



Department of Justice

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THURSDAY, SEPTEMBER 17, 1992

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202-514-2007
TDD 202-514-1888

DEPARTMENT OF JUSTICE SETTLES FIRST RACE DISCRIMINATION
LAWSUIT AGAINST MAJOR HOME MORTGAGE LENDER

WASHINGTON, D.C. -- The Department of Justice today filed a complaint and accompanying consent decree resolving claims that Decatur Federal Savings and Loan Association, one of the largest providers of home mortgage loans in the Atlanta, Georgia, area, engaged in a pattern or practice of discrimination against prospective black homebuyers when marketing its home mortgage loan products and deciding whether or not to grant mortgage loan applications. The suit, which alleges violations of the federal Fair Housing Act and the Equal Credit Opportunity Act, is the first such pattern or practice lawsuit brought by the government against a mortgage lender.

Attorney General William P. Barr said the consent decree reflects the Department's commitment to the vigorous enforcement of the Fair Housing Act and Equal Credit Opportunity Act.

"In the fall of 1991, the Department of Justice announced a major initiative in the mortgage lending industry to identify racial discrimination against potential homeowners and renters. This litigation is part of that Civil Rights Division initiative, and we are extremely pleased that we were able to achieve an

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amicable resolution without resorting to expensive, time-consuming litigation." said Barr.

According to the consent decree filed today in U.S. District Court in Atlanta, Decatur Federal will provide \$1 million to 48 black individuals whose home mortgage loan applications were rejected between January 1988 and May 20, 1992.

The consent decree requires Decatur Federal to:

- Expand its lending territory to include all of Fulton County, which includes most of the city of Atlanta.
- Advertise extensively in black-oriented newspapers and radio stations.
- Target sales calls to real estate agents and builders active in black neighborhoods.
- Implement a pay structure that increases incentives for its account executives to obtain business in these neighborhoods.
- Make future decisions regarding branch locations only after consideration of the lender's obligations to meet the credit needs of low and moderate income neighborhoods.
- Within one year of the date of the decree, open a branch or regional loan office in south Fulton County, a predominantly black section of Atlanta.

The decree also requires Decatur Federal to re-train all of its home mortgage personnel. These personnel will be required to complete an application check-sheet for each loan applicant to ensure they solicit all necessary information and evaluate this information fairly. The lender will appoint a review underwriter to re-examine every initially rejected application, and a review

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appraiser to re-examine every appraisal that does not support the loan requested.

John R. Dunne, Assistant Attorney General in charge of the Civil Rights Division, pointed out that although a review of lending practices in the Atlanta area was initiated more than three years ago, the Civil Rights Division's efforts have been expanded at the request of Barr.

According to Dunne, "Many of the remedial measures of the consent decree that are designed to increase Decatur Federal's mortgage lending in predominantly black neighborhoods were proposed by the lender. This cooperation is important to our efforts to address alleged mortgage lending discrimination in a fair and effective manner consistent with sound banking practices.

"This investigation was complex and required a serious commitment of personnel and financial resources. As a result, we now have a model for investigating the mortgage lending practices of other institutions. Based on the Decatur experience, we will be able to conduct future investigations much more quickly and efficiently.

"We have been meeting with the federal regulatory agencies who have initial supervisory responsibility over lending institutions, and have shared with them our approach in

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conducting mortgage lending investigations. We have invited them to conduct joint investigations with us in the future.

"All mortgage lenders should be on notice of our resolve to ensure nondiscrimination in the mortgage lending process and to fully enforce the requirements of the Fair Housing Act and the Equal Credit Opportunity Act," said Dunne.

The complaint alleges that since January, 1988, Decatur Federal rejected black applicants for mortgage loans at almost three times the rate at which it rejected white applicants. The vast majority--over 95 percent--of its loans originated in predominantly white neighborhoods.

An extensive review and analysis of over 4,000 loan application files showed that, even after controlling for possible differences in income, credit history, debt levels, and other underwriting variables, race was a significant factor in Decatur Federal's loan decisions.

The complaint further alleges that in early 1979, Decatur Federal purposefully defined its relevant lending market to exclude large portions of the black community in Fulton County, and the institution rarely or never advertised for home mortgage loans through media oriented to the black community. In addition, Decatur Federal allegedly employed a virtually all-white staff of commissioned account executives to solicit

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loans from real estate agents active in white neighborhoods, but rarely made sales calls on agents active in black neighborhoods.

Since its founding in 1927, Decatur Federal allegedly placed 42 out of 43 branch and regional loan offices in predominantly white neighborhoods at the time they opened for business.

To ensure future compliance with the law, Decatur Federal will enter into a contract with an independent testing organization that will send blacks and whites posing as home mortgage customers to test for racial discrimination. The institution also will send regular reports regarding all its lending activities to the Department for three years.

The U.S. District Court in Atlanta will retain jurisdiction over the case during this period for the purposes of enforcing the decree. The consent decree is subject to court approval.

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FEDERAL CLERK'S OFFICE
U.S. DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA, GEORGIA

SEP 17 1992
By: LUTHER D. THOMAS, Clerk
Deputy Clerk

UNITED STATES OF AMERICA,)

Plaintiff,)

v.)

CIVIL ACTION NO.)

DECATUR FEDERAL SAVINGS AND)
LOAN ASSOCIATION,)

Defendant.)

1 92-CV-2198
-UAM

COMPLAINT

The United States of America alleges:

1. This action is brought by the United States to enforce the provisions of Title VIII of the Civil Rights Act of 1968 (the Fair Housing Act), as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§1691-1691f.

2. This Court has jurisdiction of this action pursuant to 28 U.S.C. §1345, 42 U.S.C. §3614, and 15 U.S.C. §1691(h).

3. Defendant, Decatur Federal Savings and Loan Association (hereinafter "Decatur Federal" or "the Association"), is a federally chartered savings and loan association doing business in the State of Georgia, and is a subsidiary of DFSoutheastern Incorporated. Its headquarters office is located in Decatur, Georgia. Its business includes engaging in residential real estate-related transactions and regularly extending credit to persons.

