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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
LOS ANGELES

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL  
CORPORATION; COUNTRYWIDE  
HOME LOANS, INC; COUNTRYWIDE  
BANK,

Defendants.

CV11 10540 -PSG  
CIVIL NO.: (DOWN)

COMPLAINT

1 Plaintiff, United States of America, alleges:  
2

3 **INTRODUCTION**

- 4 1. The United States brings this action against Countrywide Financial Corporation,  
5 acting through its various divisions and subsidiaries (collectively, "Countrywide")  
6 for discriminating against more than 200,000 Hispanic and African-American  
7 borrowers in its residential mortgage lending. The action to enforce the Fair  
8 Housing Act, 42 U.S.C. §§ 3601-3619 ("FHA"), and the Equal Credit Opportunity  
9 Act, 15 U.S.C. §§ 1691-1691f ("ECOA"), is brought to redress the discrimination  
10 based on race and national origin that Countrywide engaged in from 2004 to 2008  
11 during the mortgage boom.
- 12 2. Countrywide was one of the largest single-family mortgage lenders in the United  
13 States, if not the largest, between 2004 and 2008. During that period,  
14 Countrywide originated over 4.4 million residential mortgage loans through its  
15 retail loan offices and its wholesale division using mortgage brokers. Between  
16 2004 and 2007, the total annual volume of these loans ranged between \$110  
17 billion and \$243 billion. During that four-year period, Countrywide reported total  
18 net earnings of approximately \$6.7 billion. Part of Countrywide's business  
19 strategy was to target local Hispanic and African-American markets in order to  
20 expand its lending and ultimately gain market dominance in making residential  
21 loans in those communities.
- 22 3. As a result of Countrywide's policies and practices, more than 200,000 Hispanic  
23 and African-American borrowers paid Countrywide higher loan fees and costs for  
24 their home mortgages than non-Hispanic White borrowers, not based on their  
25 creditworthiness or other objective criteria related to borrower risk, but because of  
26 their race or national origin.
- 27 4. Additionally, as a result of Countrywide's policies and practices, Hispanic and  
28 African-American borrowers were placed into subprime loans when similarly-

1 qualified non-Hispanic White borrowers received prime loans. Between 2004 and  
2 2007, more than 10,000 Hispanic and African-American wholesale borrowers  
3 received subprime loans, with adverse terms and conditions such as high interest  
4 rates, excessive fees, prepayment penalties, and unavoidable future payment hikes,  
5 rather than prime loans from Countrywide, not based on their creditworthiness or  
6 other objective criteria related to borrower risk, but because of their race or  
7 national origin.

8 5. The victims of Countrywide's discrimination were located in more than 180  
9 geographic markets across at least 41 states and the District of Columbia. For  
10 example, the statistical analyses discussed below found high numbers of potential  
11 victims in metropolitan markets throughout the country. The top twenty markets  
12 with the highest number of victims are: Los Angeles; Riverside; Chicago;  
13 Houston; Miami; Atlanta; New York; Washington, DC; Phoenix; San Diego; Las  
14 Vegas; Fort Lauderdale; Orlando; Santa Ana; Dallas; Denver; Oxnard; Newark;  
15 Long Island; and Detroit. More than two-thirds of the victims of Countrywide's  
16 discrimination are Hispanic, and nearly one-third of all Countrywide's  
17 discrimination victims were located in California.

18 6. Countrywide's home mortgage lending policies allowed its employees and  
19 mortgage brokers both to set the loan prices charged to borrowers and to place  
20 borrowers into loan products in ways that were not connected to a borrower's  
21 creditworthiness or other objective criteria related to borrower risk.  
22 Countrywide's policies created financial incentives for its employees and  
23 mortgage brokers by sharing increased revenues with them.

24 7. Countrywide knew or had reason to know based on its own internal monitoring  
25 and reporting that its policies of giving unguided discretion to its own loan officers  
26 as well as to brokers was resulting in discrimination. Countrywide did not act to  
27 adequately compensate borrowers who were victims of discrimination nor did it  
28



1 take effective action to change the discriminatory policies or practices to eliminate  
2 the discrimination.

3 8. The higher borrowing costs Countrywide charged to hundreds of thousands of  
4 Hispanic and African-American families – whether paid as higher up-front fees,  
5 higher interest rates, prepayment penalties, or otherwise – put increased economic  
6 burdens on those families. For the Hispanic and African-American families  
7 Countrywide placed in subprime loans when those same families could have  
8 received prime loans, the economic burdens and risks, including the increased risk  
9 of delinquency or foreclosure, were particularly high. A recent survey of large  
10 national lenders by the Office of the Comptroller of the Currency reported that as  
11 of June 30, 2011, 28.1% of subprime loans nationwide are seriously delinquent or  
12 in foreclosure compared to only 5.5% of prime loans. Similarly, as of the second  
13 quarter of 2011, Bank of America reported that of the residential loans it services,  
14 approximately 74% of which were originated by Countrywide, about 33% of its  
15 subprime loans were seriously delinquent or in foreclosure compared to about  
16 10% of its prime loans.

17 9. In addition, Countrywide engaged in discrimination on the basis of marital status  
18 by encouraging married borrowers applying for credit in one spouse's name to  
19 have their non-applicant spouses give up all their rights and interests in the  
20 property securing the loan at the time the loans were originated.

21 10. The United States brings this lawsuit to hold Countrywide accountable for its  
22 serious violations of law and remedy the substantial and widespread harmful  
23 consequences of Countrywide's discriminatory lending policies and practices.

24 11. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1345, 42  
25 U.S.C. § 3614, and 15 U.S.C. § 1691e(h). Venue is appropriate pursuant to 28  
26 U.S.C. § 1391(b) and (c).



## PARTIES

12. During the period of time relevant to the events at issue in this Complaint through July 1, 2008, Defendant Countrywide Financial Corporation ("CFC") was a Delaware-incorporated financial holding company or savings and loan holding company with its principal business office in Calabasas, California. CFC created, authorized, and/or ratified the lending-related policies and practices at issue in this Complaint that its divisions and subsidiaries implemented.
13. On July 1, 2008, Bank of America Corporation ("BAC"), a Delaware-incorporated financial holding company, acquired ownership of CFC, including all of its subsidiary business entities. Since that acquisition, CFC has remained a Delaware-incorporated company with its principal business office in Calabasas, California, as a direct, wholly-owned subsidiary of BAC.
14. Defendant Countrywide Home Loans, Inc. ("CHL") is a New York-incorporated wholly-owned subsidiary of CFC with its principal business office in Calabasas, California. Prior to 2008, CHL funded the majority of CFC's nationwide residential mortgage loan origination activity. For the loans it funded under the Countrywide name, CHL was the named lender on the promissory notes for those loans. CHL became a wholly-owned indirect subsidiary of BAC on or about July 1, 2008, as a result of BAC's acquisition of CFC.
15. Countrywide Bank ("CWB") was originally chartered as a national bank subject to supervision by the Office of the Comptroller of the Currency, and was a subsidiary of financial holding company CFC. CWB was headquartered in Alexandria, Virginia, until February, 2009. As a financial holding company, CFC, together with its subsidiary CHL, was supervised by the Board of Governors of the Federal Reserve System. On or about March 12, 2007, CWB changed its charter to that of a federal savings association, and CFC became a savings and loan holding company. Those changes caused CWB, CFC, and CHL to become subject to supervision by the Office of Thrift Supervision.

- 1 16. During 2006, CFC began the process of transitioning the funding of its residential  
2 loan originations from CHL to CWB. For those loans funded through CWB under  
3 the Countrywide name, CWB was the named lender on the promissory notes for  
4 those loans. As of January 1, 2008, CWB funded substantially all nationwide  
5 residential loan origination activity using the Countrywide name. For those loans  
6 funded by either CHL or CWB, CFC used the same loan origination policies and  
7 procedures that it had created, authorized, or ratified, and the same employees and  
8 mortgage brokers. Throughout this Complaint, CFC, CWB, and CHL are referred  
9 to collectively as "Countrywide."
- 10 17. Even after BAC's purchase of CFC on July 1, 2008, CWB continued its banking  
11 and mortgage lending operations as a direct subsidiary of CFC, using the same  
12 loan origination policies and procedures, until approximately November 7, 2008.  
13 At that time, BAC engaged in a series of corporate transactions that ended CWB's  
14 status as a subsidiary of CFC and made CWB a direct subsidiary of BAC.
- 15 18. On April 23, 2009, the Office of the Comptroller of the Currency approved  
16 CWB's request to convert its charter back to that of a national bank and the  
17 request by Bank of America, N.A. to then immediately acquire CWB by merger.  
18 These transactions were executed on April 27, 2009, as a result of which CWB  
19 ceased to exist. Bank of America, N.A. was the surviving institution resulting  
20 from this merger. Thus, Bank of America, N.A. is the successor in interest to  
21 CWB.
- 22 19. The Defendants in this action are, or were at all relevant times, subject to Federal  
23 laws governing fair lending, including the FHA and the ECOA and the regulations  
24 promulgated under each of those laws. The FHA prohibits financial institutions  
25 from discriminating on the basis of, inter alia, race, color, or national origin in  
26 their residential real estate-related lending transactions. The ECOA prohibits  
27 financial institutions from discriminating on the basis of, inter alia, race, color,  
28



1 national origin, or marital status with respect to any aspect of a credit transaction  
2 in carrying out their lending activities.

