

Lasting Effects: The Next Generation of Fair Housing Enforcement

International Municipal Lawyers Association
2014 Annual Conference

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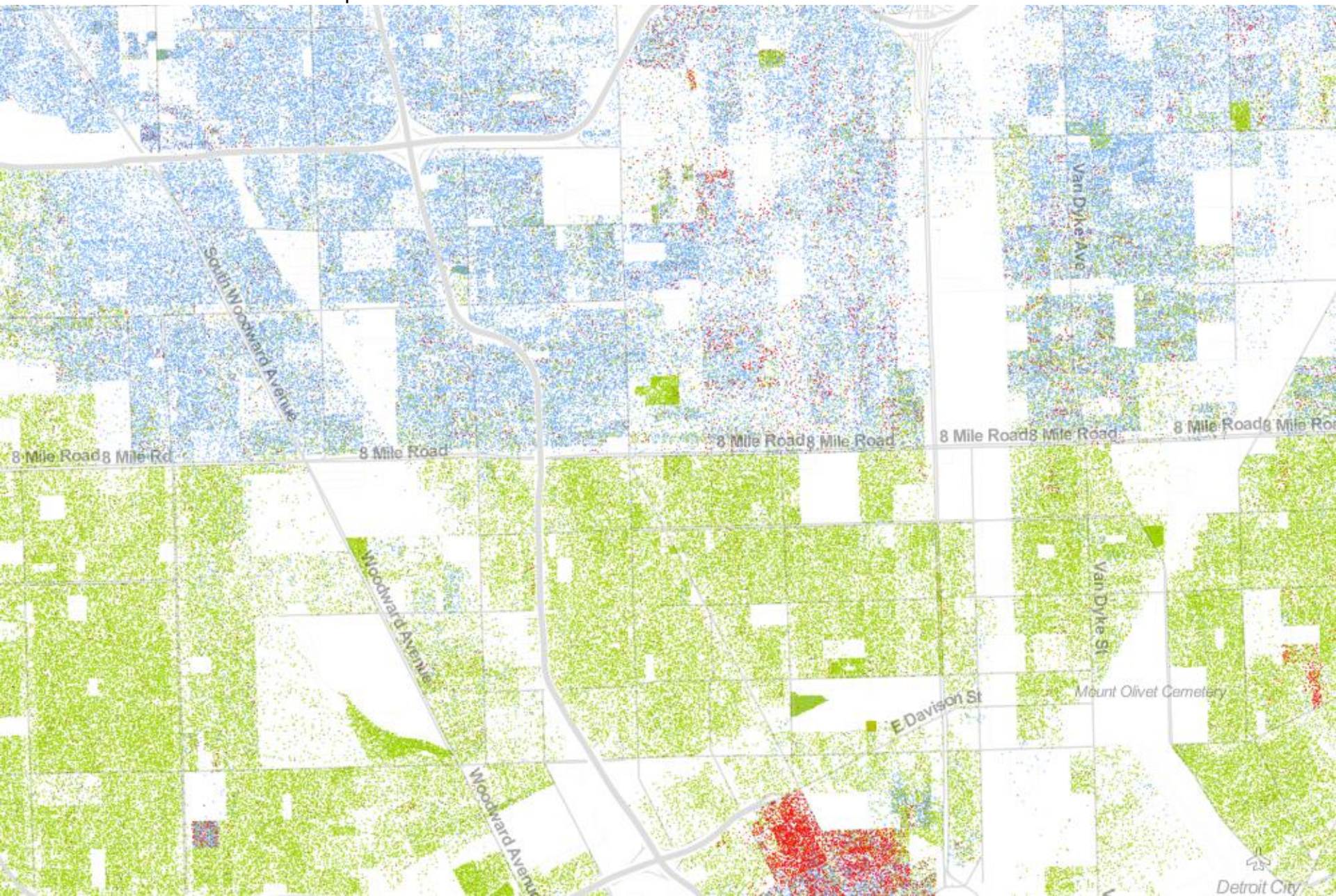
● = African American ● = White
● = Hispanic ● = All Others
● = Asian 1 dot = 1 person