4. As of December 31, 1991, Decatur Federal had \$2.03 billion in deposits, assets of \$2.56 billion, a net worth of \$124 million, and 39 branch offices (including five regional loan offices) in nine counties in the state of Georgia. All but four of those branch offices are located in the 18-county Atlanta Metropolitan Statistical Area (MSA), as defined by the 1990 Census.

5. Decatur Federal is one of the largest originators of home mortgages in the Atlanta area. According to data submitted by the Association pursuant to the Home Mortgage Disclosure Act, in 1990 Decatur Federal originated in the Atlanta MSA 1,738 home mortgage loans (purchase or refinance) totaling more than \$170 million. As used in this complaint, "home mortgage loan" refers to conventional mortgage loans and government-insured mortgage loans for the permanent financing of one-to-four-family dwellings.

6. As a federally chartered savings and loan institution, Decatur Federal is subject to the regulatory authority of the Office of Thrift Supervision, formerly known as the Federal Home Loan Bank Board. As a federally regulated lending institution, Decatur Federal is subject to federal laws governing fair lending, including the Fair Housing Act, the Equal Credit Opportunity Act, and the Community Reinvestment Act of 1977 (12 U.S.C. §§2901-2906). The Community Reinvestment Act and its implementing regulations require Defendant to meet the credit

needs of the entire community in which it operates, including the credit needs of low- and moderate-income neighborhoods.

7. Decatur Federal commenced operations in 1927, in an identifiably white neighborhood in the Atlanta area. At that time black citizens of the Atlanta area were subjected to segregation in virtually all aspects of public life, including, but not limited to, housing, education, and public accommodations and facilities. Banking and lending institutions owned and operated by white persons, including Decatur Federal, rarely made home mortgage loans to black persons, or home mortgage loans on properties located in black residential areas.

8. As years passed and various civil rights statutes were implemented, public and private institutions in the Atlanta area, including Decatur Federal, began to serve black persons to a greater extent. Throughout its history, however, Decatur Federal has implemented a policy and practice of marketing its services and products primarily to white residents of the Atlanta area. These policies and practices are described in paragraphs 9 through 16 below.

9. Decatur Federal opened all of its branch offices and regional loan offices in areas that were majority-white at the time. Five of its branch offices were acquired through purchase or merger, all located in majority-white areas. Defendant closed the single branch that it opened in an area with a population more than 25% black, known as Kirkwood, after only three years of operation. Defendant has closed only one other full-service

branch, known as Glendale, in the Atlanta Region. Decatur Federal had opened this branch when the neighborhood surrounding it was 3% black, and closed the branch when the neighborhood had become 85% black.

10. Defendant employs "account executives" to market its mortgage products to real estate agents and their clients. Nearly all of the persons who have been employed as account executives have been white, and such persons have actively solicited business primarily from real estate agencies that are owned and operated by white persons. Defendant's account executives have rarely directly solicited mortgage loans from members of the Empire Realty Board, an organization of black real estate professionals who serve black residential areas, although Defendant has included some Board members on its routine mailing lists.

11. Defendant employs professional real estate appraisers and also contracts with other appraisers to conduct the property appraisals in connection with its mortgage loan products. Defendant has rarely or never employed or contracted with appraisers who are members of the National Society of Real Estate Appraisers, a professional organization of black real estate appraisers with substantial experience in appraising properties located in black residential areas. All of Defendant's staff appraisers are white.

12. In advertising its mortgage products through the media, Defendant has rarely or never utilized newspapers, radio

stations, or other media that are oriented to the black community of Atlanta.

13. Certain mortgage products, such as loans insured through the Federal Housing Administration (FHA) or the Veterans' Administration (VA), are in greater demand in black residential areas than in white residential areas. While Defendant offers both FHA and VA loans, it rarely advertises the availability of such loans and has made only a small number of such loans. Most of the loans made have been directed to the white, rather than the black, community. For example, according to data from the Association's automated loan tracking system, reported pursuant to the Home Mortgage Disclosure Act, during 1989 Decatur Federal originated 1,410 home mortgage loans (including refinances) in the Atlanta Region (the seven-county urban core, as defined by the Atlanta Regional Commission). Of these loans, only 75 (5%) were FHA loans, and 20 (1%) were VA loans. Of the FHA loans, 65 (87%) went to white applicants and of the VA loans, 17 (85%) went to white applicants. During that same period, FHA and VA loans accounted for 47.9% of the total mortgage loan originations (excluding refinances) for all lenders in majority-black census tracts in the Atlanta Region, but only 32.7% of the loan originations in majority-white census tracts.

14. In 1979, Decatur Federal defined its lending area pursuant to the requirements of the Community Reinvestment Act (CRA). Decatur Federal circumscribed its CRA lending area in Fulton County to exclude most of the predominantly black neigh-

borhoods of the City of Atlanta and South Fulton County by largely following the tracks of the Seaboard Coast/Southern Railway line and the Georgia Railroad, which historically separated black neighborhoods from white neighborhoods in South Fulton County. As a result, over 76% of the black population of Fulton County at that time, based on the 1970 Census, was excluded from Decatur Federal's CRA lending territory, while the predominantly white areas of North Fulton county were included.

15. From 1985 through 1990, Decatur Federal processed approximately 24,300 total applications for home mortgage loans (including refinances). Approximately 21,750 (90%) of those applications were from white applicants and approximately 1,420 (6%) were from black applicants.

16. Decatur Federal has served the credit needs of predominantly white neighborhoods of the Atlanta Region to a significantly greater extent than it has served the credit needs of predominantly black neighborhoods. For example, according to loan origination information for the seven-county Atlanta Region provided by Decatur Federal pursuant to the Home Mortgage Disclosure Act:

a. During 1988, Decatur Federal originated 1,470 home mortgage loans in the Atlanta Region. Of these loans, 1,425 (97%) were in census tracts which the 1980 Census reveals to be more than 50% white in total population (hereinafter "white tracts"); but only 45 (3%) of those loans were originated in census tracts in which blacks

constituted 50% or more of the total population (hereinafter "black tracts").

b. During 1989, Decatur Federal originated 1,225 home mortgage loans in the Atlanta Region of which 1,190 (97%) were in white tracts, but only 35 (3%) were in black tracts.

c. During 1990, Decatur Federal originated 1,225 home mortgage loans in the Atlanta Region of which 1,192 (97%) were in white tracts, but only 33 (3%) were in black tracts.

