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# REVIEWING LOAN FILES FOR EVIDENCE OF DISCRIMINATION

ZINA GEFTER GREENE\*

## INTRODUCTION

Whether looking at Home Mortgage Disclosure Act<sup>1</sup> (HMDA) patterns, rejection rates, testing, or through the loan files, discrimination is generally found by comparing treatment of minorities to non-minorities in like circumstances. In reviewing HMDA patterns, one needs to compare like census tracts, differentiated only by race. In testing, one should examine minority and non-minority testers with the same financial characteristics, and compare their treatment. The same is true in reviewing loan files — discrimination is found by comparing treatment of like situated minority and non-minority applicants.

Part I of this Article explains the importance of beginning a loan file review with the bottom line, i.e., external patterns. If HMDA data shows a significantly lower mortgage participation rate of minorities; or a lower participation rate in minority neighborhoods; or if the rejection rates of minorities are significantly

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Today, Ms. Greene is on the Board of the D.C. Housing Finance Agency, is an entrepreneur, and does consulting in mortgage lending discrimination. She is the author of "A Lender's Guide to Fair Mortgage Policies" published by the Potomac Institute in 1980 (currently available from the Center for Community Change, Washington, DC); designed, conducted and analyzed HUD's first mortgage lending "testing" program for the Center for Community Change in 1988-89; has reviewed hundreds of mortgage loan files; and writes articles and papers on mortgage lending discrimination.

1. 12 U.S.C. §§ 2801-2810 (1992).

higher than non-minorities; or if testing shows evidence of discrimination, one will find evidence in the files that normal market forces are being skewed by actions taken by the lender. Also, external data and testing may produce clues to the types of discrimination found in the loan files.

Part II examines the application process from loan origination to decision-making, identifying where and how discrimination can occur at each stage. Part III examines the loan file for the crucial pieces of information, their location in the file, what to analyze, and how to use a database to look for differential treatment. Part IV recommends a three part remedy: individual remedy to victims; neighborhood remedy to minority neighborhoods; and affirmative action to correct and overcome the effects of past discrimination.

### I. PREPARING FOR REVIEW OF LOAN FILES

Discrimination rarely occurs in isolated instances. One will rarely be able to just grab a file and say, "Here it is, I have found discrimination." Throughout an analysis, one must look for patterns of differential treatment to support individual cases. Thus, the perpetual question is: Are minority applicants treated differently from non-minority applicants? To answer this question, one needs to compare the treatment of minority and non-minority applicants.

When discrimination exists in the loan files, an external pattern usually exists as well. Such patterns emerge when HMDA data is mapped, rejection rates are compared, the LOG as well as a lender's marketing techniques are analyzed, and finally, through testing. All of these patterns provide valuable clues as to what one will find in the files. Proper review of this information will assist in analyzing the files and supporting one's findings.

From HMDA, one can observe whether the lender is not making conventional loans in minority census tracts, while making these loans in similar non-minority tracts. If that is the case, then one knows to look for three sources of evidence. First, one needs to ascertain whether the lenders limit their marketing mainly to non-minority areas. Second, one must test for evidence that minority applicants are discouraged at the loan origination stage. Third, where HMDA shows a significantly higher rejection rate for minorities, one must examine the files to discover if there is a longer processing time for loans, and/or if different standards, requirements, or terms are applied to minorities as compared to non-minorities. Analyzing rejection rates reveals if discrimination is occurring uniformly among minority applicants or if discrimination occurs more frequently in minority census tracts. This analysis helps determine how to select a sample of loan files and

whether to focus on minority census tracts as well as on minorities in general. Testing experience shows that black applicants in black neighborhoods face the greatest level of discrimination.

Testing is important for many reasons. First, testing is important because if discrimination occurs, it is reasonable to assume that the bulk of it occurs where there is no record: before an applicant submits an application. Second, testing provides quick evidence of different treatment based on underwriting standards; it is here that the standards are bent for white applicants and held rigid for minority applicants. Commonly, these standards include items such as debt ratios, minimum house or loan size, adequacy of cash reserves, and/or source of cash. Differential application of underwriting standards is commonly used to discourage minorities from filing applications.