3 20. The Defendants in this action are or were creditors within the meaning of the  
4 ECOA, 15 U.S.C. § 1691a(e), and are or were businesses that engage in residential  
5 real estate-related transactions within the meaning of the FHA, 42 U.S.C. § 3605.  
6

7 **REFERRALS FROM BANK REGULATORY AGENCIES**

8 21. In 2006, Federal Reserve System Examiners initiated a fair lending review of  
9 CHL's mortgage pricing practices. As a result of that review, the Federal Reserve  
10 Board ("FRB") determined that it had "reason to believe that Countrywide Home  
11 Loans engaged in a pattern or practice of discrimination based on race and  
12 ethnicity in violation of Section 701(a) of the Equal Credit Opportunity Act and  
13 the Fair Housing Act."

14 22. Following its determination described in Paragraph 21, and pursuant to 15 U.S.C.  
15 § 1691e(g), the FRB referred the matter to the Department of Justice on March 5,  
16 2007. Through a series of tolling agreements, Countrywide "agree[d] to a  
17 suspension of the running of any applicable statute of limitations for any cause of  
18 action that could be brought against Countrywide pursuant to that referral from the  
19 Federal Reserve Board" from March 22, 2007, through December 22, 2011.

20 23. In early 2008, the Office of Thrift Supervision ("OTS") conducted an examination  
21 of the operations of Countrywide, including its compliance with applicable fair  
22 lending laws and regulations. As a result of that examination, the OTS determined  
23 that it had "a 'reason to believe' that Countrywide has displayed a 'pattern or  
24 practice' of discriminating against minority loan applicants in the pricing of home  
25 loans and against married couples concerning the terms and condition of home  
26 loans."

27 24. Following its determination described in Paragraph 23, and pursuant to 15 U.S.C.  
28 § 1691e(g), the OTS referred the matter to the Department of Justice on June 27,



1 2008. Through a series of tolling agreements, Countrywide "agree[d] to a  
2 suspension of the running of any applicable statute of limitations under the ECOA  
3 for any cause of action that could be brought against Countrywide pursuant to that  
4 referral from the Office of Thrift Supervision" from July 1, 2009, through  
5 December 22, 2011.

6 25. Based on the Federal Reserve and OTS referrals, the Department of Justice has  
7 engaged since 2007 in an investigation of Countrywide's lending policies,  
8 practices, and procedures, including reviewing internal company documents and  
9 non-public loan-level data on more than 2.5 million Countrywide loans originated  
10 between 2004 and 2008.

#### 11 12 FACTUAL ALLEGATIONS

13 26. Between January 2004 and December 2008, Countrywide originated residential  
14 loans nationwide through both a retail channel and a wholesale channel.

15 27. Between 2004 and 2008, Countrywide's retail and wholesale divisions operated in  
16 virtually all geographical markets in the United States, including several hundred  
17 metropolitan areas ("MSAs") as well as the less-populated areas of each state  
18 outside of MSAs.

19 28. Between at least January 2004 and August 2007, Countrywide originated virtually  
20 every type of loan product that was available in the residential lending market,  
21 several hundred products in all. These products included: (a) traditional prime  
22 loans; (b) subprime loans, typically designed for borrowers with credit scores or  
23 other credit characteristics deemed too weak to qualify for prime loans; and (c)  
24 "Alt-A" loans, those with application requirements or payment terms less  
25 restrictive than traditional prime loan terms or requirements, such as interest-only  
26 or negative amortization terms, reduced documentation requirements, or balloon  
27 payments. Subsequent to origination, Countrywide sold or securitized for sale the  
28 bulk of the loans it originated in the secondary market, either to government-

1 sponsored entities Fannie Mae and Freddie Mac or to private investors. Changes  
2 in the loan securitization market in 2007 caused Countrywide to focus almost  
3 exclusively on prime loans after August 2007 and continuing into 2008. For the  
4 purposes of this Complaint, the term "subprime loans" includes any residential  
5 loan product that Countrywide originated and internally designated as subprime by  
6 including the label "B/C" in the product name. For the purposes of this  
7 Complaint, the term "non-subprime loans" includes any residential loan product  
8 that Countrywide originated and did not internally designate as subprime. For the  
9 purposes of this Complaint, the term "prime loans" includes any "non-subprime  
10 loans" that Countrywide originated that (a) required each monthly payment to  
11 include interest and a fully amortizing amount of principal and (b) did not  
12 categorically allow for reduced documentation of borrowers' income and assets in  
13 the underwriting process.

#### 14 **Retail Lending Pricing**

15 29. Between 2004 and 2008, Countrywide charged more than 100,000 Hispanic and  
16 African-American borrowers higher fees and costs than non-Hispanic White retail  
17 borrowers not based on their creditworthiness or other objective criteria related to  
18 borrower risk, but because of their race or national origin. It was Countrywide's  
19 business practice to allow its employees who originated loans through its retail  
20 channel to vary a loan's interest rate and other fees from the price initially set  
21 based on a borrower's objective credit-related factors. This subjective and  
22 unguided pricing discretion resulted in Hispanic and African-American borrowers  
23 paying more not based on borrower risk than non-Hispanic White borrowers both  
24 on a nationwide basis and in dozens of geographic markets across the country  
25 where Countrywide originated a large volume of loans. As a result of  
26 Countrywide's discriminatory retail pricing practices, an Hispanic or African-  
27 American borrower paid, on average, hundreds of dollars more for a Countrywide  
28 loan.



- 1 30. Countrywide's retail pricing monitoring efforts, while inadequate to remedy  
2 discriminatory practices against African-American borrowers through 2007 and  
3 against Hispanics through 2008, were sufficient to put it on notice of widespread  
4 pricing disparities based on race and national origin. Even when Countrywide had  
5 reason to know there were disparities, however, Countrywide did not act to  
6 determine the full scope of these retail pricing disparities, nor did it take prompt  
7 and effective action to eliminate those disparities. Between at least January 2004  
8 and December 2008, Countrywide had a policy or practice of periodically  
9 monitoring the pricing of retail home mortgage loans for disparities based on race  
10 or national origin at both the branch office and geographic market level. All of  
11 Countrywide's monitoring for disparities occurred subsequent to the loan  
12 origination, and Countrywide did not reimburse any retail borrowers who were  
13 found to have been charged higher loan prices until 2007, when it was required by  
14 its regulator to provide some restitution payments. Even then, Countrywide made  
15 only a small number of restitution payments.
- 16 31. Countrywide's retail channel consisted of two primary divisions. The larger, the  
17 Consumer Markets Division ("CMD"), originated Countrywide's non-subprime  
18 residential loan products. From 2004 through 2007, CMD had branches in 48  
19 states and the District of Columbia, with the number of branches ranging between  
20 577 and 773, along with 4 to 5 call centers. These CMD branches and call centers  
21 originated loans to borrowers from across the United States. Countrywide  
22 employed retail loan officers and other employees at each CMD branch and call  
23 center to solicit applications for and originate residential loans to individual loan  
24 applicants.
- 25 32. Beginning prior to January 2004 and continuing at least until December 2008,  
26 Countrywide utilized a two-tier decision-making process to set the interest rates  
27 and other terms and conditions of retail loans it originated. The first step involved  
28 setting the credit risk-based prices on a daily basis for Countrywide's various



1 home mortgage loan products, including interest rates, loan origination fees, and  
2 discount points. In this step, Countrywide accounted for numerous objective  
3 credit-related characteristics of applicants by setting a variety of prices for each of  
4 the different loan products that reflected its assessment of individual applicant  
5 creditworthiness, as well as the current market rate of interest and the price it  
6 could obtain from the sale of such a loan to investors. These prices, referred to as  
7 par or base prices, were communicated through rate sheets, which were available  
8 electronically to its retail mortgage loan officers and other retail lending  
9 employees. Individual loan applicants did not have access to these rate sheets.

10 33. As the second step in determining the final price it would charge an applicant for a  
11 loan, Countrywide allowed its retail mortgage loan officers, and other employees  
12 who participated in the loan origination process, to increase the loan price charged  
13 to borrowers over the rate sheet prices set by Countrywide, up to certain caps; this  
14 pricing increase was labeled an overage. Countrywide also allowed these same  
15 employees to decrease the loan price charged to borrowers below the stated rate  
16 sheet prices; this pricing decrease was labeled a shortage. Countrywide further  
17 allowed those employees to alter the standard fees it charged in connection with  
18 processing a loan application and the standard allocation of closing costs between  
19 Countrywide and the borrower. Employees made these pricing adjustments in a  
20 subjective manner, unrelated to factors associated with an individual applicant's  
21 credit risk. Countrywide provided no written guidance to its retail loan officers or  
22 other employees about the criteria they should consider in adjusting risk-based  
23 prices during the time period at issue. It did not establish an operational system  
24 for the documentation and supervisory review of their adjustments prior to loan  
25 origination.

26 34. During the time period at issue, Countrywide loan officer compensation was  
27 affected by the loan officers' decisions with respect to pricing overages and  
28 shortages, as well as other factors, such as volume of loans originated. Loan

1 officers could obtain increased compensation for overages and could have their  
2 total compensation potentially decreased for shortages. Countrywide's  
3 compensation policy thus provided an incentive for its loan officers in making  
4 pricing adjustments to maximize overages and, when offering shortages, to  
5 minimize their amount.

6 35. Countrywide regularly calculated a Net Pricing Exception ("NPE") for each retail  
7 loan it funded, subsequent to origination. The NPE approximates the amount,  
8 positive or negative, by which the total cost of a loan to a borrower differs from  
9 the total cost of that loan had it closed at the rate sheet price, with the borrower's  
10 payment of standard fees and with the standard allocation of closing costs between  
11 the borrower and Countrywide. A positive NPE was an overage, and a negative  
12 NPE was a shortage. Charging overages raised the total cost of loans to borrowers  
13 above what they would have paid if the loans had closed based on the rate sheet  
14 risk-based price and with the payment of standard fees and the standard allocation  
15 of closing costs. Charging shortages lowered the total cost of loans to borrowers  
16 below what they would have paid if the loans had closed based on the rate sheet  
17 risk-based price and with payment of standard fees and the standard allocation of  
18 closing costs. Closing a loan with a shortage did not mean that Countrywide or  
19 the loan officer lost money on the transaction, only that they earned less profit  
20 than they would have absent the shortage.

