

Consumer Financial Protection Bureau Files Suit Against Mortgage Creditor for Discriminatory Mortgage-Lending Practices

JUL 15, 2020

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (Bureau) today filed a lawsuit against Townstone Financial, Inc., a nonbank retail-mortgage creditor based in Chicago, for violations of the Equal Credit Opportunity Act (ECOA); its implementing regulation, Regulation B; and the Consumer Financial Protection Act (CFPA). ECOA and Regulation B prohibit mortgage lenders from discriminating against applicants in credit transactions on the basis of race, color, national origin, or other prohibited bases. ECOA and Regulation B also prohibit mortgage lenders from making statements, or engaging in acts or practices, that would discourage, on a prohibited basis, applicants or prospective applicants from applying for credit. The Bureau's complaint alleges that Townstone violated ECOA and Regulation B by engaging in discriminatory mortgage-lending practices and that these violations also constituted violations of the CFPA.

As alleged in the complaint, from 2014 through 2017, Townstone drew almost no applications for properties in African-American neighborhoods located in the Chicago-Naperville-Elgin Metropolitan Statistical Area (Chicago MSA) and few applications from African Americans throughout the Chicago MSA. The Bureau's complaint, filed in federal district court in the Northern District of Illinois, alleges that:

- Townstone engaged in acts or practices, including making statements during its weekly radio shows and podcasts through which it marketed its services, that illegally discouraged prospective African-American applicants from applying to Townstone for mortgage loans;
 - Townstone engaged in illegal redlining by engaging in acts or practices that discouraged prospective applicants living in African-American neighborhoods in the Chicago MSA from applying to Townstone for mortgage loans, including by making discouraging statements during its weekly radio shows and podcasts through which it marketed its services; and
 - Townstone engaged in illegal redlining by engaging in acts or practices that discouraged prospective applicants living in other areas from applying to Townstone for mortgage loans for properties located in African-American neighborhoods in the Chicago MSA, including by making discouraging statements during its weekly radio shows and podcasts through which it marketed its services.
- The Bureau's complaint seeks an injunction against Townstone, as well as damages, redress to consumers, and the imposition of a civil money penalty.

The Bureau's complaint is not a finding or ruling that Townstone has violated the law.

A copy of the complaint filed in federal district court in the U.S. District Court for the Northern District of Illinois is available

here: https://files.consumerfinance.gov/f/documents/cfpb_townstone-financial_complaint_2020-07.pdf

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