It does not take a sledgehammer to discourage an applicant. A mere suggestion that he might not qualify is enough to send an applicant to another lender. Thus, in reviewing testing results, the auditor compares messages conveyed to whites as compared to minorities. Are the applicants encouraged to apply? Are the applicants told that they qualify? If they don't, why? Are minorities encouraged to apply elsewhere, such as the Federal Housing Association, while whites are encouraged to apply here? Does the loan originator ask for financial information or does the test applicant have to offer it? Does the loan originator provide helpful information to make the applicant look better (e.g., gift letters, file on pay day, etc.) or just tell the applicants that they do not qualify.

Analyzing data on the LOG, if such is required by the regulatory agency, can be used to determine whether the rate of applications to inquiries by minorities is substantially different than it is for non-minorities. This process can indicate that discouragement is taking place. Testing, however, is far more effective for finding discouragement because it identifies the form discrimination takes. Also, the LOG, maintained by the lending institution, may be kept improperly.

## II. THE MORTGAGE LENDING PROCESS

In a complicated process, there are many ways to discriminate and many forms that discrimination may take. To find discrimination in the loan files it is helpful to know the loan process and to know where, within that process, discrimination may occur. The process begins with a loan originator and ends with an underwriter, the absolute decision-maker. The underwriter (individual or committee) sets the tone for the entire office and influences the actions of everyone in the office. The underwriter also influences the selection of the outside resources including the sources of credit information, appraisers and private mortgage insurers. Even as we rapidly move to the day when a computer will assist

with the decision, the programming decisions in the computer and all exceptions to the rule will be made by an underwriter.

### *A. Loan Origination*

The loan originator is the "in-take" worker, the person who works with realtors and/or directly with individuals who need a mortgage. The originator generally confirms that the applicant meets the lender's criteria, answers questions, provides advice, and often assists the borrower in preparing the loan application. A borrower applies for a specific type of loan (e.g., conventional, ARM, FHA); specifies the amount of downpayment he will make; and requests specific terms and rates. In determining what terms and rates to ask for, the borrower frequently requests, or the loan originator volunteers, advice.

The loan originator does not make the lending decision. However, the originator knows from experience which type of applications the lender usually accepts and rejects. Thus, the loan originator: (1) takes and provides information; (2) makes recommendations, including loan types and terms; and (3) makes a decision whether to encourage or discourage a borrower to complete an application and pay the filing fee. The decision whether or not to encourage filing an application is based on the loan originator's judgment as to the likelihood that the loan will be approved.

Loan originators are evaluated, and usually paid, according to the value of their production rate, i.e., the dollar value of the loans they bring to closing. Under such circumstances, they may spend extra time with potentially good applicants who are nearly eligible, showing them how to look better on paper. Once an applicant files an application, the originator, as well as a loan processor, spends a great deal of time and effort putting together the myriad of exacting verifications necessary to satisfy the bank, the regulators and the secondary market. A completed loan package, ready for submission to the decision makers and/or the secondary market, is often quite substantial. Every "i" must be dotted and every "t" crossed.

Therefore, loan originators are going to spend as little time as possible with an applicant they believe is likely to be denied. If the underwriter frequently denies minority applicants or applicants in minority neighborhoods, loan originators will respond accordingly, and discourage minority applicants. A loan originator has every incentive to avoid applicants where experience shows a greater likelihood of denial. They will therefore withhold information and assistance, apply bank standards without any common exceptions, suggest other alternatives (e.g., FHA), and otherwise discourage these applicants from submitting an application. This

prejudicial treatment may be done consciously or subconsciously; but it is generally without any outward signs of discrimination or disrespect.

### *B. Loan Processing*

Loan processing is the stage between the lender's receipt of an application and closing, rejection or withdrawal of an application. This stage includes ordering a credit check and an appraisal of the property; properly verifying job, income, savings, and other "facts" in the application; following up on conditions that may have been set for approvals; and assuring that the paper trail required by federal regulators and the secondary market are met. Time is of the essence in loan processing because most sale contracts have a specified time limit for the buyer to receive a commitment and/or close on the sale.

A lender who does not want to give a mortgage can move slowly in processing the application, hoping that the delays will discourage the applicant and that he/she will withdraw. One way to slow down an application is to request additional information a little at a time, coming back over and over again to ask for a little more information. A second way is to submit insufficient information to mortgage insurers, e.g., PMI, FHA or VA — guaranteed to kill time or get a denial.

### *C. Credit Check*

Lenders obtain their credit information from one of three sources. First, they can order a report from a small, local credit agency. This method is generally the cheapest, the least complete, and rarely meets secondary market requirements.