17. Black applicants who have sought mortgage loans from Decatur Federal have been subjected to stricter underwriting standards than white applicants. In some instances, white applicants who failed to meet certain underwriting standards have been extended special considerations and have been approved for financing, while similar considerations have not been extended to black applicants. In other instances, black applicants who satisfied Defendant's underwriting standards have been denied financing. As a result of the disparate treatment on the basis of race, black applicants for mortgage loans have been rejected at significantly higher rates than white applicants.

18. Decatur Federal has consistently rejected black applicants for home mortgage loans at significantly higher rates than white applicants:

a. During 1988, information Decatur Federal provided to the Office of Thrift Supervision in data submission

reports shows that the Association processed 1,943 home mortgage applications in tracted areas, of which 1,809 were from white applicants and 101 were from black applicants. Forty-three percent of the black applicants and 14% of the white applicants were rejected for mortgage loans.

b. During 1989, information from Decatur Federal's automated loan tracking system shows that the Association processed 3,072 home mortgage applications in tracted areas, of which 2,436 were from white applicants and 194 were from black applicants. Thirty-eight percent of the black applicants and 9% of the white applicants were rejected for mortgage loans.

c. During 1990, information from Decatur Federal's automated loan tracking system shows that the Association processed 3,054 home mortgage applications in tracted areas, of which 2,404 were from white applicants and 326 were from black applicants. Twenty-six percent of the black applicants and 10% of the white applicants were rejected for mortgage loans.

19. The disparities in rejection rates between white mortgage loan applicants and black mortgage loan applicants, as well as the disparities in the loans actually originated in white and black census tracts as described in paragraph 16, are statistically significant, could not have occurred by chance, and cannot be explained by differences in the relative qualifications

of white applicants and black applicants for mortgage loans, or by other, nonracial factors.

20. The totality of Defendant's policies and practices as described in paragraphs 7 through 19 constitute:

a. Discrimination on the basis of race in making available residential real estate-related transactions in violation of Section 805 of the Fair Housing Act, 42 U.S.C. §3605(a);

b. The making unavailable or denial of dwellings to persons, because of race, in violation of Section 804(a) of the Fair Housing Act, 42 U.S.C. §3604(a);

c. Discrimination on the basis of race in the terms, conditions, or privileges of the provision of services of facilities in connection with the sale or rental of dwellings, in violation of Section 804(b) of the Fair Housing Act, 42 U.S.C. §3604(b); and

d. Discrimination against applicants with respect to credit transactions, on the basis of race, in violation of the Equal Credit Opportunity Act, 15 U.S.C. §1691(a)(1).

21. Defendant's policies and practices as described in paragraphs 7 through 19 above, constitute:

a. A pattern or practice of resistance to the full enjoyment of rights secured by the Title VIII of the Civil Rights Act of 1968, as amended by the Fair

Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619;
and

b. A denial to a group of persons of rights granted by Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 42 U.S.C. §§3601-3619, that raises an issue of general public importance.

22. Persons who have been victims of Defendant's discriminatory policies and practices as described in paragraphs 7 through 19 are aggrieved persons as defined in 42 U.S.C. §3602(i). As a consequence of Defendant's policies and practices, these persons have been denied their rights to equal opportunity in housing, credit, and residential real estate-related transactions. Some victims also may have experienced other actual, compensable injuries such as economic loss and emotional distress.

23. The racially discriminatory policies and practices of Defendant as described herein were, and are, intentional and willful, and have been implemented with reckless disregard for the rights of black persons.

WHEREFORE, the United States prays that the Court enter an ORDER that:

(1) Declares that the totality of the policies and practices of Defendant constitute a violation of Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amend-

ments Act of 1988, 42 U.S.C. §§3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§1691-1691f;

(2) Enjoins Defendant, its agents, employees and successors, and all other persons in active concert or participation with it, from discriminating on account of race in any aspect of their mortgage lending activities;

(3) Requires Defendant to develop and submit to the Court for its approval a detailed plan that: (a) remedies the vestiges of Defendant's discriminatory policies and practices; (b) ensures that future black mortgage loan applicants are treated in a nondiscriminatory manner that does not differ from the treatment afforded to white applicants; and (c) ensures that, in the future, Defendant will meet the credit needs of the black residential areas located within a service area that is defined in a nondiscriminatory manner;

(4) Awards such damages as would fully compensate the victims of Defendant's discriminatory policies and practices for the injuries caused by the Defendant;

(5) Awards punitive damages to the victims of Defendant's discriminatory policies and practices; and

(6) Assesses a civil penalty against Defendant, in order to vindicate the public interest.

The United States further prays for such additional relief
as the interests of justice may require.

WILLIAM P. BARR
ATTORNEY GENERAL

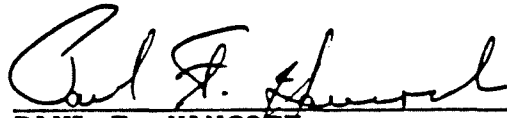


JOHN R. DUNNE
ASSISTANT ATTORNEY GENERAL


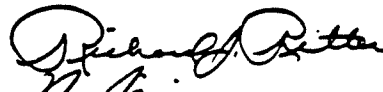
JOE D. WHITLEY
UNITED STATES ATTORNEY



CURTIS E. ANDERSON
Assistant U.S. Attorney
Chief, Civil Division
1800 U.S. Courthouse
75 Spring Street S.W.
Atlanta, Georgia 30335
(Georgia Bar No. 016650)
(404) 331-6551



PAUL F. HANCOCK
Chief, Housing and Civil
Enforcement Section



RICHARD J. RITTER
HOWARD R. GRIFFIN
JEFFREY M. SENGHER
Attorneys, Housing and Civil
Enforcement Section
Civil Rights Division
U.S. Department of Justice
P.O. Box 65998
Washington, D.C. 20035-5998
(202) 514-4713

ORIGINAL

IN THE UNITED STATES DISTRICT COURT FILED IN CLERK'S OFFICE
FOR THE NORTHERN DISTRICT OF GEORGIA U.S.D.C. Atlanta
ATLANTA DIVISION

SEP 17 1992

LUTHER D. THOMAS, Clerk
By: *B. Jackson*
Deputy Clerk

UNITED STATES OF AMERICA,

Plaintiff,

v.