Detroit



"All the News That's Fit to Print"

The New York Times

Washington Edition

Today, partly sunny, a thunder shower, highs 80-85. Tonight, show ers, storms, lows 55-60. Tomorrow showers, brighter late, highs in the mid-60s. Weather map, Page B14

VOL. CLVIII . . . No. 54,677 © 2009 The New York Times SATURDAY, MAY 16, 2009 $1.50

Falling Gas Prices Deny Russia a Lever of Power

By ANDREW E. KRAMER

MOSCOW — As energy markets shrink, the same tactics that the Kremlin used to build Gazprom, the giant energy company, into a fearsome economic and political power that could restore Russian influence in the world are now backfiring, slashing both its profits and its influence.

Throughout his eight years as president of Russia, Vladimir V. Putin pursued the strategic goal of dominating natural gas supplies to Europe and the pipelines that deliver them. His success was underscored in January, when for the second time in three years a pricing dispute with Ukraine disrupted the flow of natural gas, leaving hundreds of thousands in Eastern Europe shivering in the deep winter cold.

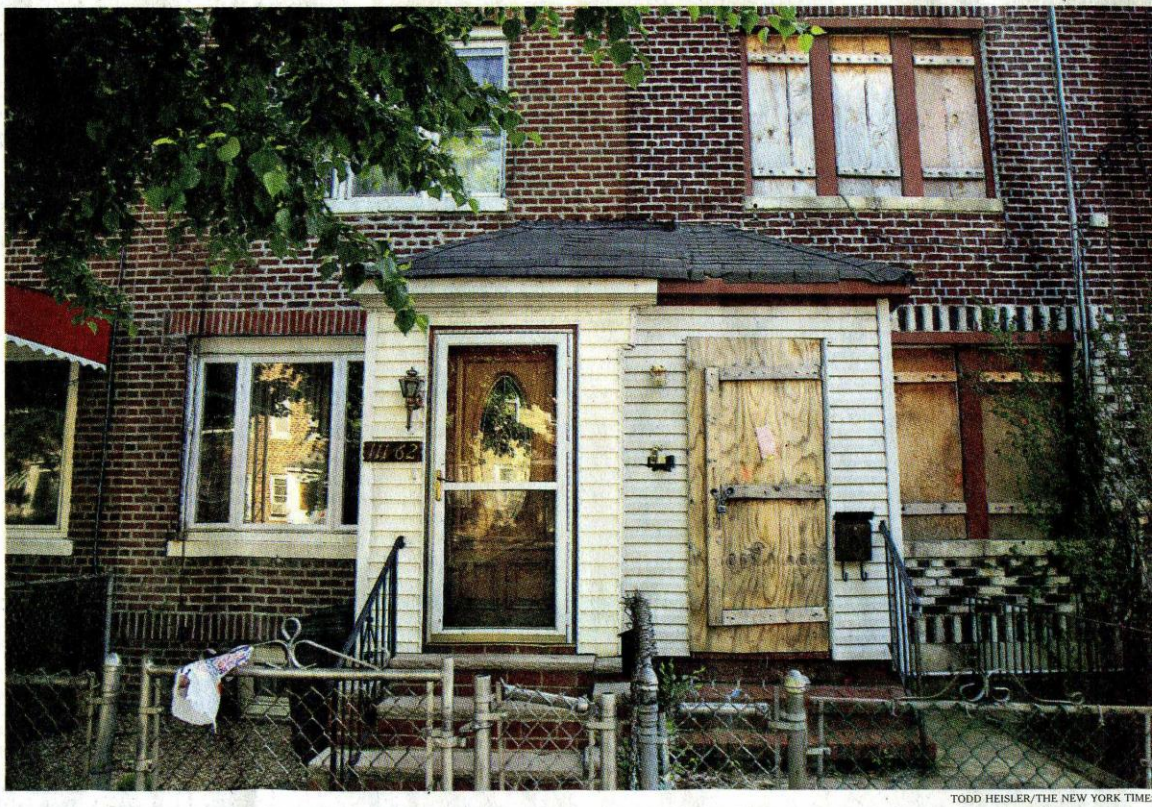
But in his zeal to monopolize gas supplies, Mr. Putin, who is now Russia's prime minister, committed Gazprom to long-term contracts with Central Asian countries for gas at a cost far in excess of current world prices. Now that the world economic crisis has sharply curtailed demand, Gazprom is struggling to balance its supplies with declining world demand. In effect, a strategy that made business and political sense in a time of high and seemingly ever rising prices is threatening to create years of losses and declining influence, if energy prices fail to rebound.