Second, lenders can order a report from one of the three national credit bureaus: TRW, Equifax Inc, or Trans Union Corp. These firms operate independently from the lenders and generally follow uniform standards for reporting information. However, the information these agencies report is information they receive from creditors. All creditors do not report to all of the bureaus. Also, credit bureaus do not request data or verify it, but handle approximately four million changes in data a month, provided to them by creditors and public records (e.g., liens, bankruptcies). Therefore, each of the credit bureaus is likely to have different information, as well as frequent errors, particularly human errors in entry or retrieval.

Finally, the lender can order a report from a mortgage credit verification firm. These firms which will gather data from one or more of the national credit bureaus, verify the data, and do additional research. This method is the most thorough one available.

In selecting the source of credit information, lenders have

some control over the information they receive and the cost of obtaining that information. However, it is the manner in which they use the information that discrimination is more likely to occur. Obviously all lenders look for perfect credit, i.e., no late payments, no claims, judgments or liens. Some lenders make provision for exceptions to perfect credit in their underwriting standards, including the opportunity for applicants to explain, in writing, errors or lapses in otherwise good credit. Others do not have written provisions for exceptions, but make exceptions nonetheless. Differential treatment by race may occur in the way lenders select credit sources, when and to whom they provide opportunity for explanation, and when and under which circumstances they make exceptions for less than perfect credit or accept non-traditional credit sources (e.g., rent, utilities, etc.).

#### *D. The Appraisal*

The appraisal determines the value of the collateral. A low appraisal is frequently used to reject applicants applying for a mortgage in a minority neighborhood. An appraised value that is less than the selling price increases the loan-to-value ratio and either disqualifies the applicant or increases the required downpayment. Despite a major overhaul of the official Appraisal Handbook in 1979 (based on a fair housing law suit against the Appraisal Institute by HUD and the Justice Department), appraisals in minority neighborhoods are still a leading source of discrimination.

Appraisals are an important area for audit because the lender selects the appraiser, and is equally culpable if the appraiser discriminates in determining value. *Lenders are now required to make appraisals which are below the selling price available to applicants, upon request. Some lenders may, despite a low appraisal, use a different reason for denial to avoid drawing attention to the appraisal, reducing the likelihood the customer will request a copy of the appraisal.* Thus, in reviewing loan files, all low appraisals should be pursued whether or not they are the stated "cause" for rejection.

#### *E. The Underwriting Decision*

The underwriter (the person or committee who weighs the facts and makes the decision) *must respond to the borrower's request*, that is the request for a particular type of loan, amount of down payment, the rate, the term, and the loan origination fee (points). The loan originator who pre-qualifies the applicant generally recommends a specific loan type and terms. This recommendation is based on the originator's past experience with the underwriter. If the underwriter's terms are generally shorter, rates are

higher, or standards are stricter for minorities, the loan originator will make such recommendations at the time of application. Rates and terms for new mortgages are frequently published and thus unlikely to vary; however, expect to find variations by race in loan-to-value ratios, rates, terms, and fees in refinancings.

The underwriter may make exceptions to the rules, bending them slightly or substantially. Making exceptions to secondary market standards could be a problem with selling the loan. However, banks can discriminate by establishing loan standards far in excess of secondary market requirements and in doing so, leave considerable room for "selective" exceptions by race of applicant or neighborhood. Typical of areas where excessive standards and exceptions are combined to discriminate are: minimum loan or property value; maximum age or minimum size of property; length of employment; basic ratios; shorter terms; higher capital requirements; or higher loan costs. Having standards in excess of the secondary market easily permits exceptions for the "right" applicant.

The underwriter has discretion to set additional requirements for making the loan. This discretion could include obtaining Private Mortgage Insurance (PMI), changes in downpayment or terms, or submitting additional information. The extent to which minority applicants face additional or more stringent requirements compared to similarly situated non-minority applicants is an important area for audit.

#### *F. Private Insurers*

A common condition where loan-to-value ratios exceed eighty percent is to require that the amount of the loan in excess of eighty percent be insured. Private mortgage insurers insure the difference between a seventy-five to eighty percent loan-to-value ratio which is saleable in the secondary market and the loan-to-value ratio of the buyer (often ninety to ninety-five percent in conventional mortgages).