21 36. During the time period at issue, Countrywide established par prices for its loan  
22 products that were often above competitors' prices for those loan products for  
23 borrowers with specified credit qualifications. The majority of Countrywide's  
24 retail borrowers received shortages between 2004 and 2008; as a result, when  
25 calculated for all borrowers, the average NPE charged each year during that period  
26 was negative. By regularly setting par prices above competitors' prices,  
27 Countrywide further encouraged the exercise of subjective pricing adjustments by  
28 its loan officers and other employees.



1 37. For each residential loan that Countrywide retail mortgage loan officers  
2 originated, information about each borrower's race and national origin and the  
3 amount of overage or shortage paid was available to, and was known by,  
4 Countrywide. Countrywide was required to collect, maintain, and report data with  
5 respect to certain loan terms and borrower information for residential loans,  
6 including the race and national origin of each retail home loan borrower, pursuant  
7 to the Home Mortgage Disclosure Act (HMDA), 12 U.S.C. § 2803.

8 38. Statistical analyses of data kept by Countrywide on retail loans originated by  
9 Countrywide's CMD between January 2004 and December 2008 demonstrate  
10 statistically significant<sup>1</sup> discriminatory pricing disparities in retail loans based on  
11 both race (African-American) and national origin (Hispanic). These disparities  
12 existed both at the national level and in numerous geographic markets across the  
13 country.

14 39. Measured on a nationwide basis by NPE, in each year between 2004 and 2008,  
15 Countrywide charged Hispanic borrowers whom Countrywide determined had the  
16 credit characteristics to qualify for a home mortgage loan more in pricing  
17 adjustments not based on borrower risk for retail CMD loans than non-Hispanic  
18 White borrowers. The annual NPE disparities ranged between approximately 15  
19 and 28 basis points, and they are statistically significant.<sup>2</sup> During this period,  
20 Countrywide's CMD originated more than 210,000 retail loans to Hispanic  
21 borrowers.

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23  
24 <sup>1</sup> Statistical significance is a measure of probability that an observed outcome would  
25 not have occurred by chance. As used in this Complaint, an outcome is statistically  
significant if the probability that it could have occurred by chance is less than 5%.

26 <sup>2</sup> A basis point is a percentage of the total amount of a loan, with one hundred basis  
27 points equaling one percent of the loan amount.



1 40 Measured on a nationwide basis by NPE, in each year between 2004 and 2007,  
2 Countrywide charged African-American borrowers whom Countrywide  
3 determined had the credit characteristics to qualify for a home mortgage loan more  
4 in pricing adjustments not based on borrower risk for retail CMD loans than non-  
5 Hispanic White borrowers. The annual NPE disparities ranged between  
6 approximately 13 and 24 basis points, and they are statistically significant. During  
7 this period, Countrywide's CMD originated more than 90,000 retail loans to  
8 African-American borrowers.

9 41. In approximately 54% of its high loan-volume markets in 2004 (79 of 147),  
10 defined for purposes of this paragraph as those MSAs and non-MSA areas in each  
11 state where CMD made more than 300 total loans and 30 or more loans to  
12 Hispanic borrowers in a given year, Countrywide charged Hispanic borrowers  
13 more in pricing adjustments not based on borrower risk for retail CMD loans, as  
14 measured by NPE, than non-Hispanic White borrowers by a statistically  
15 significantly amount. In 2005, approximately 56% of such markets (81 of 145); in  
16 2006, 50% of such markets (70 of 140); in 2007, 40% of such markets (60 of 150);  
17 and in 2008, approximately 33% of such markets (41 of 126) showed statistically  
18 significant NPE disparities disfavoring Hispanic retail borrowers. The disparities  
19 in pricing adjustments not based on borrower risk resulted in Hispanic borrowers  
20 in these markets paying between approximately 6 and 107 basis points more than  
21 non-Hispanic White borrowers for retail CMD loans in a given year. Between  
22 2004 and 2008, the number of these markets in which Countrywide charged non-  
23 Hispanic White borrowers statistically significantly higher NPEs for retail CMD  
24  
25  
26  
27  
28

1 loans than Hispanic borrowers in a given year ranged only between 1 and 3, or 1%  
2 to 2% of the high loan-volume markets.<sup>3</sup>

3 42. In approximately 61% of its high loan-volume markets in 2004 (78 of 128),  
4 defined for purposes of this paragraph as those MSAs and non-MSA areas in each  
5 state where CMD made more than 300 total loans and 30 or more loans to  
6 African-American borrowers in a given year, Countrywide charged African-  
7 American borrowers more in pricing adjustments not based on borrower risk for  
8 retail CMD loans, as measured by NPE, than non-Hispanic White borrowers by a  
9 statistically significant amount. In 2005, approximately 65% of such markets  
10 (74 of 114); in 2006, approximately 60% of such markets (68 of 114); and in  
11 2007, approximately 32% of such markets (42 of 133) showed statistically  
12 significant NPE disparities disfavoring African-American retail borrowers. The  
13 disparities in pricing adjustments not based on borrower risk resulted in African-  
14 American borrowers in these markets paying between approximately 8 and 71  
15 basis points more than non-Hispanic White borrowers for retail CMD loans in a  
16 given year. In all four years, there were no high loan-volume markets in which  
17 Countrywide charged non-Hispanic White borrowers statistically significantly  
18 higher NPEs for retail CMD loans than African-American borrowers in a given  
19 year.

20 43. These NPE disparities mean, for example, that Countrywide in 2007 charged a  
21 retail CMD customer in Chicago borrowing \$200,000 an average of about \$795  
22 more in pricing adjustments not based on borrower risk if he were Hispanic, and  
23

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24 <sup>3</sup> The inclusion throughout this Complaint of statistical analyses for high-volume  
25 markets is intended only to provide examples of Countrywide's violation of lending  
26 discrimination laws. The United States' allegations that Countrywide violated lending  
27 discrimination laws are not limited to these high-volume markets.  
28



1 an average of about \$460 more if he were African-American, than the average  
2 amount charged to a non-Hispanic White borrower. In 2007, Countrywide  
3 charged Hispanic and African-American retail CMD customers in Los Angeles  
4 borrowing \$200,000 approximately \$545 and \$415, respectively, higher than the  
5 average amount Countrywide charged in pricing adjustments not based on  
6 borrower risk to a non-Hispanic White borrower.

7 44. In setting the terms and conditions for its retail loans, including interest rates,  
8 Countrywide accounted for individual borrowers' differences in credit risk  
9 characteristics by setting the prices shown on its rate sheets for each loan product  
10 that include its assessment of applicant creditworthiness as explained in Paragraph  
11 32. Countrywide's loan officers' deviations from the rate sheet prices, as  
12 measured by NPE, were separate from and not controlled by the credit risk  
13 adjustments already reflected in the rate sheet prices. Accordingly, the race and  
14 national origin NPE disparities described in Paragraphs 39-42 are not adjusted for  
15 borrowers' credit risk characteristics.

16 45. No Countrywide policy directed its retail lending employees to consider a  
17 borrower's credit risk characteristics for a second time, after they had already been  
18 considered in setting the par price, in determining a pricing overage or shortage on  
19 a loan. Nevertheless, statistical regression analyses of the Countrywide NPEs that  
20 control for credit risk factors such as credit score, loan amount, loan-to-value ratio,  
21 debt-to-income ratio, and others, demonstrate a similar pattern of race and national  
22 origin pricing disparities, with the magnitude only somewhat diminished from the  
23 disparities described in Paragraphs 39-42. Thus, accounting for borrower credit  
24 risk factors a second time does not explain the race and national origin disparities,  
25 even if those factors were relevant to the subjective pricing adjustments measured  
26 by NPE.

27 46. The statistically significant race and national origin-based disparities in NPEs  
28 described in Paragraphs 39-42 for Hispanic and African-American borrowers who



1 Countrywide determined had the credit characteristics to qualify for a home  
2 mortgage loan resulted from the implementation and interaction of Countrywide's  
3 policies and practices that: (a) routinely allowed or encouraged the use of  
4 subjective and unguided pricing adjustments not based on borrower risk by its own  
5 employees in setting pricing overages and shortages after par rates had been  
6 established by reference to credit risk and loan characteristics and then including  
7 those overages and shortages in the terms and conditions of loans Countrywide  
8 originated; (b) did not require its employees to justify or document the reasons for  
9 pricing adjustments not based on borrower risk; (c) failed to adequately monitor  
10 for and fully remedy the effects of racial and national origin disparities in those  
11 pricing adjustments; and (d) linked loan officer compensation in part to the  
12 charging of overages and shortages. NPE specifically measures the pricing  
13 variation caused by the subjective and unguided pricing adjustments not based on  
14 borrower risk. Countrywide continued to use this non-risk-based component of its  
15 overall retail loan pricing policy, to inadequately document and review the  
16 implementation of that pricing component, and to link loan officer compensation  
17 to overages and shortages through at least the end of 2008.

18 47. Countrywide's policies and practices identified in Paragraph 46 were not justified  
19 by business necessity or legitimate business interests. There were less  
20 discriminatory alternatives available to Countrywide than these policies or  
21 practices.