DECATUR FEDERAL SAVINGS AND
LOAN ASSOCIATION,

Defendant.

CIVIL ACTION NO.

1 92-CV-2198

-CAM

JOINT MOTION FOR ENTRY OF CONSENT DECREE

The parties hereby jointly move the Court for approval and entry of the attached Consent Decree.

For the United States:

JOE D. WHITLEY
UNITED STATES ATTORNEY

JOHN R. DUNNE
ASSISTANT ATTORNEY GENERAL

Curtis E. Anderson
CURTIS E. ANDERSON
Assistant U.S. Attorney
Chief, Civil Division
1800 U.S. Courthouse
75 Spring Street S.W.
Atlanta, Georgia 30335
(Georgia Bar No. 016650)
(404) 331-6551

Richard J. Ritter
PAUL F. HANCOCK
RICHARD J. RITTER
HOWARD R. GRIFFIN
JEFFREY M. SENGEL
Attorneys, Housing and Civil
Enforcement Section
Civil Rights Division
U.S. Department of Justice
P.O. Box 65998
Washington, D.C. 20035-5998
(202) 514-4713

For Decatur Federal Savings and Loan:

Kent B. Alexander
KENT B. ALEXANDER
KING & SPALDING
191 Peachtree Street
Atlanta, Georgia 30303-1763
(Georgia Bar No. 008893)
(404) 572-3430

ORIGINAL

SEP 17 1992 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
LUTHER D. THOMAS, Clerk
ATLANTA DIVISION

By: *[Signature]* Deputy Clerk

UNITED STATES OF AMERICA,

Plaintiff,

v.

DECATUR FEDERAL SAVINGS AND
LOAN ASSOCIATION,

Defendant.

1 92-CV-2198

CIVIL ACTION NO..

-CAM

CONSENT DECREE

The United States files this Consent Decree simultaneously with its Complaint against Defendant Decatur Federal Savings and Loan Association ("Decatur Federal" or "the lender") alleging violations of the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988), 42 U.S.C. §§ 3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f. The Complaint alleges that Decatur Federal has engaged in policies and practices that discriminated against potential and actual mortgage loan applicants on the basis of race.

Decatur Federal categorically denies all of the allegations in the Complaint and is prepared to show that it has never discriminated on the basis of race and has had in place programs designed to serve all segments of the community, regardless of race.

More specifically, the United States alleges that Decatur Federal has for many years engaged in lending practices that discriminate on the basis of race by conducting its home mortgage loan marketing in a manner that excludes potential black borrowers; by originally defining its customer service area under the Community Reinvestment Act ("CRA") in 1979 so as to exclude most black residents of South Fulton County; by opening virtually all of its branch offices in neighborhoods that were predominantly white at the time and closing branches in neighborhoods that were or became predominantly black¹; by advertising primarily to potential white customers; by focusing its solicitation efforts in white neighborhoods; by avoiding origination of loan products with particular appeal to black borrowers, such as Federal Housing Administration ("FHA") and Veterans Administration ("VA") loans; and by employing few blacks in key mortgage loan origination positions such as account executive, staff appraiser, and underwriter.

The United States further alleges that Decatur Federal has discriminated against those blacks who did apply for home mortgage loans. It is alleged that in processing loan applications, the lender counseled white applicants about their deficiencies and reworked their applications in order to help them qualify under underwriting guidelines, but did not con-

¹ The United States recognizes that Decatur Federal has this year opened its Redan branch, in a location that is surrounded by 55% - 84% black census tracts. The lender operates two other branches that serve predominantly black areas.

sistently supply comparable assistance to black applicants. It is also alleged that Decatur Federal rejected qualified black applicants more often than qualified white applicants, even after controlling for all relevant underwriting variables, such as income, credit history, net worth, debt ratios, employment history, and education level.

The parties have agreed that, in order to avoid protracted and costly litigation, this controversy should be resolved voluntarily. To this end, as more specifically described below, Decatur Federal has agreed to continue and expand its affirmative marketing, advertising, and other mortgage lending outreach programs, to revise the delineation of its lending community under the Community Reinvestment Act, to establish and implement criteria to ensure against any discrimination in its branching activities, to ensure the fair and nondiscriminatory consideration of all mortgage loan applicants, and to continue to monitor its own performance to assure a mortgage lending program free of racial discrimination. The Consent Decree is not intended to, and does not, apply to any institution other than Decatur Federal except as provided in paragraph 49, below.

The parties have also agreed that there should be no evidentiary hearing, trial or other adjudication on the merits, and that the entry of this Consent Decree is not and is not to be construed as an admission by Decatur Federal of the validity of any of the claims asserted in this action.

Now therefore, on the basis of the foregoing representations of the United States and Decatur Federal, it is hereby ORDERED, ADJUDGED, and DECREED as follows:

I. GENERAL INJUNCTIVE PROVISION

1. Decatur Federal, its officials, employees, and agents, as well as successors, as provided in paragraph 49, below, are enjoined from engaging in any act or practice that discriminates on the basis of race in the provision of home mortgages or other real estate-related credit transactions, or in the provision of services or facilities in connection with any such credit transactions; and from imposing on the basis of race different terms or conditions for the availability of home mortgage loans or other real estate-related credit transactions. Fair Housing Act, 42 U.S.C. §§ 3604 and 3605; Equal Credit Opportunity Act, 15 U.S.C. § 1691(a)(1).

II. SPECIFIC INJUNCTIVE PROVISIONS

A. Community Reinvestment Act Delineated Community

2. Decatur Federal will, within one year of the execution of this Consent Decree, expand its delineated community under the Community Reinvestment Act to include all of Fulton County. The lender's CRA map, as it will be revised, is set forth in Attachment 1 (hereinafter referred to as "delineated community").

B. Advertising

3. Decatur Federal will establish an advertising program, as described in this Section, designed to attract qualified applicants for home mortgage loans from all segments of its

community, as defined pursuant to the Community Reinvestment Act and this Consent Decree. The advertising program will include special provisions to target residents of predominantly black neighborhoods.²

4. Decatur Federal will place a total of at least 960 column-inches of advertising per one-year period of the Consent Decree in the Atlanta Tribune, the Atlanta Inquirer, the Atlanta Daily World, the Atlanta Metro, or comparable black-oriented publications. The lender may vary the size and frequency of advertisements, and the choice of publications for its advertising campaigns, as long as the above overall average is met for each one-year period. These advertisements will be for home mortgage products, and will mention the availability of FHA and VA loans or other products that have comparable advantages.

