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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Monday, April 2, 2012

**Justice Department Alleges GFI Mortgage Bankers
Engaged in Illegal Lending Discrimination**

*Complaint Alleges New York-Based Company Charged Higher
Interest Rates and Fees to African-American and Hispanic
Borrowers*

WASHINGTON – The Department of Justice and the U.S. Attorney’s Office for the Southern District of New York filed a lawsuit alleging that GFI Mortgage Bankers Inc., a mortgage banker with operations in seven states, violated federal fair lending laws by charging African-American and Hispanic borrowers higher interest rates and fees on home mortgage loans because of their race or national origin, not based on their creditworthiness.

The complaint, filed today in the Southern District of New York under the federal Fair Housing Act and Equal Credit Opportunity Act, alleges that GFI engaged in a pattern or practice of discrimination on the basis of race and national origin by charging African-American and Hispanic borrowers higher interest rates and fees on home mortgage loans compared to similarly-situated white borrowers. The Department of Justice and the U.S. Attorney’s Office for the Southern District of New York investigated and filed the lawsuit jointly.

“Charging people more for home loans simply because of their race or national origin – as we have alleged in our complaint against GFI – is illegal. The Justice Department will act aggressively to ensure that all people have equal access to credit and a level playing field,” said Thomas E. Perez, Assistant Attorney General for the Civil Rights Division. “For that reason, vigorous enforcement of fair lending laws remains a top priority.”

U.S. Attorney for the Southern District of New York Preet Bharara said, “As the lawsuit we filed today alleges, discrimination still exists in certain quarters and it has profound consequences for the victims. At a time when so many American homeowners of all races and nationalities are struggling to make their mortgage payments, it is unacceptable that, as we allege, the impact of GFI Mortgage’s business practices resulted in its African-American and Hispanic customers paying higher fees and interest rates for their residential mortgages. As today’s suit demonstrates, this type of discriminatory action will not be tolerated. We will continue to work to ensure that fair lending laws are enforced throughout the district.”

“HUD and the Justice Department work together to end lending discrimination in America. This case and others nationwide demonstrate our commitment to pursue lenders if they violate the Fair Housing Act and seek relief for discrimination victims,” said Department of Housing and Urban Development (HUD) Assistant Secretary for Fair Housing and Equal Opportunity John Trasviña.

From 2005 through at least 2009, GFI charged higher loan prices to African-American and Hispanic borrowers than it charged to similarly-situated white borrowers by charging higher interest rates and fees for home mortgage loans. For example, an African-American borrower who took out a home mortgage loan in 2007 paid on average approximately \$7,500 more over the first four years of the loan than a similarly-situated white borrower. For a Hispanic borrower, the difference was approximately \$5,600 more over the first four years of the loan than a similarly-situated white borrower. The disparities, based on race or national origin, are statistically significant, and are unrelated to credit risk or loan characteristic.

During the period when the discrimination occurred, GFI had a policy or practice of allowing and encouraging its loan officers in New York and New Jersey to promote loan products, price loans and charge fees in a manner that was unrelated to credit risk or loan characteristics. GFI knew that its loan officers priced loans in ways unrelated to a borrower’s creditworthiness, resulting in thousands of dollars in overcharges for African-American and Hispanic borrowers based on their race or national origin. By providing its loan officers a substantial percentage of

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the profits generated on each loan, GFI's compensation scheme provided strong financial incentives to loan officers to price their loan products in a discriminatory manner. Moreover, GFI failed to supervise, train, or adequately monitor its loan officers to ensure that they were pricing loans in a non-discriminatory manner.

During the period when the discrimination occurred, the number of home mortgage loans issued by GFI increased from 974 in 2005 to 2,270 in 2009. At the same time, GFI's revenue from its home mortgage loan services increased from \$305 million in 2005 to \$768 million in 2009.

This case resulted from a referral by HUD to the Justice Department's Civil Rights Division in 2010.

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

African-American and Hispanic borrowers who received GFI loans since 2005, former employees of GFI or any other individuals with information relevant to this lawsuit are encouraged to contact the U.S. Department of Justice at 1-800-896-7743, mailbox 9992, or at:

Chief, Civil Rights Unit
U.S. Attorney's Office, S.D.N.Y.
86 Chambers Street, 3rd Floor
New York, NY 10007

A copy of the complaint, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department website at www.justice.gov/fairhousing. Fighting illegal housing discrimination is a top priority of the Justice Department. More information about the Civil Rights Division and the laws it enforces is available at <http://www.usdoj.gov/crt>.

12-421

Civil Rights Division



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