assessment area reflect any irregularities or have conspicuous gaps (e.g., is it smaller than a whole political subdivision by excluding portions of a town, county, or city)?	No
70.	Is the bank's market area different than the CRA assessment area?	No
71.	Do services, loan products, or hours of operation vary by branch or office location?	No
72.	Does the bank have branches or offices in or near areas with relatively high concentrations of minority group residents or majority-minority census tracts?	No
73.	After mapping the bank's loan dispersion, are there any conspicuous gaps in lending?	No
74.	Does a review of the bank's policies and processes raise any overt concerns with respect to redlining?	No
75.	Examiner Summary: <ul style="list-style-type: none"> <li>• Describe the demographic composition of the bank's CRA assessment area and market area.</li> <li>• Describe any changes to the bank's CRA assessment area or market area since the previous examination.</li> <li>• Explain any differences in the bank's CRA assessment area and market area. Include details about any irregularities or conspicuous gaps in either area.</li> <li>• Describe any inherent risks that relate to changes in the bank's business or branching</li> </ul>	

# Addressing Redlining Risk

- Monitoring of loans and applications
- Marketing and Outreach Efforts
- Branching Strategy
- **CONTINUE TO RE-EVALUATE**

# Fair Lending Examination Resources

- [FFIEC Interagency Procedures and Appendix](#)
- [FDIC Compliance Examination Manual—Fair Lending Laws and Regulations](#)
- [Fair Lending Scope and Conclusions Memorandum](#)



# Redlining Considerations for Credit Unions That Serve Geographically Defined Areas

*Candace Doss, Fair Lending Examiner  
Division of Fair Lending Supervision  
National Credit Union Administration*

# What is Redlining?

- Redlining is a form of illegal disparate treatment in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.

# Combating Redlining Initiative

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, October 22, 2021

## Justice Department Announces New Initiative to Combat Redlining

### DOJ, CFPB and OCC Announce Resolution of Lending Discrimination Claims Against Trustmark National Bank

The Justice Department announced the launch of the department's new Combatting Redlining Initiative today. Redlining is an illegal practice in which lenders avoid providing services to individuals living in communities of color because of the race or national origin of the people who live in those communities. The new Initiative represents the department's most aggressive and coordinated enforcement effort to address redlining, which is prohibited by the Fair Housing Act and the Equal Credit Opportunity Act.

"Lending discrimination runs counter to fundamental promises of our economic system," said Attorney General Merrick B. Garland. "When people are denied credit simply because of their race or national origin, their ability to share in our nation's prosperity is all but eliminated. Today, we are committing ourselves to addressing modern-day redlining by making far more



# Citadel FCU

- DOJ's first redlining settlement involving a credit union
- Allegations
  - Avoided serving credit needs of majority-Black and Hispanic neighborhoods in market area
  - Discouraged prospective applicants and applicants in majority-Black and Hispanic neighborhoods from obtaining mortgage loans
  - Failed to address redlining risk

# Redlining Risk in Credit Unions

- Market area is the geographical boundary/boundaries specified in a credit union's field of membership (FOM)
- Geographically defined FOM
  - Counties
  - Cities
  - Towns
  - Underserved area
  - Other (census tracts, streets, landmarks, etc.)

# Redlining Risk Analysis

- Demographics
  - Exclusion of census tracts
- Resources to serve expanded area
  - Branches
  - Loan officers
  - MLO Licensing
  - Marketing strategy and budget



# Redlining Risk Management

- Policies and procedures
- Training
- Monitoring and audits
- Understand the market area
- Branch analysis
- HMDA and lending analyses
- Marketing and outreach reviews

# NCUA Expectations

- Comply with fair lending laws
- Strong fair lending compliance management system
- Monitor for fair lending risk
- Serve entire market area

**Rocket Mortgage, LLC**  
***HUD Case No. 08-23-6774-8***  
**Home Mortgage Lending in Indian Country**

*James C. Whiteside, Regional Director  
HUD Fair Housing & Equal Opportunity, Region VIII  
U.S. Department of Housing and Urban Development*



# Rocket Mortgage – Lending & Tribal Reservations

## *Case Nutshell*

- Complainants sought financing to purchase new home.
- Fee simple property.
- Located in boundaries of Flathead Indian Reservation (Confederated Salish and Kootenai Tribes).
- Applied for home mortgage loan with Rocket Mortgage.
- Loan application denied because of Title Commitment.