5. Decatur Federal will create special point-of-sale materials (e.g., posters, brochures, etc.) to advertise products and services of interest to minority home buyers and place the materials in branch lobbies in predominantly black neighborhoods.

6. Decatur Federal will develop a brochure describing its Community Home Buyers Program, its Smart Start pre-qualifying program, its FHA and VA loan programs, and/or comparable programs. The lender will distribute the brochure through such

² For purposes of this Consent Decree, "home mortgage loans" means one-to-four family dwelling loans and applications originated by Decatur Federal that are required to be reported under 12 C.F.R. Part 203, and "predominantly black" refers to census tracts where black residents constitute 50% or more of the total population based on the 1990 Census.

channels as real estate professionals serving black residential areas, church and community groups, and retail outlets in black communities. The lender will distribute at least 2,500 of these brochures per year during the Consent Decree period, and will annually distribute copies of such brochures to each real estate agency that is a member of the Empire Real Estate Board or is known to serve black residential areas of the Atlanta metropolitan area.

7. All of Decatur Federal's advertising for home mortgage loan products will continue to contain an equal housing opportunity logotype, statement, or slogan as described in the Fair Housing Advertising regulations of the United States Department of Housing and Urban Development, 24 C.F.R. Part 109. The lender will continue to follow the guidance of Tables I and II of Appendix I to 24 C.F.R. Part 109 in selecting appropriate type size as well as a slogan, statement, logotype, and other standards for advertising.

8. Decatur Federal's advertising that uses human models in video, photographs, drawings, or other graphic techniques will reasonably represent black as well as white residents of the area which the lender serves. Models, if used, will portray persons in an equal social setting and indicate to the general public that the lender's products are available on a nondiscriminatory basis.

9. Decatur Federal will place a total of at least 360 thirty-second spots per one-year period of the Consent Decree on

radio stations WALR, WVEE, WAOK, or comparable black-oriented stations. All of this advertising will be for home mortgage products and the lender's advertising program will include advertising of the availability of FHA and VA loans and/or comparable loan programs. The lender may vary the frequency of the spots and choice of stations for its advertising campaigns, as long as the above overall total is met for each one-year period.

10. In all television and radio advertisements and promotions for home mortgage loans, the statement "Equal Housing Lender" will continue to be audibly stated. In the alternative, if a television advertisement or promotion for home mortgage loans includes a written statement appearing on the screen, the nondiscrimination statement may so appear; the nondiscrimination statement must continue to meet the requirements set forth in Appendix I to 24 C.F.R. Part 109 and must appear on the screen as long as any other written statement appears.

11. Decatur Federal representatives will continue to use their best efforts to appear on talk radio and/or television programs aimed at predominantly black audiences at least twice per year during the Consent Decree period to discuss mortgage lending issues.

C. Mortgage Production

12. Decatur Federal will follow a home mortgage loan production program, as described in this Section, designed to

increase its origination of home mortgage loans to black borrowers.

13. Decatur Federal will target real estate agents and builders active in neighborhoods in predominantly black census tracts within its delineated community for sales calls. The lender will conduct a study to determine what individuals are active in these neighborhoods by scanning real estate advertisements in black publications, driving through predominantly black residential areas, and seeking input from builders, developers and other real estate professionals, including representatives of the Empire Real Estate Board.

14. Decatur Federal's current commission pay structure is based on a percentage of the loan amount, so account executives earn larger commissions for originating home mortgage loans in higher dollar amounts. In order to provide account executives and/or mortgage originators with an increased incentive to originate more loans in predominantly black areas and low- and moderate-income census tracts, the lender will implement a special compensation structure for them. Specifically, Decatur Federal will implement a program including increased percentage commissions of 1% of the loan amount, flat-rate bonuses of \$100, and/or other comparable measures designed to operate as genuine incentives for account executives and/or mortgage originators to originate loans in the amount of \$50,000 or less. Every six months during the Consent Decree period, the lender will evaluate

the effectiveness of the program to determine whether and how changes should be made.

15. Each Account Executive will continue to maintain a log of all sales calls identifying the name of the real estate agent or agency, builder, or other person or organization contacted for the purpose of home mortgage loan development, and whether the contact was for the purpose of soliciting loan applications in targeted black neighborhoods.

16. Decatur Federal will continue to reserve at least one position for an account executive who will be responsible for soliciting and originating home mortgage loans for Decatur Federal's special loan programs that are geared toward low- and moderate-income neighborhoods. The individual(s) will additionally develop an expertise in these special loan programs, target low- and moderate-income neighborhoods, prepare semi-annual reports on their activities, and serve as a resource to other account executives to encourage the use of Decatur Federal's special loan programs and the origination of more home mortgage loans to black borrowers. The special program account executive(s) and all other account executives will share responsibility for soliciting mortgage applications from the real estate agents and builders identified pursuant to paragraph 13.

17. Decatur Federal will follow up by telephone or letter with all participants in its Community Home Buyers Program and credit seminars within 45 days after the participants' completion

of the program to ascertain their interest in applying for home mortgage loans or other Decatur Federal credit products.

18. Decatur Federal will use its best efforts to establish correspondent relationships with financial institutions in its delineated community primarily serving the black community that do not offer competitive long-term home mortgage financing, to expand its lending in black neighborhoods by underwriting applications prepared and submitted by these organizations.

19. Along with the above mortgage production steps, Decatur Federal will conduct additional ascertainment efforts to further understand the home mortgage credit needs of the black community. In this regard, the lender will enter into a contract with an established market research firm or financial institution to determine product needs and effective advertising strategies in black communities. Representatives of the lender will meet each year with members of at least three black community or civic groups to examine current Decatur Federal loan products, services, and advertising, and discuss ideas for improvements if improvements are necessary.

D. Delivery Network

20. Decatur Federal will develop its delivery network to attract more qualified applicants for home mortgages from predominantly black neighborhoods, as described in this Section.