22 48. Countrywide had knowledge that the unguided and subjective discretion it granted  
23 to loan officers and other CMD employees in its retail loan pricing policies and  
24 practices was being exercised in a manner that discriminated against Hispanic and  
25 African-American borrowers, but continued to implement its policies and practices  
26 with that knowledge. Countrywide did not take effective action to change the  
27 pricing adjustment policies and practices to eliminate fully their discriminatory  
28 impact, nor did it change its compensation policy to discourage the charging of

1 overages or shortages. It did not act to identify or compensate any individual  
2 borrowers who were victims of its discriminatory retail loan pricing policies and  
3 practices until it was required to do so by its regulator in 2007, and then it only  
4 identified or compensated a small portion of the victims.

#### 5 **Wholesale Lending Mortgage Broker Fees**

6 49. Between 2004 and 2008, Countrywide charged more than 100,000 Hispanic and  
7 African-American wholesale borrowers higher fees and costs than non-Hispanic  
8 White wholesale borrowers not based on their creditworthiness or other objective  
9 criteria related to borrower risk, but because of their race or national origin. It was  
10 Countrywide's business practice to allow its mortgage brokers who generated loan  
11 applications through its wholesale channel to vary a loan's interest rate and other  
12 fees from the price set based on a borrower's objective credit-related factors. This  
13 subjective and unguided pricing discretion resulted in Hispanic and African-  
14 American borrowers paying more not based on borrower risk than non-Hispanic  
15 White borrowers both on a nationwide basis and in dozens of geographic markets  
16 across the country where Countrywide originated a large volume of loans. As a  
17 result of Countrywide's discriminatory practices, an Hispanic or African-  
18 American borrower paid, on average, hundreds of dollars more for a Countrywide  
19 loan.

20 50. Countrywide's wholesale pricing monitoring efforts, while inadequate to remedy  
21 discriminatory practices against Hispanic and African-American borrowers  
22 through 2008, were sufficient to put it on notice of widespread pricing disparities  
23 based on race and national origin. Even when Countrywide had reason to know  
24 there were disparities, however, Countrywide did not act to determine the full  
25 scope of these wholesale pricing disparities, nor did it take prompt and effective  
26 action to eliminate those disparities. Between at least January 2004 and December  
27 2008, Countrywide had a policy or practice of periodically monitoring in a limited  
28 manner the pricing of wholesale home mortgage loans for discrimination based on



1 race or national origin at the geographic market level and for some individual  
2 brokers. However, Countrywide's monitoring for racial and national origin  
3 disparities in its wholesale loans was inadequate. For example, the monitoring  
4 only occurred long after loan origination; at the individual broker level, it was  
5 limited to those brokers with very large pricing disparities that operated only in  
6 geographic markets that were first determined to have large pricing disparities;  
7 and the monitoring ignored aggregate broker pricing disparities. In addition, when  
8 Countrywide found wholesale borrowers who had been discriminatorily charged  
9 higher loan prices, Countrywide did not reimburse any of those borrowers for its  
10 discriminatory acts until 2008, when it was required by its regulator to provide  
11 some restitution payments. Even then, Countrywide made only a small number of  
12 restitution payments.

13 51. Prior to January 2004 and continuing at least until December 2008, Countrywide  
14 originated and funded residential loans of all types, including both subprime and  
15 non-subprime loans, through its Wholesale Lending Division ("WLD").  
16 Applications for these loans were brought to Countrywide during those years by  
17 mortgage brokers throughout the United States who had entered into contracts  
18 with Countrywide for the purpose of bringing loan applications to it for origination  
19 and funding.

20 52. Countrywide's relationship with the mortgage brokers who brought loans to it was  
21 governed throughout the time period at issue by its standard Wholesale Broker  
22 Agreement ("WBA"). The WBA, while revised from time to time, consistently  
23 contained extensive provisions (a) mandating that a broker act in compliance with  
24 all Countrywide policies, (b) requiring submission to Countrywide of the full  
25 details of all compensation a broker received for each Countrywide loan, (c)  
26 specifying that the decision whether to fund a loan application was Countrywide's  
27 alone, and (d) permitting Countrywide to obtain any information with respect to a  
28 broker's business operations.

- 1 53. Countrywide was directly and extensively involved in setting the complete, final  
2 terms and conditions of wholesale loan applications generated by mortgage  
3 brokers that Countrywide approved and originated. Countrywide employed  
4 wholesale account executives who worked with mortgage brokers in submitting  
5 loan applications to Countrywide, and it employed underwriters to determine  
6 whether and on what terms to approve and fund wholesale loan applications. At  
7 the time of originating each loan, Countrywide was fully informed of those terms  
8 and conditions, including the fees it passed along to brokers, and it incorporated  
9 those terms and conditions into the wholesale loans it originated.
- 10 54. Prior to January 2004 and until December 2008, Countrywide set terms and  
11 conditions, including interest rates, on a daily basis for its various home mortgage  
12 loan products available through its wholesale loan channel. Countrywide  
13 accounted for numerous applicant credit risk characteristics by setting a range of  
14 prices for each of the different loan products it offered that reflected applicant  
15 creditworthiness. It communicated these loan product prices to its brokers through  
16 rate sheets updated daily. Countrywide gave brokers who signed its standard  
17 WBA access to a non-public website where they could obtain the applicable terms  
18 and conditions for its various loan products, including rate sheets. Mortgage loan  
19 brokers who were part of Countrywide's network used these rate sheets to assist  
20 them in determining the interest rate, points, and fees they would include on  
21 completed individual residential loan applications they submitted to Countrywide  
22 for approval, origination, and funding. Individual loan applicants did not have  
23 access to these rate sheets.
- 24 55. Under its WBA, Countrywide authorized brokers to inform prospective borrowers  
25 of the terms and conditions under which a Countrywide residential loan product  
26 was available. Countrywide did not require the mortgage brokers to inform a  
27 prospective borrower of all available loan products for which he or she qualified,  
28 of the lowest interest rates and fees for a specific loan product, or of specific loan



1 products best designed to serve the interests expressed by the applicant. The  
2 brokers were also responsible for preparing each loan application and supporting  
3 documentation on form documents provided by Countrywide, in accordance with  
4 Countrywide's policies and procedures in effect at the time.

5 56. Upon receipt of a completed loan application from a broker, Countrywide  
6 evaluated the proposed loan using Countrywide's underwriting guidelines and  
7 determined whether to originate and fund the loan. The WBA provided that  
8 "Countrywide shall have no obligation to fund any Loan submitted to it by Broker  
9 and may reject any Loan that, in Countrywide's sole discretion, does not meet the  
10 applicable underwriting guidelines." In the event that Countrywide rejected a loan  
11 application or proposed a counteroffer, the WBA provided that Countrywide  
12 would prepare the notice of adverse action that ECOA requires the creditor to  
13 prepare. The WBA also provided for each loan approved by Countrywide for  
14 funding to be closed in the name of Countrywide, in accordance with  
15 Countrywide's written closing instructions, and on closing documents prepared by  
16 Countrywide.

17 57. Between 2004 and 2008, Countrywide operated between 39 and 52 WLD branch  
18 offices and several regional centers, and employed wholesale account executives  
19 to work with mortgage brokers in originating loans, which included assisting the  
20 brokers in setting the terms and conditions of loan applications and approvals.

21 58. Mortgage brokers who supplied Countrywide with loan applications that  
22 Countrywide funded were compensated in two ways. One was through a yield  
23 spread premium ("YSP"), an amount paid by Countrywide to the brokers based on  
24 the extent to which the interest rate charged on a loan exceeded the base, or par,  
25 rate for that loan to a borrower with particular credit risk characteristics fixed by  
26 Countrywide and listed on its rate sheets. The YSP is derived from the present  
27 dollar value of the difference between the credit risk-determined par interest rate a  
28 wholesale lender such as Countrywide would have accepted on a particular loan

1 and the interest rate a mortgage broker actually obtained for Countrywide.

2 Countrywide benefitted financially from the loans it made at interest rates above  
3 the par rates set by its rate sheets. For those loans that it sold or securitized, higher  
4 interest rates meant sales at prices higher than it otherwise would have obtained;  
5 for loans it retained, higher interest rates meant more interest income over time for  
6 it. The second way brokers were compensated was through direct fees.

7 Countrywide directed its closing agents to pay these direct fees to brokers out of  
8 borrowers' funds at the loan closing. Taken together, these two forms of  
9 compensation are referred to in this Complaint as "total broker fees."

10 59. During the time period at issue, Countrywide was fully informed of all broker fees  
11 to be charged with respect to each individual residential loan application presented  
12 to it. The WBA required the broker to inform an applicant, inter alia, of all fees  
13 and charges included with the application, including YSP and direct fees. The  
14 WBA further required the broker to submit an application package to Countrywide  
15 that included, inter alia, a good-faith estimate of "all amounts Broker will charge  
16 Applicant or earn in connection with the loan, including any applicable yield  
17 spread premium." Countrywide then included those fees in the calculations it  
18 made to prepare various closing documents, including the HUD-1 Form, an  
19 itemized statement of receipts and expenditures in connection with a residential  
20 loan closing, and the Truth in Lending Act Disclosure Statement. Countrywide  
21 also included these fees in its instructions on how to distribute funds at closing.  
22 Total broker fees raised the annual percentage rate ("APR") charged on a loan, and  
23 could increase the note interest rate and the total amount borrowed.