# Rocket Mortgage – Lending & Tribal Reservations

*(continued)*

“The subject property is confirmed to be within a tribal reservation and there are additional exceptions relating to this that fall outside of our guidelines and the closing agent has confirmed they will not be able to remove.”

Rocket stated that the processing of Complainants' loan application was consistent with relevant investor's guidelines.

# Rocket Mortgage – Lending & Tribal Reservations

## *(continued)*

### Quick Summary of Defense

Here, Rocket Mortgage was not “insured against all loss and damage from [Indian] claims” on the Subject Property. [REDACTED] title commitment, which explicitly identified the Subject Property as fee simple, specifically excluded from coverage “laws, ordinances or regulations of an Indian tribe or nation” as well as any information that could be disclosed by a records search of an “Indian tribe or nation.”<sup>3</sup>

12. Paragraphs 1 and 2 of the Exclusions from Coverage are expressly extended to include those laws, ordinances or regulations of an Indian tribe or nation.
13. Public Records as defined in this Policy do not include records of an Indian tribe or nation, or any other repository of Indian Land Records, including, but not limited to the Bureau of Indian Affairs Land Titles and Records Office.



# Rocket Mortgage – Lending & Tribal Reservations

## *(continued)*

### FHEO Counterpoint Discussion in Conciliation Negotiations

The Policy will not insure against loss or damage resulting from the terms and provisions of any lease or easement identified in Schedule A, and will include the following Exceptions unless cleared to the satisfaction of the Company:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records.
2. Any facts, rights, interests, or claims which are not shown by the Public Records but which could be ascertained by an inspection of said Land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the Public Records.

# Rocket Mortgage – Lending & Tribal Reservations

*(continued)*

## Conciliation Agreement on Fair Lending Complaint for Home Purchase within Tribal Lands

- \$65,000 Monetary Relief;
- Assurances on policies and procedures for fee simple properties within the boundaries of the reservation.
- Fair Lending training to include policies and procedures for fee simple properties within the boundaries of the reservation.
- Marketing and Social Media (creation of page on Rocket website); and
- \$30,000 financial support for programs aimed at improving housing conditions, consumer financial literacy and education, outreach and/or homeownership education or counseling for Native Americans.

# Rocket Mortgage - Native American Home Loans

**ROCKET** Mortgage

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## Native American Home Loans: What You Need To Know

 Summarize with Rocket Assist

Jun 27, 2024 | 8-MINUTE READ



# Lending & Tribal Reservations

- FHEO Region VIII Conciliated 3 Cases denied due to insufficient collateral in 2013 & 2017. Common Fact Pattern:
  - Owned fee simple property within the bounds of a reservation.
  - Applied for conventional mortgage loan.
  - Appraisers would not go to location on reservation.
  - Lender accepted appraisal company/appraiser assertion.

# Lending & Tribal Reservations *(continued)*

FHEO Region VIII Outreach has consistently identified 3 major barriers to home mortgage financing within the Reservation:

1. Title Commitment;
2. Obtaining an Appraisal; and
3. Homeowner's Insurance.

Stakeholders also identified two other issues:

4. Access to credit in financing manufactured homes.
5. Lender participation in Section 184 Home Loan Program.

# To Discuss Further...

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# DOJ's Combating Redlining Initiative: A Year in Review

*Tamica H. Daniel, Deputy Chief  
Housing & Civil Enforcement Section  
Civil Rights Division  
U.S. Department of Justice*

