

Justice News

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Justice Department and Consumer Financial Protection Bureau Reach Settlement with Provident Funding Associates to Resolve Allegations of Mortgage Lending Discrimination

Settlement Provides \$9 Million in Compensation to African-American and Hispanic Borrowers

The Justice Department and Consumer Financial Protection Bureau (Bureau) filed a consent order today to resolve allegations that Provident Funding Associates (Provident) engaged in a pattern or practice of discrimination that increased loan prices for African-American and Hispanic borrowers who obtained residential mortgages between 2006 and 2011 from Provident's nationwide network of mortgage brokers.

The settlement, which is subject to court approval, was filed in conjunction with the agencies' complaint in the U.S. District Court for the Northern District of California. The complaint alleges that Provident violated the Fair Housing Act and Equal Credit Opportunity Act (ECOA) by charging thousands of African-American and Hispanic borrowers higher fees on mortgage loans not based on borrower risk, but because of their race or national origin. Provident cooperated fully with the agencies' investigation into its lending practices and agreed to settle this matter without contested litigation.

"The Civil Rights Division is committed to ensuring that all types of lending institutions, including wholesale mortgage lenders, comply with the fair lending laws," said Principal Deputy Assistant Attorney General Vanita Gupta of the Civil Rights Division. "We look forward to further collaboration with the Consumer Financial Protection Bureau in protecting consumers from illegal and discriminatory lending practices."

"The settlement demonstrates this U.S. Attorney's office will devote the resources necessary to root out and address unfair lending practices that affect citizens of this district," said U.S. Attorney Melinda Haag of the Northern District of California. "The law is clear: access to mortgage loans may not be made more difficult because of an applicant's race or national origin. We are glad that Provident has agreed to put an end to this practice without engaging in protracted litigation."

"Consumers should never be charged higher fees because of their race or national origin," said Consumer Financial Protection Bureau Director Richard Cordray. "We will continue to root out illegal and discriminatory lending practices in the marketplace. I

look forward to working closely with our partners at the Department of Justice to ensure consumers are treated fairly.”

The lawsuit originated from a 2011 referral by the Federal Trade Commission (FTC) to the Justice Department’s Civil Rights Division. In 2012, the Bureau joined the Justice Department’s investigation.

Under the terms of the proposed settlement, Provident will pay \$9 million into a fund for the benefit of victims of its alleged mortgage lending discrimination. The proposed settlement provides for an independent administrator to contact and disburse payments to borrowers whom the agencies identify as victims of Provident’s discrimination, at no cost to the borrowers. Provident will pay all costs and expenses of the administrator. Borrowers who are eligible for compensation will be contacted by the administrator. The department will make a public announcement and post contact information on its website once the administrator begins contacting victims.

The Justice Department’s enforcement of fair lending laws is conducted by the Fair Lending Unit of the Housing and Civil Enforcement Section in the Civil Rights Division. Since the Fair Lending Unit was established in February 2010, it has filed or resolved 39 lending matters under the Fair Housing Act, ECOA, and the Servicemembers Civil Relief Act. The settlements in these matters provide over \$1.2 billion in monetary relief for impacted communities and individual borrowers. The Attorney General’s annual reports to Congress on ECOA enforcement highlight the department’s accomplishments in fair lending and are available at www.justice.gov/crt/publications/.

The Civil Rights Division, the U.S. Attorney’s Office for the Northern District of California, the Consumer Financial Protection Bureau, and the FTC are members of the Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

A copy of the complaint, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department’s website at <http://www.justice.gov/fairhousing>.