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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, August 28, 2012

Justice Department Reaches Lending Discrimination Settlement with GFI Mortgage Bankers Inc.

GFI Mortgage Bankers Inc., a large independent home mortgage firm that concentrates on the New York, New Jersey, and Florida markets, will pay \$3.555 million to resolve a lending discrimination lawsuit filed by the Department of Justice and the U.S. Attorney's Office for the Southern District of New York. The lawsuit alleges that GFI engaged in a pattern or practice of discrimination by pricing residential mortgage loans for qualified African-American and Hispanic borrowers higher than for similarly-qualified non-Hispanic white borrowers between 2005 and 2009.

The settlement provides \$3.5 million in compensation to approximately 600 African-American and Hispanic GFI borrowers identified by the United States as paying more for a loan based on their race or national origin, and it requires GFI to pay the maximum \$55,000 civil penalty allowed by the Fair Housing Act. The settlement also requires GFI to develop and implement new policies that limit the pricing discretion of its loan officers, require documentation of loan pricing decisions, and monitor loan prices for race and national origin disparities not justified by objective borrower credit characteristics or loan features.

As part of the settlement, GFI admits that an analysis of the note interest rates and fees that it charged on mortgage loans to qualified borrowers showed statistically significant disparities between non-Hispanic white borrowers and both African-American and Hispanic borrowers that could not be explained by objective borrower characteristics or loan product features. The company also admitted that it provided financial incentives to its loan officers to charge higher interest rates and fees to borrowers and that it did not have fair lending training and monitoring programs in place to prevent those interest rate and fee disparities from occurring. The settlement came after the United States had filed its opposition to GFI's motion to dismiss the case and the court had stated it was "skeptical" of GFI's argument that federal law allows lenders to price loans in a way that produces such disparate impacts on minority borrowers.

The settlement, which was entered by the court, was filed in federal court in Manhattan, where GFI is headquartered.

"The Justice Department will not hesitate to litigate against lenders to enforce federal fair lending laws where the evidence warrants and to obtain compensation for borrowers who were victims of unlawful lending practices," said Thomas E. Perez, Assistant Attorney General for the Civil Rights Division. "This department is determined to address discriminatory lending practices and to ensure equal credit opportunity for all borrowers in the years to come. We also greatly appreciate our strong partnership with the U.S. Attorney's Office for the Southern District of New York, which worked jointly with the department to prosecute this case."

"With the settlement we announce today, the hundreds of victims of lending discrimination committed by GFI will be made whole, and the company has admitted the conduct that led to this lawsuit, and agreed to reform its residential lending practices," said Preet Bharara, U.S. Attorney for the Southern District of New York. The swift resolution of this case demonstrates the commitment of this Office and of the entire Department of Justice to aggressively enforcing the laws against discriminatory lending, and to holding accountable those who engage in this illegal conduct."

The Department of Housing and Urban Development (HUD) started the investigation into GFI's lending practices by opening a Secretary-initiated investigation under the Fair Housing Act. HUD reviewed GFI's documents and loan files, interviewed GFI's employees, and analyzed GFI's loan data. HUD referred the lender to DOJ in January 2010 for a potential pattern or practice of

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discrimination.

“No prospective home buyer should be saddled with a higher cost mortgage because of their race or national origin,” stated HUD Assistant Secretary for Fair Housing and Equal Opportunity John Trasviña. “This type of practice has no place in the mortgage market. HUD and the Justice Department have made a vigorous commitment to ending unlawful lending discrimination.”

Today’s announcement is part of efforts underway by President Obama’s Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys’ offices and state and local partners, it’s the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,700 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

A copy of the complaint and proposed consent order, 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.

The proposed settlement provides for an independent administrator to contact and distribute payments of compensation at no cost to borrowers whom the Justice Department identifies as victims of GFI’s discrimination. Borrowers who are eligible for compensation from the settlement will be contacted by the administrator. The department will make a public announcement and post contact information on its website once the administrator begins

contacting victims. Individuals who believe that they may have been victims of lending discrimination by GFI and have questions about the settlement may email the department at gfi.settlement@usdoj.gov or call 1-800-896-7743, extension 9992 or 212-637-0840, or write to the following address:

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

Related Material:

- [Consent Order](#)

12-1052

Civil Rights Division



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