# Defining Redlining

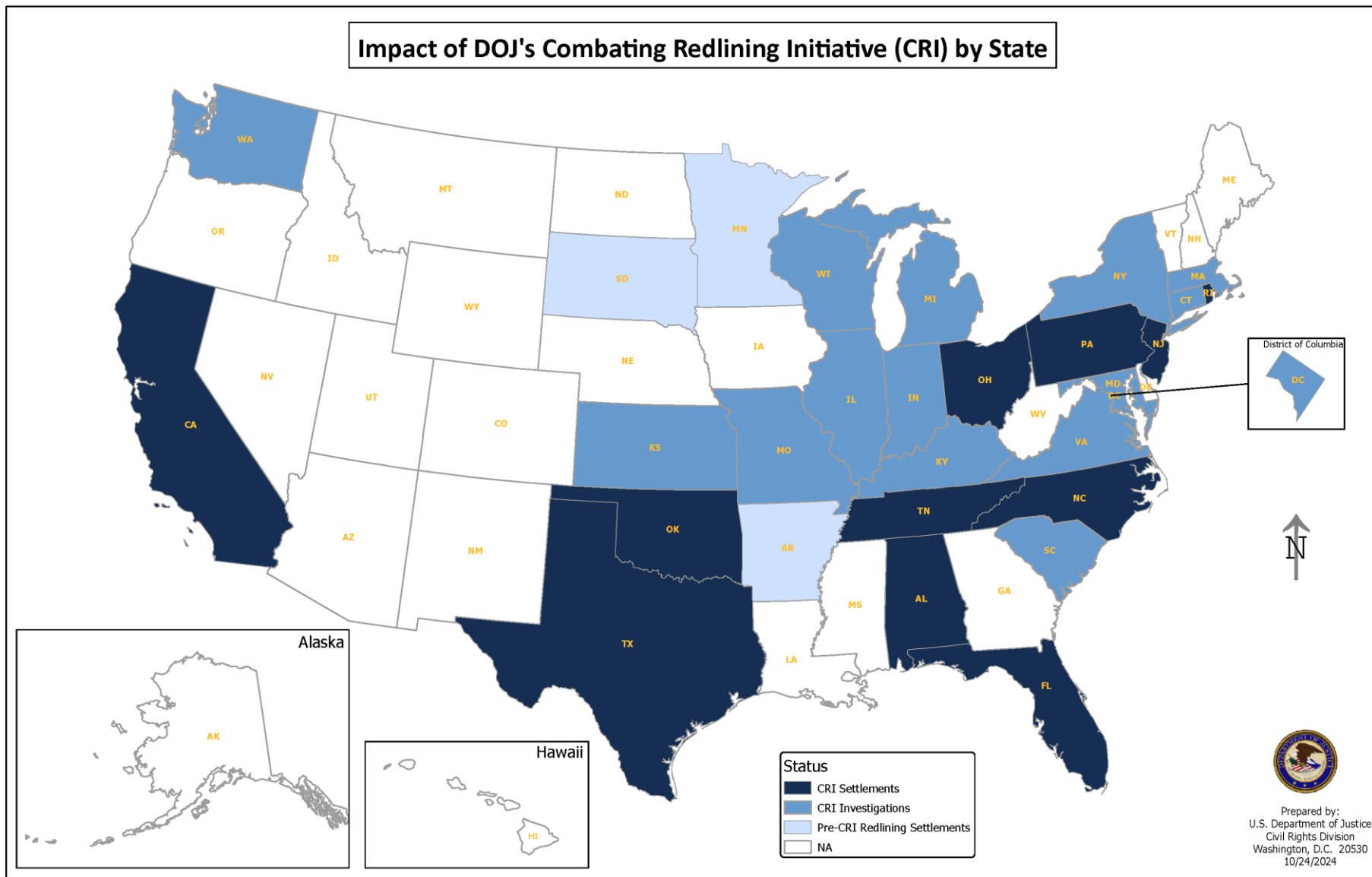
- Redlining occurs when lenders discourage applications, deny equal access to home loans or other credit services, or avoid providing home loans or other credit services to neighborhoods because of the race, color, or national origin of the residents of those neighborhoods
- Violation of Fair Housing Act & Equal Credit Opportunity Act

# Overview of the Combating Redlining Initiative

- 3 Years
- 15 Resolutions
- \$150+ Million to Redlined Communities
- \$121+ Million for Loan Subsidy Funds
- \$1 Billion Investment in Communities of Color
- 23 New Branches or Offices
- 1 Government approach



### Impact of DOJ's Combating Redlining Initiative (CRI) by State



# 2024 Redlining Resolutions

- *United States v. Patriot Bank (W.D. Tenn.)*
- *United States v. First National Bank of Pennsylvania (M.D.N.C.)*
- *United States v. OceanFirst Bank, National Association (D.N.J.)*
- *United States v. Citadel Federal Credit Union (E.D. Pa.)*
- *United States v. Fairway Independent Mortgage Corporation (N.D. Ala.)*