The larger the community, the more private mortgage insurance companies. A lender often has a wide variety of insurers from which to choose. Each insurer has published standards for applicants. Thus, a lender that is looking for an easy way to deny a loan to an otherwise eligible applicant can send the application to a private mortgage insurer whose standards for applicants are in excess of that normally required by the lender. When the application is subsequently rejected, the lender simply informs the applicants that they were rejected for PMI. The fact that there may be several other insurers in the community who would approve the application is simply not mentioned. Or, a lender can send an incomplete application to the insurer, leaving out, for example, the letters of explanation for a credit fault.



Test results at the loan origination stage found that the minority applicants were often discouraged by being told that they would need "two" approvals and that "they were hard to get." One can assume that PMI was the second approval because the testers were asking for conventional loans with a ten percent downpayment. However, "two, hard to get" approvals were never mentioned to any of the similarly situated white applicants. Instead, they were all urged to apply.

### III. FINDING DISCRIMINATION IN THE LOAN FILES

#### A. *Selection of Files*

Discrimination cannot be established by looking only at loan files of minority applicants. Too often examiners have compared rejected minority applications to bank standards and have found no evidence of discrimination. An audit must look at comparable non-minority and minority applicants because discrimination is based on different treatment of like situated individuals based on race or other protected status. Even more important, an audit of the loan files should compare files in minority census tracts to comparable non-minority census tracts. Testing experience shows that black applicants in black neighborhoods face the greatest level of discrimination.

Finally, if there is any likelihood that this data will be used in a court of law, the loan files should be selected in a statistically defensible manner. Thus, a statistician or economist should be involved in all aspects of the selection and analysis. You can expect to get into a battle of the experts on endless minutiae.

Applications not originated by the subject lender should not be part of the sample. Such applications generally have a cover letter from a mortgage broker; the loan processing form has very little information; the application goes through in a few days (compared to the normal 30-60 days); and someone other than the bank orders the appraisal.

#### B. *Reducing Files to a Manageable Size*

The loan files are foreboding in size; however, they can be reduced for an audit by focusing on a few pieces of paper. These include the application, the loan processing log, and the appraisal. Remove all of these pages and then review the credit report. If there are any negatives on the credit report, examine the report and any explanatory letters provided by the applicant. The rest of the material can be set aside. One caveat, *you* need to select the materials to review so always request the *complete* file.

### *C. The Loan Processing Form*

The loan processing log, originated on paper or computer-generated, is generally an accurate diary of the lender's processing and the underwriter's decisions. It logs each action, the date and the reason or explanation for such actions. It generally contains the name, address, and census tract of the applicant, the date of application, loan-to-value ratio, income and debt ratios, and how they are computed. It logs the request date and the results of the credit report, the appraisal, and the verifications. It logs the recommendation of the loan originator, the date it goes to the underwriter, the underwriter's decision and the date of the decision. It also logs requests for more information (with date requested and date received) and special requirements such as mortgage insurance and the results.

Before using the loan processing log, certain pieces of information should be verified directly from the application. These are: the date of application; the race/sex of applicant(s); the income and sources (is all income listed on the application included in determining the ratios?); and the requested loan type and terms. Sometimes conflicting information will be evident even from a casual comparison of the basic information. If racial information is not provided on the application, the lender is in violation of regulatory requirements.

The loan processing form is the principle source of information for finding differential treatment by race in loan processing and underwriting. The information on these forms indicates whether there is differential treatment between minorities and non-minorities in "requests for terms" (length of loan, rates, points); determining total income and ratios; processing time; application of standards (exceptions to the rule or more loosely defined rules); requirements for PMI; and response to credit problems (e.g., opportunity to explain negative credit rating or errors). Also, one should note whether the appraisal is too low to support the loan.

### *D. Using the Lender's LOG*

If the lender is required to maintain an Application/Inquiry LOG, information in the loan file should be checked against this LOG. Examine whether all the sample applications are listed; if the lender's application numbers are consecutive based on date of application; and if the application dates match the LOG dates. Evidence of failure to maintain the LOG according to the regulations may provide evidence of wilful intent to discriminate.

### *E. Creating a Database*

The best way to analyze the files is to create a database for each file, including: file number; race/sex; census tract; minority characteristics of census tract; number of days from the date the application is signed to the date of the decision (final approval, rejection or withdrawal — not closing); ratios; negative factors such as discounting income, credit problems, low appraisal; and the PMI required and obtained. If there are low appraisals, particularly if they are only for minorities or only in minority neighborhoods, you may go back in and add data from the appraisals or create a separate appraisal file.