21. Within one year from the execution of this Consent Decree, Decatur Federal will have a physical presence in South Fulton County from which it will market home mortgage loan

products. This presence will be in the form of a regional loan office or branch where home mortgage loan applicants may apply for loans and submit all documents necessary for approval. This presence will remain in existence at least through the end of the Consent Decree period. Such regional loan office or branch shall be subject to the terms of this Decree.

22. Decatur Federal will follow an objective set of criteria to evaluate future branch openings, closings, and other significant changes in services, and these criteria will incorporate the lender's Community Reinvestment Act obligations. Decatur Federal will pay particular attention to how any proposed changes would affect the lender's ability to meet the credit needs of low- and moderate-income neighborhoods, especially neighborhoods in predominantly black census tracts. Decatur Federal will promptly provide to the United States a copy of any applications or notices to open any branches in its delineated community.

23. Decatur Federal will consider the following alternatives to the closing of a branch in a predominantly black area: maintaining the branch under current conditions; implementing a plan to improve performance through personnel changes, increased marketing efforts, or increased community outreach; reducing the hours of operation of the branch; reducing operating expenses by subleasing space, reducing staffing levels, or other methods; and reducing the services offered by the branch. A branch will not be closed if any of these options could be used effectively.

Before making any significant changes in the operation of a branch in a predominantly black area, Decatur Federal representatives will meet with leaders of black community and civic organizations to advise them of the proposal, assess its impact on the black community, and discuss alternatives. The provisions of this paragraph will not apply if as a result of a merger or acquisition it is necessary to close branches to avoid duplication of services.

E. Non-discriminatory Treatment of Home Mortgage Loan Applicants

24. Decatur Federal, as further described in this Section, will solicit information necessary to allow for fair evaluation of applications and will assess completed applications from black customers in the same manner and under the same underwriting criteria that it applies to white customers. Nothing in this or any other section of this Consent Decree shall be construed to require Decatur Federal to engage in unsafe or unsound lending practices.

25. Decatur Federal's general home mortgage loan underwriting standards are set forth in Attachment 2. Those standards are based on and incorporate the requirements of the secondary market underwriting guidelines such as the Federal National Mortgage Association's (Fannie Mae) Selling Guide and the January 27, 1992, Bulletin from the Federal Home Loan Mortgage Corporation (Freddie Mac) describing home mortgage eligibility, appraisal, and underwriting requirements. The parties recognize that the attached Decatur Federal underwriting standards do not

purport to identify all of the relevant underwriting criteria and compensating factors that may bear upon the lender's assessment of individual mortgage loan applications, as those are too numerous to incorporate into one document. The parties also recognize that Decatur Federal's underwriting standards incorporate a degree of flexibility and individual assessment of risk based on the unique characteristics of individual mortgage applicants, and that this flexibility is especially important to meet the policy objectives of the Community Reinvestment Act.

26. Decatur Federal will require that loan processors and underwriters complete an Application Checksheet, Attachment 3, for each applicant, in order to ensure that they solicit information necessary to allow for the fair evaluation of applications consistent with the lender's underwriting standards.

27. Decatur Federal will appoint at least one Review Underwriter who is a supervisor (i.e., underwriting manager or above) or an individual who is a part of a separate reviewing underwriting office with detailed knowledge of the flexibility of the underwriting standards and the various alternative means by which applicants may demonstrate their ability and willingness to repay home mortgage loans. The Review Underwriter(s) will review the loan processing and underwriting for each initially rejected application. The Review Underwriter(s) will certify by signature that the instructions contained in paragraphs 39-41 have been followed and that he/she concurs with or has elected to change (for reasons noted) the initial decision.

28. Decatur Federal will appoint at least one Review Appraiser with experience in appraising properties in black neighborhoods. The Review Appraiser(s) will review all appraisals made on properties located in predominantly black census tracts where the appraised value of the property is the deciding factor for not granting the loan on the terms requested by the borrower. The Review Appraiser(s) will form an opinion as to the adequacy and appropriateness of the appraiser's report and conclusions and, if appropriate, will express a different estimate of value, which will be used as the basis for the underwriting decision. The provisions of this paragraph are subject to compliance with applicable regulatory provisions and the Uniform Standards of Professional Appraisal Practice.

29. Decatur Federal will amend the standard adverse action notice to include a reviewer's name and phone number and to encourage the applicant to call the reviewer if the applicant has any questions or believes that Decatur Federal did not possess information that would affect the basis for the action taken. In addition, Decatur Federal will amend the adverse action notice (in cases where the denial is based on credit problems) to encourage the applicant to call if the applicant believes that the credit reporting agency is in error or if the applicant wishes to further explain his/her credit history.

F. Special Programs and Other Remedial Measures

30. Decatur Federal has adopted and implemented a number of special programs and other measures to serve low- and moderate-

income and black home buyers, as further described in this Section. Decatur Federal will continue to participate in these programs as they remain available, as described in the following paragraph and in Attachment 4, or in similar programs, and will add new programs or alter or modify existing programs when necessary to serve effectively the credit needs of low- and moderate-income residents in its CRA delineated community.

31. Decatur Federal continues to participate in the Mortgage Bankers Association Lend-A-Hand Program by committing dollars and human resources. This program involves the renovation and refurbishment of homes for low-income owners who would otherwise be unable to upgrade their homes. Decatur Federal's Community Home Buyers Program teaches participants about such topics as managing credit, controlling the household budget, and applying for a home mortgage loan. The lender will use its best efforts to present this Program at least twenty times per year. Upon successful completion of this Program, participants are eligible to receive mortgage loan consideration under more relaxed underwriting standards. The lender conducts regular credit seminars on topics of interest to low-income and black borrowers and funds below-market-rate loans in low-income and minority areas through such programs as the Atlanta Mortgage Consortium and the Federal Home Loan Bank of Atlanta's Affordable Housing and Community Investment Fund Programs. It additionally participates in the Urban Residential Finance Authority program, the Georgia Housing Finance Authority program, the DeKalb Housing

Authority Bond program, and the Department of Housing and Urban Development Section 8 Rehabilitation program. Decatur Federal is and has been heavily involved in acquisition and development, construction and commercial lending in low- and moderate-income and in black communities. This lending activity represents a major investment in the development and redevelopment of these communities. Decatur Federal is one of several lenders that have pooled resources to provide the financing for a single-room occupancy facility in the City of Atlanta. Decatur Federal has been active with the DeKalb Community Housing Resource Board, a HUD-sponsored volunteer organization comprised of representatives from business, government agencies, non-profit organizations, and colleges and universities. The purpose is to monitor area Boards of Realtors to determine adherence to the Voluntary Affirmative Marketing Agreement and other fair housing-related guidelines.