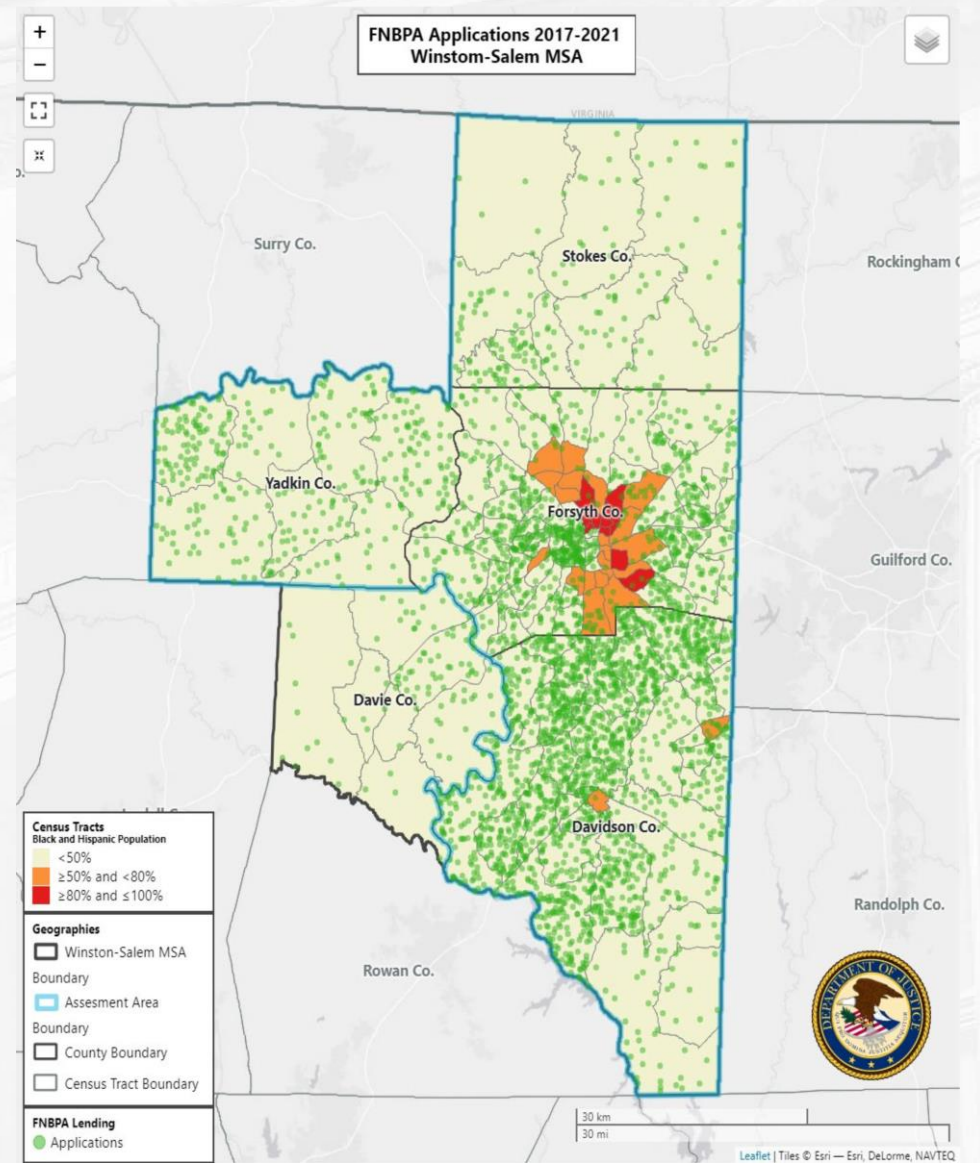
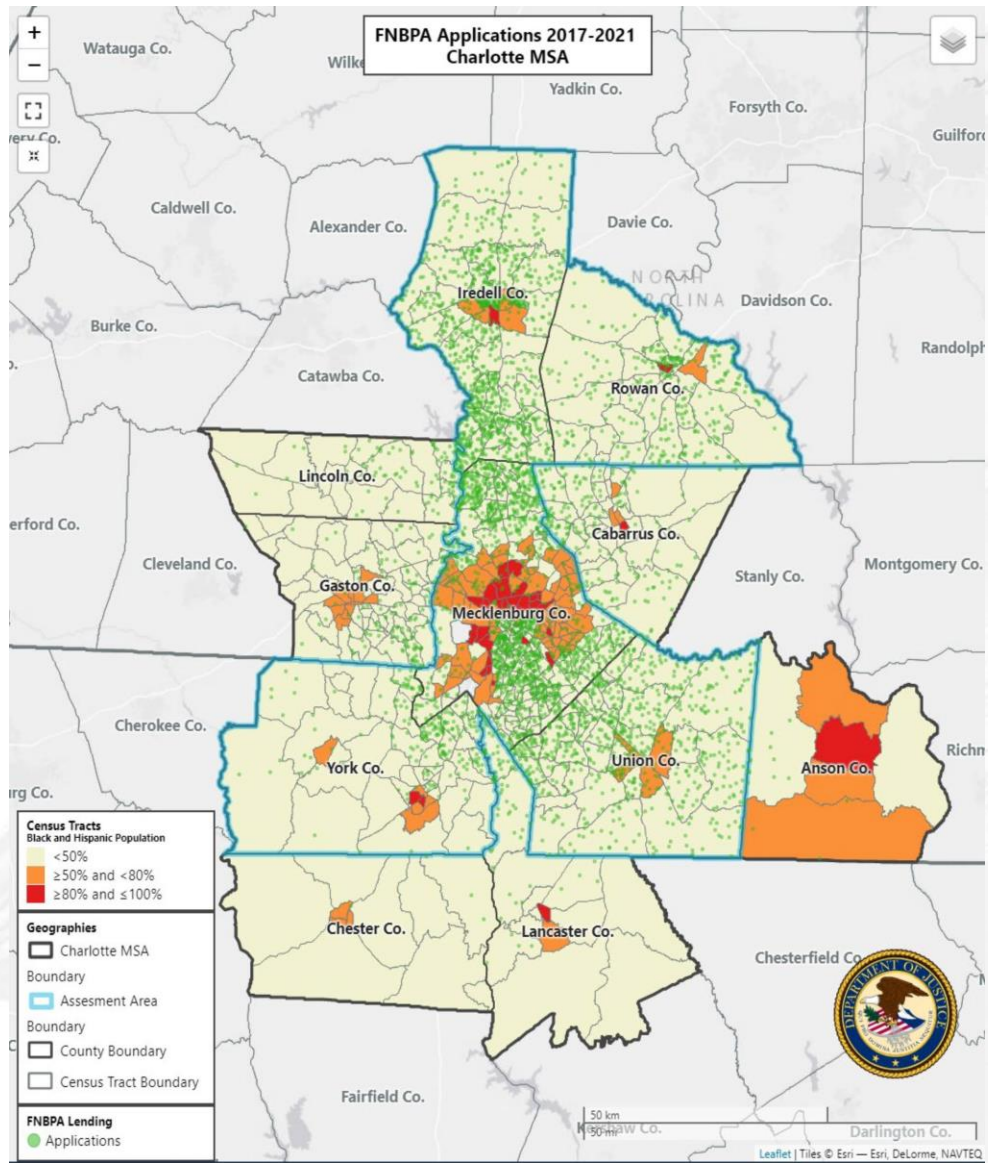
# First National Bank of Pennsylvania: Background

