

National Group Files Housing Complaints Against Major Banks

Discrimination in managing foreclosures alleged against US Bank and Wells Fargo

By Charlene Crowell
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In the aftermath of Dr. Martin Luther King Jr.'s assassination, Congress enacted the federal Fair Housing Act on April 11, 1968. This historic federal act made it illegal to discriminate in housing and housing related-activities on the basis of race, color, national origin, disability or sex. Further, the law applies to marketing and sales of homes, listings, appraisals and maintenance.

Now 44 years later – and not for the first time –two of the nation's largest banks - Wells Fargo and US Bank are accused of serious violations.

Following an undercover investigation of foreclosed single-family homes in eight metropolitan areas, the National Fair Housing Alliance (NFHA) filed two discrimination complaints with Housing and Urban Development (HUD). The complaints alleges that in handling foreclosed properties in its possession, US Bank and Wells Fargo show distinct and systematic differences in maintenance and marketing of these homes. And once again, according to the complaints, black neighborhoods are getting short shrift. The investigation involved foreclosed homes in Atlanta, Baltimore, Dallas, Dayton, Miami/ Fort Lauderdale, Philadelphia, Oakland and Washington, DC.

NFHA determined that while properties in predominantly white areas were consistently well-maintained with signage indicating the homes were available for sale, foreclosed homes in minority communities typically had multiple maintenance and marketing deficiencies such as substantial amounts of trash, overgrown grass and shrubs, broken doors or locks, peeling or

chipped paint and holes in the structures. In Atlanta, Baltimore and Washington, DC, nearly 75 percent of foreclosed homes held by US Bank in minority neighborhoods had substantial amounts of trash.

The availability of "for sale" signs on homes in these eight markets also revealed a racial divide. Signage is significant as it represents a marketing tool and contact information for neighbors who could want to report any problems with the property. In both Philadelphia and in Oakland, NFHA

alleged discriminatory mortgage practices by this same bank.

As HUD reviews the NFHA complaints, it is useful to remember that these new allegations are consistent with broader research findings by the Center for Responsible Lending:

- Racial and ethnic differences in foreclosure rates persist even after accounting for differences in borrower incomes. Among borrowers with a FICO score of over 660 (indicating good credit), African Americans

African-American borrowers had either lost their home to foreclosure or were seriously delinquent, compared to less than 12 percent for white borrowers.

These findings are also mirrored in a series of settlements negotiated by the Justice Department's Civil Rights Division. In 2011 alone, this division filed a record eight lending-related federal law suits, and obtained eight settlements providing for more than \$350 million in relief to the victims of illegal lending practices. This figure includes the settlement with Countrywide Financial Corporation, the largest lending discrimination case ever brought by the Department of Justice, as well as a record settlement under the Servicemembers Civil Relief Act.

In the approximately 24 months since this administrative adjustment, the division has filed or resolved 16 lending matters. By way of contrast, from 1993 to 2008, the department filed or resolved 37 lending matters, an average of a little more than two cases per year.

Fair housing may have been the law for 44 years; but its letter and spirit have yet to be fully embraced. Ironically the theme for the 2012 national observance is "Live Free". — If only it were so.

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found almost twice as many for sale signs in white communities than in black or Latino communities. In Dayton, 90 percent of Wells Fargo properties and 94 percent of all US Bank properties located in minority areas had no signage at all. In Washington, DC, Wells Fargo had four times as many for sale signs in white neighborhoods than in neighborhoods of color.

"Wells Fargo's disregard for homes in communities of color has severely damaged these communities," said Shanna L. Smith, NFHA President and CEO. "The company has also hindered this nation's efforts to promote fair housing and is in clear violation of the Fair Housing Act."

For Wells Fargo, the NFHA discrimination complaint is not the first time this large lender has been identified with discriminatory lending practices. In recent years both the cities of Baltimore and Memphis have

and Latinos received a high interest rate loan more than three times as often as white borrowers.

- African Americans and Latinos were much more likely to receive high interest rate (subprime) loans and loans with features that are associated with higher foreclosures, specifically prepayment penalties and hybrid or option adjustable-rate mortgages.

- Between 2004 and 2008, African-American families were almost twice as likely to have been impacted by the crisis. As of February 2011, approximately one quarter of all

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