G. Recruitment

32. Decatur Federal will advertise home mortgage lending job openings on an ongoing basis during the Consent Decree period in a manner that will reach potential black applicants, as further described in this Section, with special emphasis on the following home mortgage lending positions: Account Executive, Underwriter, Loan Counselor, Loan Processor, Staff Appraiser, Assistant Branch Manager, and Branch Manager.

33. Within 45 days after the effective date of this Consent Decree, Decatur Federal will write to the Atlanta office or representative of the National Society of Real Estate Appraisers

("NSREA") to invite their members to apply for inclusion on Decatur Federal's list of approved metro independent fee appraisers. This letter will describe Decatur Federal's current policies and procedures regarding this application process. Any applications received will be processed in accordance with current Decatur Federal policies and procedures regarding the approval of independent fee appraisers. Decatur Federal will additionally notify the NSREA whenever vacancies available to persons outside of the institution occur in the staff appraiser position or whenever there is a need to expand the list of approved metro independent fee appraisers.

34. In fulfilling its obligations under this Section, Decatur Federal will advertise home mortgage lending job openings available to persons outside the institution in black-oriented publications such as the Atlanta Daily World, the Atlanta Tribune, the Atlanta Metro Magazine, and the Atlanta Inquirer. The lender will notify predominantly black organizations of openings, such as Fulton Atlanta Community Action, the N.A.A.C.P., the Atlanta Urban League, Inc., the Empire Real Estate Board, DeKalb Economic Opportunity, the Urban Bankers Association, the National Association of Black Real Estate Professionals, and the National Society of Real Estate Appraisers. The lender will solicit referrals from existing black employees, the State of Georgia Minority Business Section, and the Atlanta University School of Real Estate. The lender will work with historically black colleges, including Spelman College,

Morris Brown College, Clark College, and Morehouse College, to develop and recruit qualified black applicants.

H. Compliance

35. Decatur Federal will maintain Compliance Employees who will monitor the lender's compliance with the Community Reinvestment Act, the Fair Housing Act, the Equal Credit Opportunity Act, and this Consent Decree, as further described in this Section. The Compliance Employees will conduct regular reviews of processing and disposition of mortgage loan applications and the lender's compliance with the specific injunctive provisions of this Consent Decree. The Compliance Employees will review information on denied, approved, and withdrawn loan applications as reflected on its loan tracking system to ensure compliance with this Consent Decree. The Compliance Employees will report any deficiencies to Decatur Federal management and present proposals to correct them.

36. Decatur Federal will enter into a contract(s) with a qualified organization(s) or person(s) to develop and implement a program to test for racial discrimination in Decatur Federal's home mortgage lending. The tester must first submit a proposal to Decatur Federal outlining the methodology and approach to be used. Once the proposal is finalized, Decatur Federal will submit the proposal to the United States for approval, and the approval may not be unreasonably withheld. Decatur Federal will review the testing results with the relevant individual employees and will use the results to determine how to address any concerns

with individual employees and whether changes in training are necessary. The United States may conduct independent testing.

I. Training

37. Decatur Federal will provide training to all of its staff with significant involvement in home mortgage lending to ensure their activities are conducted in a nondiscriminatory manner, as further described in this Section.

38. Decatur Federal will provide training to its account executives and other loan origination staff on its affirmative marketing programs, including targeted sales calls, and will monitor their activities.

39. Decatur Federal will instruct all its loan processors (employees whose responsibility it is to gather information for an application prior to its submission for an underwriting decision) and loan underwriters that they are required to use their best efforts to obtain and document all relevant information necessary to reach an underwriting decision, and that they will document those efforts in writing in the file on the Application Checksheet, Attachment 3. This instruction will include training sessions regarding the proper completion of each section of Attachment 3 with special emphasis on items 1-8 of the Checksheet.

40. Decatur Federal will instruct all its loan processors and underwriters on the requirements of the secondary market underwriting guidelines with respect to the kinds of information that must be gathered and filed for each applicant and the

alternatives and compensating factors allowed by those guidelines.

41. Decatur Federal will instruct its loan processors and underwriters on the provisions of the secondary market guidelines with respect to the various alternative and flexible means described therein by which applicants may demonstrate their ability and willingness to repay their loans.

42. Within 45 days after the entry of this Consent Decree, Decatur Federal will conduct comprehensive training sessions on the applicable provisions of this Consent Decree for every Account Executive, Underwriter, Loan Counselor, Staff Appraiser, Loan Processor, Assistant Branch Manager, and Branch Manager. The lender may conduct specific training sessions for specific groups.

43. Decatur Federal will continue to conduct regular compliance training of its staff with significant involvement in home mortgage lending on the Community Reinvestment Act, the Fair Housing Act, the Equal Credit Opportunity Act, and this Consent Decree. This training will continue to include scheduled training sessions, staff meetings, compliance newsletters, videotapes, regulatory updates, and/or comparable methods. The lender will incorporate cultural diversity and sensitivity training into its training programs given to all managers and customer-contact employees. The lender may contract with outside consultants to provide any of this training.

III. RECORD-KEEPING AND REPORTING REQUIREMENTS

44. During the period of this Consent Decree, Decatur Federal will retain all loan application files submitted for home mortgage loans and all documents and notices relevant to any underwriting decisions, including the Application Checksheets. The lender will also retain all records relating to its obligations under this Consent Decree, including its advertising, mortgage production, branching, special programs, recruitment, and compliance activities.