- National Bank headquartered in Greenville, PA
- Over \$45 billion assets
- 350 branches
- 16 Charlotte, NC branches
- 15 Winston-Salem, NC branches
- Entered Charlotte and Winston-Salem markets through 2017 acquisition of Yadkin Bank



# FNB of Pennsylvania: Key Allegations 2017-2021

Charlotte MSA	Winston-Salem MSA
1 of 18 Branches in an MBHT	1 of 18 Branches in an MBHCT
No Loan Officers in Branch in MBHT	No Loan Officers in Branch in MBHT
Branch-Centered Marketing	Branch-Centered Marketing
Knowledge of redlining risk since 2018	Knowledge of redlining risk since 2018
	Closed Branch in MBHT
Peers generated 2.5x applications	Peers generated more than 4x applications
Peers made between 2.3x and 4.1x more loans	Peers made between 3.0x and 6.4x more loans





# FNB of Pennsylvania: Resolution

- 2 Charlotte Branches; 1 Winston-Salem Branch
- \$11.75 million loan subsidy fund
- \$750,000 for advertising and outreach
- \$1,000,000 on community partnerships
- Fair lending training
- Compliance plan
- Separate, but consistent, NCDNJ consent order



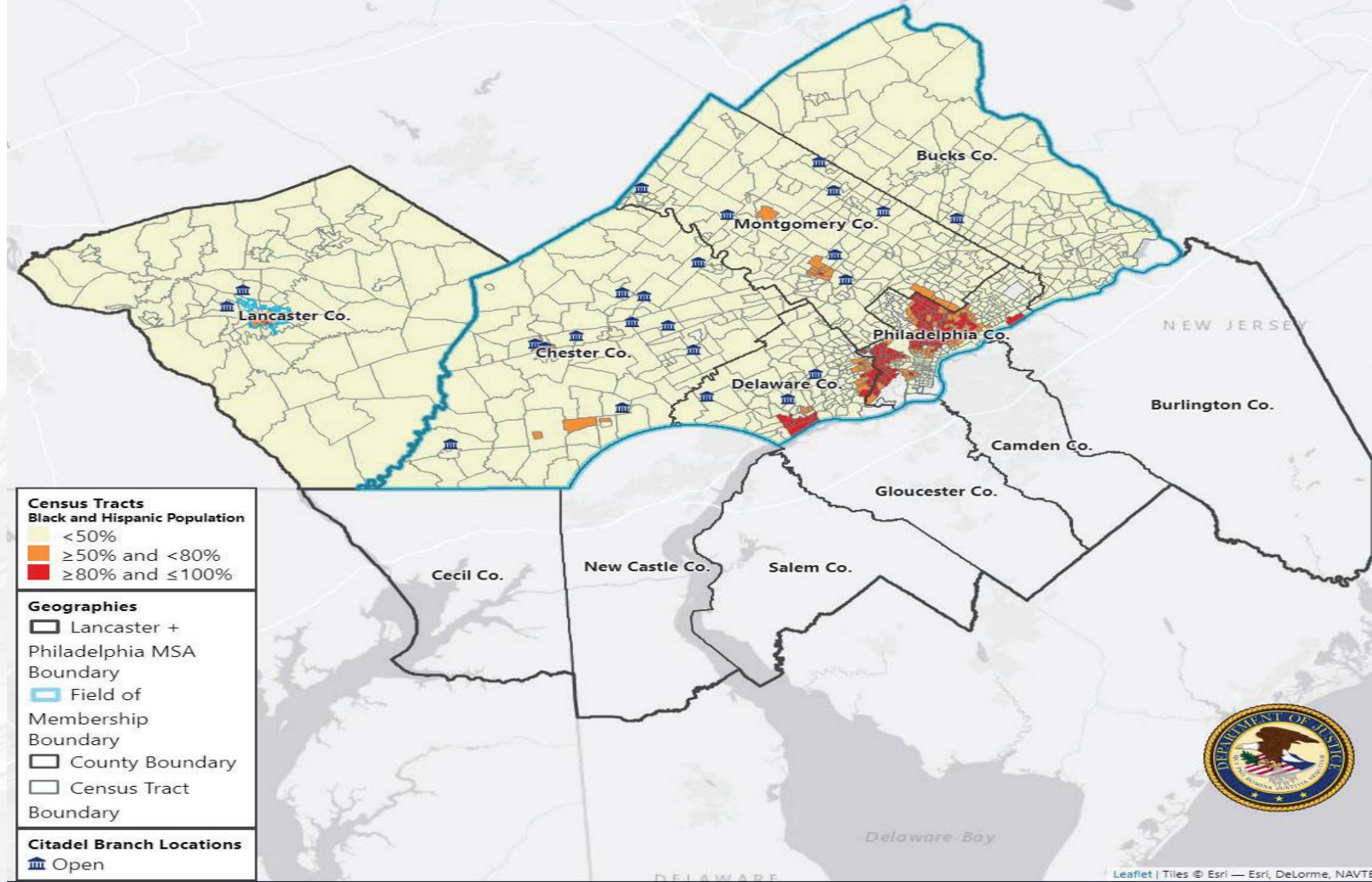
# Citadel Federal Credit Union: Background

- Headquartered in Exton, PA (Chester County)
- Founded in 1937 for employees of Lukens Steel Company
- 24 branches, \$6 billion assets, and 263,000 members
- Field of Membership since 2009: Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, and City of Lancaster
- Philadelphia County has over 75% of the Black and Hispanic neighborhoods in the market area

# Citadel: Key Allegations 2017-2021

- 3 Philadelphia Branches: A Proposal Not a Promise
- Outreach: No effort to reach Black and Hispanic communities
- Compliance Monitoring: Lack of training and comprehensive risk assessment
- Knowledge of Risk: Failure to respond to 2016 report
- Statistics: Underperforming Peers 2017-2021

# Citadel's Branch Network





# Citadel: Resolution

- 3 Philadelphia Branches
- \$6 million loan subsidy fund for Philadelphia residents
- \$270,000 for advertising and outreach
- \$250,000 on community partnerships
- Fair lending training
- Compliance plan
- Support for Spanish-speaking members



# *Questions?*