24 60. Between at least January 2004 and December 2008, Countrywide's policies and  
25 practices established a two-step process for the pricing of wholesale loans that it  
26 originated similar to that used in its retail division, as described in Paragraph 32.  
27 The first step was to establish a base or par rate for a particular type of loan for an  
28 applicant with specified credit risk characteristics. In this step, Countrywide



1 accounted for numerous objective credit-related characteristics of applicants by  
2 setting a variety of prices for each of the different loan products that reflected its  
3 assessment of individual applicant creditworthiness, as well as the current market  
4 rate of interest and the price it could obtain for the sale of such a loan from  
5 investors. These prices were communicated through the rate sheets described in  
6 Paragraph 54.

7 61. Countrywide's second step of pricing wholesale loans permitted mortgage brokers  
8 to exercise subjective, unguided discretion in setting the amount of total broker  
9 fees charged to individual borrowers, unrelated to an applicant's credit risk  
10 characteristics.

11 62. Countrywide had written policies placing a ceiling on total broker fees that  
12 changed several times during the 2004-2008 time period. For most of 2004,  
13 Countrywide capped total broker compensation for prime loans at 5% of the loan  
14 amount or \$3000 and for subprime loans at 6% of the loan amount or \$3500. In  
15 December 2004, Countrywide eliminated the dollar limitations and, through July  
16 2007, followed a policy that instead capped total broker fees at 5% of the total  
17 loan amount for prime loans and at 6% of the loan amount for what it described as  
18 core subprime loans. On a \$200,000 loan, for example, these percentage caps  
19 allowed brokers to receive up to \$10,000 in total broker fees for a prime loan, and  
20 \$12,000 in total fees for a subprime loan. Other than these caps, Countrywide did  
21 not establish any objective criteria, or provide guidelines, instructions, or  
22 procedures to be followed by brokers (a) in setting the amount of direct fees they  
23 should charge or (b) in determining to charge an interest rate for a loan above that  
24 set by its rate sheet, which in turn determined the amount of YSP Countrywide  
25 would pay the broker. Mortgage brokers exercised this fee pricing discretion  
26 Countrywide gave them, untethered to any objective credit characteristics, on  
27 every loan they brought to Countrywide for origination and funding. Countrywide  
28 affirmed or ratified these discretionary fee pricing decisions for all the brokered

1 loans it originated and funded. Each year during this time period when  
2 Countrywide had in place higher fee caps for subprime than prime loans,  
3 Countrywide's mortgage brokers charged higher average total fees for subprime  
4 loan applications than for non-subprime loan applications, measured on a  
5 nationwide basis.

6 63. For each residential loan application obtained by mortgage brokers and  
7 subsequently funded by Countrywide, information about each borrower's race and  
8 national origin and the amount and types of broker fees paid was available to, and  
9 was known by, Countrywide. Countrywide was required to collect, maintain, and  
10 report data with respect to certain loan terms and borrower information for  
11 residential loans, including the race and national origin of each wholesale  
12 residential loan borrower, pursuant to HMDA, 12 U.S.C. § 2803.

13 64. Statistical analyses of data kept by Countrywide on wholesale loans originated by  
14 Countrywide between January 2004 and December 2008 demonstrate statistically  
15 significant discriminatory pricing disparities in both subprime and non-subprime  
16 wholesale loans based on both race (African-American) and national origin  
17 (Hispanic). These disparities existed both at the national level and in numerous  
18 geographic markets across the country.

19 65. Measured on a nationwide basis in each year between 2004 and 2008,  
20 Countrywide charged Hispanic borrowers whom Countrywide determined had the  
21 credit characteristics to qualify for a home mortgage loan more in total broker fees  
22 for non-subprime wholesale loans than non-Hispanic White borrowers. The  
23 annual total broker fee disparities ranged between approximately 31 and 47 basis  
24 points, and they are statistically significant. During this period, Countrywide  
25 originated more than 160,000 non-subprime wholesale loans to Hispanic  
26 borrowers.

27 66. Measured on a nationwide basis in each year between 2004 and 2008,  
28 Countrywide charged African-American borrowers whom Countrywide



1 determined had the credit characteristics to qualify for a home mortgage loan more  
2 in total broker fees for non-subprime wholesale loans than non-Hispanic White  
3 borrowers. The annual total broker fee disparities ranged between approximately  
4 59 and 67 basis points, and they are statistically significant. During this period,  
5 Countrywide originated more than 65,000 non-subprime wholesale loans to  
6 African-American borrowers.

7 67. Measured on a nationwide basis in each year between 2004 and 2007,  
8 Countrywide charged Hispanic borrowers whom Countrywide determined had the  
9 credit characteristics to qualify for a home mortgage loan more in total broker fees  
10 for subprime wholesale loans than non-Hispanic White borrowers. The annual  
11 total broker fee disparities ranged between approximately 12 and 19 basis points,  
12 and they are statistically significant.<sup>4</sup> During this period, Countrywide originated  
13 more than 55,000 subprime wholesale loans to Hispanic borrowers.

14 68. Measured on a nationwide basis in each year between 2004 and 2007,  
15 Countrywide charged African-American borrowers whom Countrywide  
16 determined had the credit characteristics to qualify for a home mortgage loan more  
17 in total broker fees for subprime wholesale loans than non-Hispanic White  
18 borrowers. The annual total broker fee disparities ranged between approximately  
19 36 and 49 basis points, and they are statistically significant. During this period,  
20 Countrywide originated more than 35,000 subprime wholesale loans to African-  
21 American borrowers.

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23  
24  
25 <sup>4</sup> Due to the major changes in the housing market that began in the latter part of  
26 2007, Countrywide made too few subprime wholesale loans in 2008 to permit statistical  
27 analysis of 2008 wholesale broker fees similar to that described in Paragraphs 67-68 for  
28 2004-2007.

- 1 69. In approximately 76% of its high non-subprime loan-volume markets in 2004 (81  
2 of 106), defined for purposes of this paragraph as those MSAs and non-MSA areas  
3 in each state where Countrywide made more than 300 total non-subprime  
4 wholesale loans and 30 or more such loans to Hispanic borrowers in a given year,  
5 Countrywide charged Hispanic borrowers more in total broker fees not based on  
6 borrower risk for wholesale non-subprime loans than non-Hispanic White  
7 borrowers by a statistically significant amount. In 2005, approximately 83% of  
8 such markets (94 of 113); in 2006, approximately 77% of such markets (91 of  
9 118); in 2007, approximately 82% of such markets (87 of 106); and in 2008,  
10 approximately 97% of such markets (33 of 34) showed statistically significant  
11 total broker fee disparities disfavoring Hispanic non-subprime wholesale  
12 borrowers. The disparities in total broker fees not based on borrower risk resulted  
13 in Hispanic borrowers in these markets paying between approximately 18 and 134  
14 basis points more than non-Hispanic White borrowers for non-subprime wholesale  
15 loans in a given year. In all five years, there were no high loan-volume markets in  
16 which Countrywide charged non-Hispanic White borrowers statistically  
17 significantly higher total broker fees for non-subprime wholesale loans than  
18 Hispanic borrowers in a given year.
- 19 70. In approximately 91% of its high non-subprime loan-volume markets in 2004 (71  
20 of 78), defined for purposes of this paragraph as those MSAs and non-MSA areas  
21 in each state where Countrywide made more than 300 total non-subprime  
22 wholesale loans and 30 or more such loans to African-American borrowers in a  
23 given year, Countrywide charged African-American borrowers more in total  
24 broker fees not based on borrower risk for wholesale non-subprime loans than  
25 non-Hispanic White borrowers by a statistically significant amount. In 2005,  
26 approximately 85% of such markets (74 of 87); in 2006, approximately 84% of  
27 such markets (77 of 92); in 2007, approximately 87% of such markets (78 of 90);  
28 and in 2008, 90% of such markets (36 of 40) showed statistically significant total



1 broker fee disparities disfavoring African-American non-subprime wholesale  
2 borrowers. The disparities in total broker fees not based on borrower risk resulted  
3 in African-American borrowers in these markets paying between approximately  
4 21 and 147 basis points more than non-Hispanic White borrowers for non-  
5 subprime wholesale loans in a given year. In all five years, there were no high  
6 loan-volume markets in which Countrywide charged non-Hispanic White  
7 borrowers statistically significantly higher total broker fees for non-subprime  
8 wholesale loans than African-American borrowers in a given year.

9 71. In approximately 84% of its high subprime-loan-volume markets in 2004 (27 of  
10 32), defined for purposes of this paragraph as those MSAs and non-MSA areas in  
11 each state where Countrywide made more than 300 total subprime wholesale loans  
12 and 30 or more such loans to Hispanic borrowers in a given year, Countrywide  
13 charged Hispanic borrowers more in total broker fees not based on borrower risk  
14 for wholesale subprime loans than non-Hispanic White borrowers by a statistically  
15 significant amount. In 2005, approximately 61% of such markets (22 of 36); in  
16 2006, approximately 49% of such markets in (17 of 35); and in 2007, 50% of such  
17 markets (7 of 14) showed statistically significant total broker fee disparities  
18 disfavoring Hispanic subprime wholesale borrowers. The disparities in total  
19 broker fees not based on borrower risk resulted in Hispanic borrowers in these  
20 markets paying between approximately 14 and 107 basis points more than non-  
21 Hispanic White borrowers for subprime wholesale loans in a given year. From  
22 2004-2006, there were no high subprime-loan-volume markets in which  
23 Countrywide charged non-Hispanic White borrowers statistically significantly  
24 higher total broker fees for subprime wholesale loans than Hispanic borrowers in a  
25 given year; in 2007, there was one such market.