45. The parties anticipate that as a result of the affirmative marketing procedures set forth in this Consent Decree, the volume of black applicants for home mortgage loans may increase significantly. While this Consent Decree is in effect, if black applicants for home mortgage loans are rejected at significantly higher rates than white applicants, that fact, standing alone, will not be viewed as establishing a violation of this Consent Decree. However, to fairly monitor Decatur Federal's processing and evaluation of home mortgage loan applicants under this Consent Decree, the United States may, from time to time, seek and be provided access to individual home mortgage loan application files, provided such request is reasonable and is upon reasonable notice and in writing to Decatur Federal. The United States will keep all records and information relating to loan applicants confidential to protect the applicants' privacy rights. If the United States identifies any concerns with respect to Decatur Federal's compliance with this Consent Decree in its treatment of home mortgage loan

applicants, it will promptly notify Decatur Federal of its concerns and seek to resolve them.

46. Decatur Federal will report its progress under this Consent Decree to the Civil Rights Division of the United States Department of Justice on a semi-annual basis for a period of three years. All reports will be submitted to the United States within 30 days after the close of the semi-annual time period and will include the following information:

a. A report in machine-readable form from its automated loan tracking system for all home mortgage loan applicants. This loan tracking information, though not necessarily final or verified, will include the following:

- i. Applicant's application number and date application was received.
- ii. Type, purpose, and amount of the loan or application.
- iii. Owner-occupancy status of the property to which the loan relates.
- iv. The type of action taken on the application and the date.
- v. The location of the property to which the loan relates, by state, county, census tract, and Metropolitan Statistical Area.
- vi. Race or national origin, and sex of the applicant(s) or borrower(s).
- vii. Income relied upon in making the loan decision.
- viii. Reason for denial of a loan application (if applicable).

b. A report on all advertising conducted pursuant to this Consent Decree, including the media names, types, and frequen-

cies. The report will include representative copies of all advertising.

c. A report on all Mortgage Production efforts conducted pursuant to this Consent Decree. The report will discuss the targeting of black neighborhoods program as set forth in paragraph 13, and include a list of the individuals determined to be active in those neighborhoods. It will include the Account Executives' sales call logs and the reports from the Account Executives who specialize in originating loans in low- and moderate-income areas detailing their activities. It will analyze the effectiveness of the incentives program in increasing mortgage production in predominantly black areas. It will discuss the correspondent relationships program. It will detail all ascertainment efforts, including the dates, descriptions, and results of all market research; and the dates, groups contacted, and matters discussed in all community outreach meetings.

d. A report on Decatur Federal's branching activity in its delineated community, including detailed explanations of all branch openings, significant service changes, or closings. This report will analyze the effect of all changes on the lender's obligation under the Community Reinvestment Act to meet the credit needs of low- and moderate-income neighborhoods in its service area. The report will detail alternatives considered and/or instituted to avoid closing a branch and the results of any meetings conducted with community organizations regarding the branch.

e. A report of the activities of the Compliance Employees. This report will include a description of all compliance training, the dates held, instructors, content, audience, and the number of individuals who attended. The lender will also preserve the results of the tests described in paragraph 36, above, and report to the United States a summary of the test results and any sanctions or disciplinary actions taken in connection with the test findings.

47. Copies of all notices, correspondence, reports, or documents required to be provided by one part to the other under this Consent Decree will be mailed to the following addresses:

Chief, Housing and Civil Enforcement Section
Civil Rights Division
U.S. Department of Justice
P.O. Box 65998
Washington, DC 20035

Decatur Federal Savings and Loan Association
Risk Management Division/Compliance Department
250 East Ponce de Leon Avenue
Decatur, GA 30030

IV. RELIEF

48. Decatur Federal will place One Million Dollars (\$1,000,000.00) in a Decatur Federal Consent Decree Fund to be administered by the United States and distributed to persons whom the United States has identified to Decatur Federal as being allegedly aggrieved persons under the Fair Housing Act and Equal Credit Opportunity Act, all of whom the United States certifies have signed General Releases. The United States has examined the records of Decatur Federal and has informed the lender of the names of all the persons it believes are aggrieved persons as

alleged in the Complaint. Funds will be made available to those persons in exchange for signing General Releases. Any balance remaining in the Fund six months after the execution of this Decree shall be returned to Decatur Federal to be used towards paying for compliance with the Consent Decree.

V. SUCCESSOR IN INTEREST

49. The terms of this Consent Decree will bind any successor in interest to Decatur Federal as to employees, branches, and offices now under the control of Decatur Federal, branches subsequently acquired by Decatur Federal, and any branches located in Fulton County and DeKalb County into which Decatur Federal branches are consolidated. The Consent Decree will not apply to any other successor branches or offices, but Part II will apply to any centrally administered functions of the mortgage underwriting and production activities of those other successor branches or offices located in Dekalb and Fulton Counties. It is assumed by the parties that any successor in interest will voluntarily implement the provisions of Part II of this Consent Decree in all successor-in-interest branches located in Dekalb and Fulton Counties, but if any such successor in interest declines to voluntarily implement Part II in all such branches and offices, it shall present to the United States its proposed plan of operation. If the United States concludes that the proposed plan of operation will hinder the attainment of the goals of this Consent Decree it shall present such concerns to the successor in interest and attempt to resolve the differences

voluntarily. Any differences that cannot be resolved by the parties may be presented to the court for resolution. No successor is or has been subject to this proceeding, nor has any successor been implicated in this proceeding.

VI. MODIFICATION

50. This Consent Decree may be modified by written agreement of the parties.

VII. RETENTION OF JURISDICTION

51. For the three-year period in which this Consent Decree is in effect, this Court will retain jurisdiction for purposes of enforcing this Consent Decree. The parties to the Decree will endeavor in good faith to resolve informally any differences regarding interpretation and compliance with this Consent Decree prior to bringing such matters to the Court for resolution. At any time after three years from the date of the Court's entry of this Consent Decree, Decatur Federal may move for dismissal of the case. Dismissal shall be granted unless, no later than 30 days after receipt of Decatur Federal's motion, the United States objects with particularity to the dismissal. If such objection is made, the Court shall hold a hearing on the dismissal motion, and the United States shall have the burden of demonstrating why this Consent Decree should not be terminated. If the United States fails to meet its burden, this Consent Decree shall terminate forthwith and the case shall be dismissed with prejudice.

VII. COSTS

52. Each party to this litigation will bear its own costs.

It is so ORDERED, ADJUDGED, and DECREED this 17 day of
Sept., 1992.

Charles A. McK. J.
UNITED STATES DISTRICT JUDGE