

## Hudson Cook Enforcement Alert: CFPB and DOJ "Combating Redlining Initiative" Finds National Mortgage Company in the Crosshairs for Alleged Lending Discrimination

October 17, 2024 | [Mark E. Rooney](#) and [Mark D. Metrey](#)

### HIGHLIGHTS:

- The Consumer Financial Protection Bureau ("CFPB") and the U.S. Department of Justice ("DOJ") filed a complaint and proposed consent order against a national mortgage company (the "Company") for alleged violations of the Fair Housing Act, Equal Credit Opportunity Act, Regulation B, and the Consumer Financial Protection Act, citing discriminatory lending practices in majority-Black areas.
- If approved, the Company must pay a \$1.9 million civil penalty, provide \$7 million for a loan subsidy program, and contribute at least \$1 million to serve the neighborhoods it allegedly redlined.
- The alleged violations include the Company's failure to adequately address known signs of discrimination and discouragement of loan applications in majority-Black neighborhoods in the metropolitan area of Birmingham, Alabama.

### CASE SUMMARY:

On October 15, 2024, the CFPB and DOJ filed a complaint and proposed consent order against the Company, alleging violations of the Fair Housing Act (FHA), Equal Credit Opportunity Act (ECOA) and its implementing Regulation B, and the Consumer Financial Protection Act (CFPA), with regard to its residential mortgage lending practices in majority-Black neighborhoods. The CFPB alleged that, from 2018-2022, the Company engaged in discriminatory practices against mortgage applicants and prospective applicants by discouraging them from applying for credit in majority-Black neighborhoods. The Company allegedly marketed its products and services only in majority-White neighborhoods, and its loan officers only operated out of offices in these same areas, thus allegedly neglecting majority-Black neighborhoods.

Following its investigation of these practices, as well as the Company's alleged failure to properly train its loan officers, the CFPB alleged the Company was not justified by any legitimate, nondiscriminatory reason or business necessity for these actions. When

compared to its competitors, the Company's percentage of loans made or offered in majority-Black areas was significantly lower than the average. The CFPB also alleged that the Company's leadership was made aware of these disparities, noting they were updated annually on the status of its fair lending monitoring for redlining risks, yet did not properly address these issues.

Under the terms of the proposed consent order, the Company would be subject to civil penalties and injunctive relief. If approved, the Company would pay \$1.9 million as a civil money penalty. The Company also would be required to provide \$7 million for a loan subsidy program, which would assist credit applicants in majority-Black neighborhoods. In addition, the Company would be required to invest at least \$1 million in majority-Black areas through advertising, financial education, and other community development programs.

The complaint is part of a larger "Combatting Redlining Initiative" by the CFPB and DOJ and follows similar complaints (including [this one](#), covered in a prior Hudson Cook enforcement alert) aimed at eliminating alleged discrimination in housing.

Although the consent order is still pending approval, the Company neither admits nor denies the findings outlined by the CFPB and DOJ.

#### **RESOURCES:**

You can review all of the relevant court filings and press releases at the [CFPB's Enforcement Page](#).

- [Complaint](#)
- [Proposed Consent Order](#)
- [CFPB Press Release](#)

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