26 72. In approximately 74% of its high subprime-loan-volume markets in 2004 (23 of  
27 31), defined for purposes of this paragraph as those MSAs and non-MSA areas in  
28 each state where Countrywide made more than 300 total subprime wholesale loans

1 and 30 or more such loans to African-American borrowers in a given year,  
2 Countrywide charged African-American borrowers more in total broker fees not  
3 based on borrower risk for wholesale subprime loans than non-Hispanic White  
4 borrowers by a statistically significant amount. In 2005, approximately 74% of  
5 such markets (28 of 38); in 2006, approximately 68% of such markets (23 of 34);  
6 and in 2007, approximately 58% of such markets (11 of 19) showed statistically  
7 significant total broker fee disparities disfavoring African-American subprime  
8 wholesale borrowers. The disparities in total broker fees not based on borrower  
9 risk resulted in African-American borrowers in these markets paying between  
10 approximately 20 and 103 basis points more than non-Hispanic White borrowers  
11 for subprime wholesale loans in a given year. In all four years, there were no high  
12 subprime-loan-volume markets in which Countrywide charged non-Hispanic  
13 White borrowers statistically significantly higher total broker fees for subprime  
14 wholesale loans than African-American borrowers in a given year.

15 73. These disparities in total broker fees mean, for example, that Countrywide in 2007  
16 charged a non-subprime wholesale customer in Los Angeles borrowing \$200,000  
17 an average of about \$970 more in total broker fees not based on borrower risk if  
18 she were Hispanic, and an average of about \$1,195 more if she were African-  
19 American, than the average amount charged to a non-Hispanic White non-  
20 subprime wholesale customer. Comparable average disparities in 2007 for  
21 Hispanic and African-American non-subprime wholesale customers in Chicago  
22 borrowing \$200,000 were approximately \$1,100 and \$1,235, respectively, higher  
23 than the average amount Countrywide charged a non-Hispanic White non-  
24 subprime wholesale customer borrowing \$200,000.

25 74. Similarly, in 2006, Countrywide charged a subprime wholesale customer in  
26 Chicago borrowing \$200,000 an average of about \$590 more in total broker fees  
27 not based on borrower risk if she were Hispanic, and an average of about \$740  
28 more if she were African-American, than the average amount charged to a non-



1 Hispanic White subprime wholesale customer. Comparable average disparities in  
2 2006 for Hispanic and African-American subprime wholesale customers in Los  
3 Angles borrowing \$200,000 were approximately \$440 and \$560, respectively,  
4 higher than the average amount Countrywide charged a non-Hispanic White  
5 subprime wholesale customer borrowing \$200,000.

6 75. In setting the terms and conditions for its wholesale loans, including interest rates,  
7 Countrywide accounted for individual borrowers' differences in credit risk  
8 characteristics by setting the prices shown on its rate sheets for each loan product  
9 that include its assessment of applicant creditworthiness, as explained in  
10 Paragraph 60. Mortgage brokers' deviations from the rate sheet prices, as  
11 measured by total broker fees, were separate from and not controlled by the credit  
12 risk adjustments already reflected in the rate sheet prices. Countrywide reviewed  
13 these total broker fees and then charged them to borrowers in the loans it  
14 originated and funded. Accordingly, the race and national origin total broker fee  
15 disparities described in Paragraphs 65-72 are not adjusted for borrowers' credit  
16 risk characteristics.

17 76. No Countrywide policy directed its mortgage brokers, or the Countrywide  
18 wholesale account executives who worked with them, to consider a borrower's  
19 credit risk characteristics for a second time in deviating from the interest rate fixed  
20 by its rate sheets for a specific loan product for a borrower with specified credit  
21 qualifications or in assessing direct fees. Nevertheless, statistical regression  
22 analyses of the Countrywide total broker fees that control for credit risk factors  
23 such as credit score, loan amount, loan-to-value ratio, debt-to-income ratio, and  
24 others, demonstrate a similar pattern of race and national origin pricing disparities,  
25 with the magnitude only somewhat diminished from the disparities described in  
26 Paragraphs 65-72. Thus, accounting for borrower credit risk factors a second time  
27 does not explain the race and national origin disparities, even if those factors were  
28 relevant to the total broker fees not based on borrower risk.

- 1 77. The statistically significant race and national origin-based disparities in total  
2 broker fees described in Paragraphs 65-72 for Hispanics and African-Americans  
3 who Countrywide determined had the credit characteristics to qualify for a home  
4 mortgage loan resulted from the implementation and the interaction of  
5 Countrywide's policies and practices that: (a) included pricing terms based on the  
6 subjective and unguided discretion of brokers in setting total broker fees not based  
7 on borrower risk in the terms and conditions of loans Countrywide originated after  
8 par rates had been established by reference to credit risk characteristics; (b) did not  
9 require mortgage brokers to justify or document the reasons for the amount of total  
10 broker fees not based on borrower risk; (c) failed to adequately monitor for and  
11 fully remedy the effects of racial and ethnic disparities in those broker fees; and  
12 (d) created a financial incentive for brokers to charge interest rates above the par  
13 rates Countrywide had set. Total broker fees specifically measures the pricing  
14 variation caused by the subjective and unguided pricing adjustments not based on  
15 borrower risk. Countrywide continued to use these discretionary wholesale broker  
16 fee pricing policies, to inadequately document and review the implementation of  
17 that pricing component, and to incentivize upward broker adjustments to the par  
18 interest rate through the end of 2008.
- 19 78. Countrywide's policies and practices identified in Paragraph 77 were not justified  
20 by business necessity or legitimate business interests. There were less  
21 discriminatory alternatives available to Countrywide than these policies or  
22 practices.
- 23 79. Countrywide had knowledge that the unguided and subjective discretion it granted  
24 to mortgage brokers in its wholesale pricing policies and practices was being  
25 exercised in a manner that discriminated against Hispanic and African-American  
26 borrowers, but continued to implement its policies and practices with that  
27 knowledge. For example, an internal January 2006 Countrywide fair lending  
28 report stated that "WLD believes the current approach/policy is responsible" but



1 immediately afterward stated that "WLD is not confident that [its] remediation  
2 activities will drive down disparity levels materially at the 'Top of House'"  
3 (national level). It did not take effective action to change the broker fee policies  
4 and practices to eliminate fully their discriminatory impact, nor did it substantially  
5 alter its broker compensation policies and practices. Countrywide did not act to  
6 identify or compensate any individual borrowers who were victims of its  
7 discriminatory wholesale pricing policies and practices until it was required to do  
8 so by its regulator in 2008, and it only identified or compensated a small number  
9 of the victims.

#### 10 **Wholesale Lending Product Placement**

- 11 80. Between 2004 and 2007, Countrywide placed more than 10,000 Hispanic and  
12 African-American wholesale borrowers into subprime loans even though non-  
13 Hispanic White wholesale borrowers who had similar credit qualifications were  
14 placed into prime loans. As a result of being placed in a subprime loan, an  
15 Hispanic or African-American borrower paid, on average, thousands of dollars  
16 more for a Countrywide loan. It was Countrywide's business practice to allow its  
17 mortgage brokers and employees to place a wholesale loan applicant in a subprime  
18 loan even when the applicant qualified for a prime loan according to  
19 Countrywide's underwriting practices. Countrywide also gave mortgage brokers  
20 discretion to request exceptions to underwriting guidelines, and Countrywide's  
21 employees had discretion to grant these exceptions. These policies and practices  
22 resulted in the placement of Hispanic and African-American borrowers into  
23 subprime loans, when similarly-situated non-Hispanic White borrowers were  
24 placed into prime loans, both on a nationwide basis and in dozens of geographic  
25 markets across the country where Countrywide originated a large volume of  
26 wholesale loans.
- 27 81. Countrywide's wholesale product placement monitoring efforts, while inadequate  
28 to remedy discriminatory practices against Hispanic and African-American

1 borrowers through 2007, were sufficient to put it on notice of widespread product  
2 placement disparities based on race and national origin. Even when Countrywide  
3 had reason to know there were disparities, however, Countrywide did not act to  
4 determine the full scope of these wholesale product placement disparities, nor did  
5 it take prompt and effective action to eliminate those disparities. Between at least  
6 January 2004 and August 2007, Countrywide attempted to implement a system  
7 that would "flag" subprime loan applicants eligible to be "uplifted" to a non-  
8 subprime loan product. This system flagged thousands of Hispanic and African-  
9 American loans. However, this pre-origination "uplift" system only required that  
10 notification of potential uplift eligibility be given to brokers, and it neither  
11 required the brokers to inform applicants of this fact nor required the brokers to  
12 take any other specific action with respect to identified applicants. Moreover, this  
13 "uplift" system did not accurately correspond to Countrywide's actual  
14 underwriting practices for non-subprime loan products that treated published  
15 underwriting guidelines as merely advisory and widely granted exceptions. As a  
16 result, the system both failed to identify a large proportion of applicants who  
17 received a subprime loan whose qualifications were similar to those of applicants  
18 who received non-subprime loan products and resulted in few "flagged" applicants  
19 receiving a non-subprime loan.

20 82. Between 2004 and 2007, Countrywide published underwriting guidelines that  
21 purported to establish the objective criteria an applicant had to meet in order to  
22 qualify for a particular type of loan product. These underwriting guidelines were  
23 available to mortgage brokers who had entered into contracts with Countrywide to  
24 enable them to select loan products for individual borrowers with differing credit-  
25 related characteristics. They also could be used by the wholesale account  
26 executives, underwriters, and others employed by Countrywide to determine  
27 whether to originate the applications brought to it by mortgage brokers. These  
28 underwriting guidelines were intended to be used to determine whether a loan



1 applicant qualified for a prime loan product, an Alt-A loan product, a subprime  
2 loan product, or for no Countrywide loan product at all. A prime loan product has  
3 loan terms and conditions, including prices, that generally are most favorable for a  
4 borrower, an Alt-A loan product is less favorable, and a subprime loan product is  
5 even less favorable and often included terms such as initial short-term teaser  
6 interest rates that suddenly rise to produce substantially increased and potentially  
7 unaffordable payments after two to three years, as well as substantial pre-payment  
8 penalties.

