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Challenging People to Shape a Better Future Now

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Opinion

Banks Caught Redlining Black Communities

Charlene Crowell
NNPA Columnist

The old adage, 'the more things change, the more they stay the same' seems somehow an apt description for what a growing number of communities are suffering: a lack of fair lending.

In recent weeks and in varying locales, the issue of redlining has led to lawsuits that have been challenged or settlements that avoided courtroom dramas. Regardless of locale, allegations are remarkably similar: lack of access in mortgage lending coupled with a lack of convenient access to full-service banking.

On September 24, the Consumer Financial Protection Bureau and the Department of Justice jointly ordered Hudson City Savings Bank to pay a total of $32.75 million. Of these funds, $25 million will be dedicated to subsidizing increased mortgage opportunity for Blacks and Latino neighborhoods, $5.5 million paid in penalties, and $2.25 million for outreach and community programs in Connecticut, New Jersey, Pennsylvania, and both New York City and Staten Island.

Although the Equal Credit Opportunity Act bans businesses from discriminating against applicants in credit transactions on the basis of race, color or national origin, 94 percent of Hudson City's branches were in areas with scant consumers of color. Further, 94.5 percent of the bank's top 50 brokers' offices were concentrated outside of minority communities.

"Hudson City Savings Bank structured its business operations to systemically avoid providing credit services in predominantly minority neighborhoods," said U.S. Attorney Paul J. Fishman of the District of New Jersey. "There is no room for such behavior in our banking system."

Nor is Hudson City Savings alone. Just a few days later on September 29, another Justice Department settlement noted redlining in the St. Louis area by Eagle Bank and Trust. Citing both the Fair Housing Act and the Equal Credit Opportunity Act, a $975,000 settlement will now open two new locations in northern St. Louis among other changes.

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The next day, September 30, a federal judge in Chicago denied efforts by HSBC Holdings to stop a fair housing lawsuit brought by Cook County in Illinois. On behalf of its citizens, Cook County charged that foreclosures dating to the late 2000s were the result of steering minority borrowers into high-cost loans even when their credit profiles made them eligible for cheaper loans offered to Whites.

In his decision, U.S. District Judge John Z. Lee wrote, "These discriminatory actions increased the minority borrowers' risk of default and foreclosure, resulting in a rash of foreclosures in the county, which in turn caused economic and non-economic injury to the County."

HSBC must now decide whether to appeal the denial, defend its actions in court or broker a settlement with Cook County.

In yet another case in Buffalo, NY, Attorney General Eric Schneiderman secured an $825,000 agreement with Evans Bank to end its discriminatory redlining that denied services to the largely Black East Side of the city.

In this action, Evans Bank was found to use a lending map that excluded Black consumers while including neighboring communities. It also disqualified East Side mortgage applicants regardless of their creditworthiness.

The largest portion of settlement funds – $475,000 – will be used to create a Housing Opportunity Fund to support development and restoration of affordable housing. Remaining monies will be dedicated to marketing and advertising to communities of color ($200,000), a special financing program to increase lending activity in underserved areas ($100,000), and payment of fees and costs to the state ($50,000).

In recent months, even more similar legal actions have been filed; but the pattern should be clear: communities of color often lack access to mortgages and/or fair credit.

Artificially raising the cost of the single largest investment most consumers make is just as harmful as the failure to approve mortgages to creditworthy borrowers.