The purpose in creating the file is to isolate differences by race, or to rank order, by race. For example, the number of days from application to decision (not closing) can be rank ordered by race to determine whether there is a statistically significant difference in length of processing time between minority and non-minority applicants. Using a database for a group of loan files from a midwest bank, I found that: (1) all the minority applicants were in the upper fiftieth percentile in length of time for a decision; (2) minority applicants averaged more than twice the number of days to decision or withdrawal than non-minority applicants; (3) PMI was required at higher loan-to-value ratios for minorities than for non-minorities; and (4) minority applicants always "requested" shorter terms for refinancings.

### *F. Reviewing Appraisals*

Evidence of discrimination in appraisals shows, initially, in the lender's selection of appraisers. Generally, there will be a high correlation between properties that receive low appraisals and specific appraisers. Using the database, list applications where the appraisal was lower than the sale price or estimated value (whether or not that was the reason given for a denial), by race of applicant, census tract and the name of the appraiser. The evidence may be astounding. Often, most, if not all, of the undervalued properties are in predominantly minority neighborhoods and find select appraisers doing all the low appraisals. In one bank, we found that one appraiser did every "too low" appraisal for minority applicants. In the few cases in which a minority applicant was approved, the bank had hired a different appraiser.

On the appraisal form, evidence of discrimination can be found in the selection of houses as comparables — their location, condition, and the financial "adjustments" for variations from the comparables (e.g., differences in number of bathrooms, central air conditioning, square footage, garage, carport, or patio). It also shows in "adjustments" assigned for functional or economic obso-

lescence and reasons for those adjustments. Often, homes in minority neighborhoods are given negative adjustments while homes in adjacent, non-minority neighborhoods are not. Sometimes reasons are not given, even though they are required. One does not have to be trained in appraisal techniques to see substantial differences in the "adjustments" assigned in minority neighborhoods compared with adjustments in similar, non-minority neighborhoods.

It is important to remember that the lender hires the appraiser. It makes no difference if the appraiser is a minority. When the appraiser was trained, however, can make a considerable difference. Appraisers trained in the past ten years have used a substantially revised appraisal manual which stresses that race of a neighborhood is not a criteria for value. This was not the case before 1980.

All appraisal manuals published before 1980, many of which are still in use, stress the importance of social (racial) harmony and conformity, and the eventual decline of every neighborhood as evidenced by infiltration of inharmonious (minority) groups. Therefore, if the lender wants a low appraisal, they hire an "old-school" appraiser whom they know and expect will come in with a low appraisal. That appraiser is rewarded for the low appraisals with consistent work — all the work in the minority neighborhoods.

Where an analysis of the appraisals shows a likelihood of discrimination, you can hire an appraiser to reappraise those properties which came in low. A professional appraiser can appraise property for any given time in the past.

### *G. Credit*

There are two predominant patterns in credit discrimination. First, the lender will buy the cheapest form of credit record for minority applicants if the lender knows he is going to deny the application. Often that is the local credit source, a source that will not even be acceptable to the secondary market. Therefore, it is important to list the credit source on the data file and see if there is any correlation between the credit source and ultimate denial, for any reason. That could provide evidence of intent to deny.

The second pattern, one that is easily evident, is that the lender does not provide an opportunity for the minority borrower to explain why there was a problem with credit. Or if they do provide the opportunity, the lender accepts the explanation of the non-minority applicants but not the same/similar explanation of the minority applicants. A colleague approached me a year ago and informed me that it was true, the credit on minorities was not good. He had in fact gone through dozens of rejected applications of minorities and discovered flawed credit. "Did you go through an

equal number of white applicants with flawed credit to see how they were treated?" I asked. "No," he said.

Discrimination will rarely be found if minority treatment is not compared to non-minority treatment. It is in consistently different treatment that you will find discrimination, whether examining external data such as HMDA or rejection rates, or looking at testing results, or inspecting the loan files.

#### *H. Private Mortgage Insurance (PMI)*

There are three patterns of discrimination among lenders requiring PMI. The first pattern occurs in the variation of standards for requiring PMI. I have seen minority applicants required to have PMI with loan-to-value ratios as low as seventy-six percent and non-minority applicants not required to have PMI with loan-to-value ratios as high as eighty-nine percent. The second pattern of discrimination arises in the selection of insurers. The third pattern emerges in the sending of insufficient data regarding the applicant when requesting insurance.