9 83. Mortgage brokers had discretion to request that applications they submitted be  
10 treated as exceptions to Countrywide's underwriting guidelines. Loan  
11 underwriters or account executives employed by Countrywide, who determined  
12 whether to originate the applications brought to it by mortgage brokers, had the  
13 discretion to grant such exceptions. Between January 2004 and early 2007,  
14 Countrywide substantially increased the number of exceptions it granted to its loan  
15 underwriting guidelines. By early 2007, Countrywide originated as many as half  
16 of certain loan products as exceptions to its underwriting policies. As a result,  
17 Countrywide made tens of thousands of non-subprime loans to borrowers between  
18 2004 and 2007 based on criteria other than strict adherence to its published  
19 underwriting guidelines. Countrywide did not grant these exceptions to Hispanic  
20 and African-American borrowers on a basis equal to that for non-Hispanic White  
21 borrowers. Countrywide provided no guidance to mortgage brokers about the  
22 factors to consider in asking for exceptions and provided only very general, broad  
23 guidance to its own employees about how to exercise discretion when granting  
24 exceptions. Individual loan applicants had no ability on their own to ask for an  
25 exception directly from Countrywide's loan underwriting employees.

26 84. Between January 2004 and July 2007, Countrywide's cap on the amount of total  
27 compensation that a residential mortgage broker could receive on an individual  
28 loan varied, in part, based on whether the loan was a subprime product or a non-

1 subprime product. As described in Paragraph 62, although Countrywide changed  
2 its broker compensation caps several times between December 2004 and July  
3 2007, Countrywide's compensation policy allowed brokers to earn higher  
4 maximum total compensation for submitting subprime loans to Countrywide for  
5 origination than for non-subprime loans throughout this time period.

6 85. Between 2004 and 2007, mortgage brokers who submitted loan applications  
7 funded by Countrywide received higher total broker fees for subprime loans than  
8 for non-subprime loans. From 2005-2007, the average subprime loan had total  
9 broker fees between approximately 26 and 53 basis points higher than the average  
10 non-subprime loan, measured annually on a nationwide basis. Countrywide's  
11 compensation policy and practice created a financial incentive for mortgage  
12 brokers to submit subprime loans to Countrywide for origination rather than any  
13 other type of residential loan product.

14 86. Statistical analyses of loan data kept by Countrywide on wholesale 30-year term  
15 prime and subprime loans originated by Countrywide between January 2004 and  
16 August 2007 demonstrate that on a nationwide basis Hispanics who qualified for a  
17 Countrywide home mortgage loan and who obtained wholesale loans from  
18 Countrywide had odds between approximately 2.6 and 3.5 times higher than  
19 similarly-situated non-Hispanic White borrowers of receiving a subprime loan  
20 instead of a prime loan, after accounting for objective credit qualifications. Those  
21 odds ratios demonstrate a pattern of statistically significant differences between  
22 Hispanic and non-Hispanic White borrowers with respect to their placement by  
23 Countrywide in one of these two loan product categories even after controlling for  
24 objective credit qualifications such as credit score, loan amount, debt-to-income  
25 ratio, loan-to-value ratio, and others. These statistically significant disparities  
26 existed both at the national level and in numerous geographic markets across the  
27 country.



- 1 87. In approximately 59% of its high loan-volume markets in 2004 (24 of 41), defined  
2 for purposes of this paragraph as those MSAs and non-MSA areas in each state  
3 where during the year Countrywide made at least 300 total wholesale loans,  
4 including at least 30 subprime loans to both non-Hispanic White and Hispanic  
5 wholesale borrowers, Hispanic borrowers had odds of receiving subprime loans  
6 that are statistically significantly higher than non-Hispanic White borrowers  
7 (“statistically significant odds ratio disparities”). In 2005, approximately 54% (22  
8 of 41) of such markets; in 2006 approximately 77% (33 of 43) of such markets;  
9 and in 2007 approximately 58% (11 of 19) of such markets had statistically  
10 significant odds ratio disparities disfavoring Hispanic borrowers. In individual  
11 high-volume markets with statistically significant odds ratio disparities, the odds  
12 of Hispanic borrowers receiving a subprime loan ranged from approximately 1.3  
13 to 11.6 times higher than similarly-situated non-Hispanic White borrowers in a  
14 given year. In only one such market, and for only one year from 2004-2007, was  
15 there a statistically significant odds ratio disparity favoring Hispanic borrowers.
- 16 88. Statistical analyses of loan data kept by Countrywide on wholesale 30-year term  
17 prime and subprime loans originated by Countrywide between January 2004 and  
18 August 2007 demonstrate that on a nationwide basis African-Americans who  
19 qualified for a Countrywide home mortgage loan and who obtained wholesale  
20 loans from Countrywide had odds between approximately 2.1 and 2.7 times higher  
21 than similarly-situated non-Hispanic White borrowers of receiving a subprime  
22 loan instead of a prime loan after accounting for objective credit qualifications.  
23 Those odds ratios demonstrate a pattern of statistically significant differences  
24 between African-American and non-Hispanic White borrowers with respect to  
25 their placement by Countrywide in one of these two loan product categories even  
26 after controlling for objective credit qualifications such as credit score, loan  
27 amount, debt-to-income ratio, loan-to-value ratio, and others. These statistically  
28

1 significant disparities existed both at the national level and in numerous  
2 geographic markets across the country.

3 89. In approximately 51% of its high loan-volume markets in 2004 (24 of 47), defined  
4 for purposes of this paragraph as those MSAs and non-MSA areas in each state  
5 where during the year Countrywide made at least 300 total wholesale loans,  
6 including at least 30 subprime loans to both non-Hispanic White and African-  
7 American wholesale borrowers, African-American borrowers had odds of  
8 receiving subprime loans that are statistically significantly higher than non-  
9 Hispanic White borrowers. In 2005, approximately 52% (26 of 50) of such  
10 markets; in 2006, approximately 61% (28 of 46) of such markets; and in 2007  
11 approximately 71% (20 of 28) of such markets had statistically significant odds  
12 ratio disparities disfavoring African-American borrowers. In individual high-loan  
13 volume markets with statistically significant odds ratio disparities, the odds of  
14 African-American borrowers receiving a subprime loan ranged from  
15 approximately 1.3 to 8.3 times higher than similarly-situated non-Hispanic White  
16 borrowers in a given year. In only one such market, and for only one year from  
17 2004-2007, was there a statistically significant odds ratio disparity favoring  
18 African-American borrowers.

19 90. These odds ratio disparities mean, for example, that Countrywide in 2006 placed  
20 more than 200 Hispanic and African-American wholesale borrowers in the  
21 Chicago market into subprime loans when non-Hispanic White wholesale  
22 borrowers in Chicago with similar credit risk characteristics received prime loans.  
23 Each of these Hispanic and African-American borrowers would have paid  
24 thousands of dollars in extra payments over the first four years of the loan's term  
25 because they were placed into a subprime loan rather than a prime loan, based on  
26 the average loan amount and the disparity between prime and subprime interest  
27 rates for borrowers with similar credit risk characteristics in the Chicago market in  
28 2006. Similarly, Countrywide in 2006 placed more than 400 Hispanic and



1 African-American wholesale borrowers in the Los Angeles market into subprime  
2 loans when non-Hispanic White wholesale borrowers in Los Angeles with similar  
3 credit risk characteristics received prime loans. Each of these Hispanic and  
4 African-American borrowers would have paid thousands of dollars in extra  
5 payments over the first four years of the loan's term because they were placed into  
6 a subprime loan rather than a prime loan, based on the average loan amount and  
7 the disparity between prime and subprime interest rates for borrowers with similar  
8 credit risk characteristics in the Los Angeles market in 2006.

9 91. Analyses of loan data to determine the odds of borrowers receiving non-subprime  
10 loans (as defined in Paragraph 28) as opposed to subprime loans demonstrate  
11 similar disparities. Hispanic and African-American wholesale borrowers had  
12 statistically significantly higher odds of receiving subprime loans from  
13 Countrywide rather than non-subprime loans, as compared to similarly-situated  
14 non-Hispanic White wholesale borrowers after taking into account objective credit  
15 risk characteristics. These race- and national origin-based disparities persisted at  
16 both the nationwide level and in numerous high loan-volume MSAs during the  
17 same years, 2004-2007.

18 92. The disparate placement of both Hispanic and African-American wholesale  
19 borrowers whom Countrywide determined had the credit characteristics to qualify  
20 for a home mortgage loan into subprime loan products, when compared to  
21 similarly-situated non-Hispanic White borrowers described in Paragraphs 86-89,  
22 resulted from the implementation and interaction of Countrywide's policies and  
23 practices that: (a) permitted mortgage brokers and Countrywide's own employees  
24 to place an applicant in a subprime loan product even if the applicant could qualify  
25 for a prime loan product; (b) did not require mortgage brokers or its employees to  
26 justify or document the reasons for placing an applicant in a subprime loan  
27 product even if the applicant could qualify for a prime loan product; (c) did not  
28 require mortgage brokers to notify subprime loan applicants that they could

1 qualify for a prime loan product; (d) created a financial incentive for brokers to  
2 place loan applicants in subprime loan products; (e) allowed brokers and  
3 Countrywide loan officers and underwriters to request and to grant underwriting  
4 exceptions in a subjective, unguided manner; and (f) failed to monitor these  
5 discretionary practices to ensure that borrowers were being placed in loan products  
6 on a nondiscriminatory basis. Countrywide continued to use these product  
7 placement, compensation, and discretionary underwriting policies until it exited  
8 the subprime lending business after August 2007.

