FOR IMMEDIATE RELEASE CR
TUESDAY, MAY 7, 1996 (202) 616-2765
TDD (202) 514-1888

FLEET SUBSIDIARY TO PAY $4 MILLION TO SETTLE CLAIMS THAT BLACKS AND HISPANICS WERE CHARGED HIGHER LOAN PRICES THAN WHITES

WASHINGTON, D.C. -- A mortgage company subsidiary of Fleet Financial Group will pay $4 million for allegedly charging African Americans and Hispanics higher prices for home mortgage loans than comparably qualified whites, under an agreement reached today with the Justice Department.

In a complaint, filed today together with the agreement in U.S. District Court in Brooklyn, the Justice Department alleged that two branches of the Fleet Mortgage Corp. engaged in a pattern of discrimination in the pricing of home mortgage loans. It claimed that the two branches, situated in Westbury, New York, and Woodbridge, New Jersey, violated the Fair Housing Act and the Equal Credit Opportunity Act.

"Loans should be based on risk, not race," said Assistant Attorney General for Civil Rights Deval L. Patrick. "By changing their practices, Fleet has stepped forward and done the right thing."

Under today's agreement, Fleet will establish a $3.8 million fund to compensate approximately 600 victims; spend $200,000 for community outreach; implement a new monitoring and oversight system; and continue recently adopted policies to ensure fair pricing without regard to race or national origin.

The Justice Department began reviewing the lending practices of the mortgage company in September 1995, after an investigation by the Federal Reserve Bank of Boston and the Federal Reserve Board in Washington noted similar problems.

The suit claimed the mortgage company charged African Americans and Hispanics higher interest rates or up-front fees -- often called "overages" -- for home mortgage loans than similarly-situated white borrowers.

Patrick said that an "overage" generally refers to the price paid by the borrower in excess of any minimum price set by a financial institution. He said that loan officers of many companies have the discretion to charge rates and fees higher than the minimum; any amount obtained above the minimum price is an "overage". Loan officers typically receive some or all of the excess price that they charge. It is not commonly known that such mortgage prices are negotiable.

The suit claimed that from January 1993 through June 1994 the mortgage company gave its loan officers at the two branches the discretion to charge its customers higher prices, which provided extra monetary commission to the loan officers who hiked the prices. It also claimed the company gave the loan officers discretion to charge borrowers an amount that was less than the minimum price. This practice is referred to as granting "underages."

The company, based in Columbia, South Carolina, allegedly imposed overages more often and granted underages less often on home mortgage loans made to African American and Hispanic borrowers than it did on loans to similarly qualified white borrowers.

Patrick noted that the disparities in the pricing did not occur by chance and could not be explained by difference in the borrowers' loan qualifications or other factors unrelated to race or national origin. Overages and underages, as used by Fleet, were not related to risk.

Under the settlement, which was approved today by the court, the bank will compensate those minority borrowers who the parties agree paid higher rates for loans between August 1993 and June 1994. Victims will be compensated up to $15,000 each, depending on the amount of the overage paid.

Last October the Justice Department sued the Huntington Mortgage Company in Columbus, Ohio, for using a similar scheme to charge African Americans higher prices for home mortgage loans in the Cleveland area.

In addition to Huntington and Fleet, the Justice Department has filed eight other suits against lenders that allegedly engaged in discrimination. A suit filed last month against a Nebraska bank accused of charging higher rates to Native Americans is pending. Every other suit has settled.

# # #

96-211