Adding PMI to the database and comparing it with race of applicant, census tract, insurer, loan-to-value ratio and reason for rejection will give evidence of inequitable treatment if it exists. If minority rejection rates are frequently based on rejections of PMI, examine whether applicants are being steered to insurers with more stringent standards, or if certain insurers need to be looked at for possible discrimination. Finally, one will want to see if all the necessary information has been sent to the insurer, or if the insurer is rejecting the application for insufficient information or for lack of an explanation for credit problems.

Where denials are based on rejections by PMI insurers, one can review the reasons given by the insurer, as well as the lender's PMI standards book to see if there are other insurers who would have accepted the applicant. If one is in a small community where there are only a few insurers, and if rejections for PMI are significant, there are ways to change PMI standards. In Des Moines, Iowa, for example, the mortgage lenders met with the leading insurer and negotiated changes in the PMI's standards which permitted far greater minority participation. After all, PMIs cannot exist without referrals from lenders.

#### *I. Conclusion*

It is difficult, if not nearly impossible to take a single file and "prove" discrimination. "Smoking guns" are rarely found. Testing shows that, for the most part, lenders are particularly nice to minority applicants and their suggestions to minority applicants to go elsewhere are put in a helpful, positive light. It is only when one compares the treatment of similarly situated non-minority

applicants who are encouraged to stay at an institution and apply for a mortgage that indications of discrimination begin to surface.

Whenever one produces a single file and tries to convince a judge or jury that discrimination occurred in this particular case, the lender can pull in all kinds of experts to show why this particular case should have been denied. The real issues, however, remain whether minority and non-minority applicants are held to the same standard and whether applicants in minority neighborhoods are held to a higher or different standard than similar applicants in non-minority neighborhoods. Thus, it is crucial in examining the loan files to inspect an adequate sample of loan files and reveal that differential treatment is a regular occurrence.

#### IV. SEEKING REMEDY

Since 1978-1979 when I served the U.S. Comptroller of the Currency as the first Director of Civil Rights and prepared the Comptroller's Fair Housing Home Loan Data System, I have been challenged by both the pervasiveness and the senselessness of mortgage lending discrimination. It is senseless because it is a voluntary and intentional reduction by a lender of the lender's own market. Can you identify any other consumer product which is not marketed just as aggressively to minorities as to non-minorities of similar income?

Yet, despite its senselessness, HUD-funded "testing" in 1988 showed that black and white testers; all with signed contracts, the same loan-to-value and income to debt ratios, and with similar characteristics; were treated differently based solely on race. We tested in a community where the number of applications were down that summer and where lenders were hustling for applicants. Nevertheless, loan originators in *all* the banks and savings and loans that we tested clearly discouraged black applicants from submitting applications, while actively encouraging similarly situated white applicants to apply. Similar results have been found in subsequent testing by fair housing/lending organizations.

To "look for" and "find" discrimination is threatening to lenders and to their regulators, yet it must be done. Individual remedies to victims of discrimination is long overdue and should be actively pursued. In addition to individual remedy, neighborhood remedy and affirmative marketing should be the tripod of any agreement or plea for remedy.

Once a pattern of differential treatment in one or more areas of mortgage lending is identified through reviewing the loan files, all minority persons who might have suffered discrimination based on that pattern should be individually compensated. Individual compensation would be an appropriate remedy even if the reason for reviewing the loan files is generated by a single plaintiff. Once differential treatment is made evident, then an effort

should be made to compensate all individuals who were affected.

Second, repeated acts of discrimination in minority neighborhoods are not only acts against the individuals who apply, but are egregious acts against the entire minority community for they serve to substantially lower property values by removing common forms of mortgage financing. When it becomes difficult to obtain financing within a community, housing and other property values drop and mortgage rates increase. A remedy for entire minority neighborhoods deserves special recognition and specific guidelines. One possible remedy would be a large cash contribution by the lender over several years to endow community-based organizations committed to economic development, health or education in such neighborhoods.

Finally, all findings of discrimination or settlements should require aggressive marketing as part of the remedy, with substantial mortgage targets and adequate monitoring to assure that the lender reaches the underserved minority applicants and all minority neighborhoods. A marketing campaign is not only invigorating, but also good for business. By successfully marketing mortgages to minorities and to minority neighborhoods, the lender's experiences will change, new markets will be found, and, just as we see through lenders' experience with low-income populations in meeting CRA requirements, new beliefs may follow.