9 93. Countrywide's policies or practices identified in Paragraph 92 were not justified  
10 by business necessity or legitimate business interests. There were less  
11 discriminatory alternatives available to Countrywide than these policies or  
12 practices.

13 94. Countrywide had knowledge that its wholesale lending policies and practices  
14 identified in Paragraph 92 encouraged the placement of applicants in subprime  
15 rather than prime loan products and that its uplift system described in Paragraph  
16 81 was ineffective, but continued to implement its policies and practices with that  
17 knowledge. For example, an internal Countrywide July 2007 report to its fair  
18 lending committee discussed "significant errors due to operational failures" in its  
19 uplift system. Countrywide did not take effective action to change the  
20 discriminatory policies or practices to eliminate their discriminatory impact. It did  
21 not act to identify or compensate any individual borrowers who were victims of its  
22 discriminatory product placement policies or practices.

#### 23 **Marital Status – Spousal Signature Policy**

24 95. A married individual applying for credit has the choice of whether to apply solely  
25 in his or her own name, rather than jointly with his or her spouse. In an  
26 application for a loan secured by real property by a married individual who  
27 decides to apply solely in his or her own name, the creditor will have a security  
28 interest in the entire property as long as the non-applicant spouse signs the legal



document (such as a mortgage or a deed of trust, depending on the state) granting the lender the security interest. The non-applicant spouse need not become obligated to repay the loan from personal resources or to give up his or her ownership interest in the property in order to give the creditor a security interest in the entire property.

96. Between 2004 and 2008, when a married individual decided to apply for a loan solely in his or her own name, Countrywide's spousal signature policies or practices encouraged its employees and agents to have the non-applicant spouse execute documents that transferred to the applicant spouse all rights and interests the non-applicant spouse had in the property securing the loan. Countrywide continued this spousal signature policy or practice at least through June 1, 2008.

97. During the time period at issue, numerous non-borrower spouses executed quitclaim deeds or other similar documents transferring their legal rights and interests in jointly-held property to their borrower spouses as a condition of Countrywide originating a loan to those borrower spouses.

98. Section 701 of the ECOA, 15 U.S.C. § 1691(a), makes it "unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction – (1) on the basis of . . . marital status. . . ." Regulation B, adopted pursuant to explicit congressional direction, 15 U.S.C. § 1691b, provides that the term "applicant" includes guarantors, sureties, endorsers, and similar parties whose participation in the credit transaction is required in order to complete it. 12 C.F.R. § 202.2(e). The policy or practice of having a non-borrower spouse execute documents that transfer all legal rights and interests in jointly-held property as a condition of originating a loan to the borrower spouse makes the non-borrower spouse an applicant within the meaning of the ECOA, 15 U.S.C. § 1691a(b).

99. The Official Staff Commentary to Regulation B ("OSC") is an official staff interpretation of Regulation B. The OSC states that "a creditor may require the

1 applicant's spouse to sign the instruments necessary to create a valid security  
2 interest in the property" and nothing more if that "is sufficient to make the  
3 property available to satisfy the debt in the event of default." 12 C.F.R. Supp I §  
4 202.7 ¶7(d)(4)(2). The OSC further provides: "Generally, a signature to make the  
5 secured property available will only be needed on a security agreement." Id.  
6 Moreover, the OSC also states, in the context of unsecured credit: "A creditor may  
7 not routinely require, however, that a joint owner sign an instrument (such as a  
8 quitclaim deed) that would result in the forfeiture of the joint owner's interest in  
9 the property." 12 C.F.R. Supp. I § 202.7 ¶7(d)(2)(1)(ii). That principle applies  
10 equally to applications for secured credit.

11 100. A non-applicant spouse who executes a quitclaim deed or similar transfer  
12 document as a result of Countrywide's policy and practices, unless on a voluntary  
13 and fully-informed basis, risks substantial financial loss and uncertainty by  
14 executing documents that transfer to the applicant spouse all rights and interests  
15 the non-applicant spouse had in the property securing the loan.

16  
17 **FAIR HOUSING ACT and EQUAL CREDIT OPPORTUNITY ACT**  
18 **VIOLATIONS**

19 101. Countrywide's residential lending-related policies and practices and the policies  
20 and practices it followed in residential credit transactions as alleged herein  
21 constitute:

- 22 a. Discrimination on the basis of race and national origin in making available,  
23 or in the terms or conditions of, residential real estate-related transactions,  
24 in violation of the FHA, 42 U.S.C. § 3605(a) (Complaint ¶¶ 29-94);  
25 b. Discrimination on the basis of race and national origin in the terms,  
26 conditions, or privileges of sale of a dwelling, in violation of the FHA, 42  
27 U.S.C. § 3604(b) (Complaint ¶¶ 29-94);  
28



1 c. Discrimination against applicants with respect to credit transactions on the  
2 -basis of race and national origin, in violation of ECOA, 15 U.S.C.

3 § 1691(a)(1) (Complaint ¶¶ 29-94); and

4 d. Discrimination against applicants with respect to credit transactions on the  
5 basis of marital status, in violation of ECOA, 15 U.S.C. § 1691(a)(1), and  
6 Regulation B, 12 C.F.R. §§ 202.4(a) and 202.6(b)(8) (Complaint ¶¶ 95-  
7 100).

8 102. Countrywide's residential lending-related policies and practices as alleged herein  
9 constitute:

10 a. A pattern or practice of resistance to the full enjoyment of rights granted by  
11 the FHA, 42 U.S.C. §§ 3601-3619, and ECOA, 15 U.S.C. §§ 1691-1691f  
12 (Complaint ¶¶ 29-100); and

13 b. A denial of rights granted by the FHA to groups of persons – both African-  
14 Americans and Hispanics – that raises an issue of general public  
15 importance (Complaint ¶¶ 29-94).

16 103. Between 2004 and 2008, more than 200,000 persons throughout the nation have  
17 been victims of Countrywide's pattern or practice of discrimination and denial of  
18 rights as alleged herein. In addition to higher direct economic costs, the victims of  
19 discrimination suffered additional consequential economic damages resulting from  
20 having an excessively costly loan, including possible prepayment penalties,  
21 increased risk of credit problems, default, and foreclosure, and other damages,  
22 including emotional distress. They are aggrieved persons as defined in the FHA,  
23 42 U.S.C. § 3602(i), and aggrieved applicants as defined in the ECOA, 15 U.S.C.  
24 § 1691e, and have suffered injury and damages as a result of Defendants' conduct.  
25 Attachment A depicts the states where these aggrieved persons described in  
26 Paragraphs 41-42, 69-72, 87, and 89 were located when the discrimination  
27 occurred.

28

1 104. Countrywide's policies and practices, as described herein, were intentional,  
2 willful, or implemented with reckless disregard for the rights of Hispanic and  
3 African-American borrowers and non-applicant spouses of married mortgage loan  
4 applicants.

5  
6 **RELIEF REQUESTED**

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

8 (1) Declares that the Defendants' challenged lending policies and practices constitute  
9 violations of the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and the Equal Credit  
10 Opportunity Act, 15 U.S.C. §§ 1691-1691f;

11 (2) Enjoins the Defendants, their agents, employees, and successors, and all other  
12 persons in active concert or participation with any of the Defendants, from:

- 13 (a) Discriminating on the basis of race and national origin with respect  
14 to making available, or in the terms or conditions of, a residential  
15 real estate-related transaction;
- 16 (b) Discriminating on the basis of race and national origin in the terms,  
17 conditions, or privileges of sale of a dwelling;
- 18 (c) Discriminating on the basis of race, national origin, and marital  
19 status against any person with respect to any aspect of a credit  
20 transaction;
- 21 (d) Failing or refusing to take such affirmative steps as may be  
22 necessary to restore, as nearly as practicable, the victims of the  
23 Defendants' unlawful conduct to the position they would have been  
24 in but for the discriminatory conduct; and
- 25 (e) Failing or refusing to take such affirmative steps as may be  
26 necessary to prevent the recurrence of any such discriminatory  
27 conduct in the future; to eliminate, to the extent practicable, the  
28 effects of the Defendants' unlawful practices; and to implement



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policies and procedures to ensure that all borrowers have an equal opportunity to seek and obtain loans on a non-discriminatory basis and with non-discriminatory terms and conditions;

- (3) Awards monetary damages to the victims of the Defendants' discriminatory policies and practices for the injuries caused by the Defendants, including direct economic costs, consequential economic damages, and other damages, pursuant to 42 U.S.C. § 3614(d)(1)(B) and 15 U.S.C. § 1691e(h); and
- (4) Assesses a civil penalty against the Defendants in an amount authorized by 42 U.S.C. § 3614(d)(1)(C), in order to vindicate the public interest.

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

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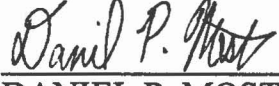
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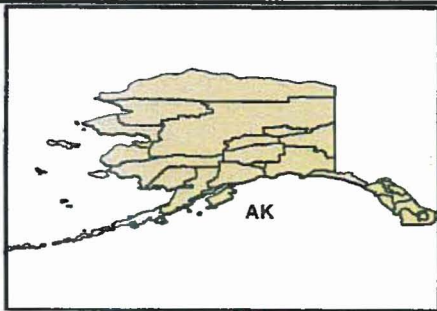
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Attachment A  
Jurisdictions With Substantial Concentrations of Aggrieved Persons (41 States and the District of Columbia)