"It's an extraordinary turnaround from what everybody was expecting," said Jonathan P. Stern, the director of natural gas research at the Oxford Institute for Energy Studies.

Demand for Gazprom's natural gas will plunge by about 60 billion cubic meters this year, according to Mr. Stern — about equal to the amount the company is contractually committed to import from the former Soviet states.

The turnaround for Gazprom has been as swift as it has been devastating to the company's business model. As recently as last September, Mr. Putin, as prime minister, flew to Tashkent, Uzbekistan, to wrap up a deal that consolidated Russia's strategic gains after the war in Georgia.

Minorities Hit Hardest as New York Foreclosures Rise



TODD HEISLER/THE NEW YORK TIME

On a stretch of 145th Street in Jamaica, Queens, 8 of 50 homes face foreclosure. "We are being pillaged," a city councilman said.



Blacks and Latinos Are Hit Hardest as New York Foreclosures Rise

From Page A1

down on the backbone of minority neighborhoods: the black middle class. In New York City, for example, black households making more than $68,000 a year are almost five times as likely to hold high-interest subprime mortgages as are whites of similar — or even lower — incomes.

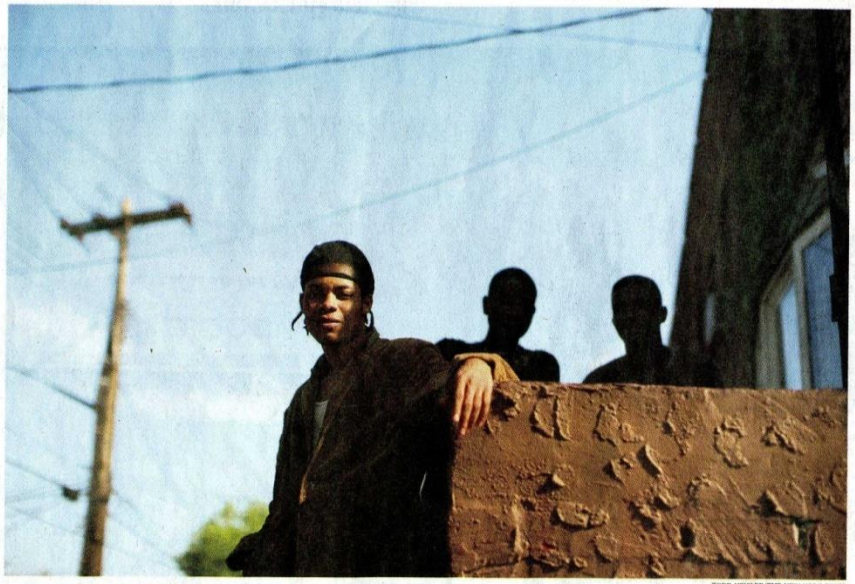
This holds a special poignancy. Just four or five years ago, black homeownership was rising sharply, after decades in which discriminatory lending and zoning practices discouraged many blacks from buying. Now, as damage ripples outward, black families in foreclosure lose savings and credit, neighbors see the value of their homes decline, and renters are evicted.

That pattern plays out across the nation. A study released this week by the Pew Research Center also shows foreclosure taking the heaviest toll on counties that have black and Latino majorities, with the New York region among the badly hit.

On 145th Street in southeast Queens, just south of Linden Boulevard, attached brick homes with tidy, fenced-in gardens stretch into the distance. Children play tag under blooming oaks. But 8 of these roughly 50 homes face foreclosure; 4 are vacant; 2 have plywood boards nailed over punched-out windows.

"My district feels like ground zero," said City Councilman James Sanders Jr., an African-American who represents hundreds of blocks in Queens like this one. "In military terms, we are being pillaged."

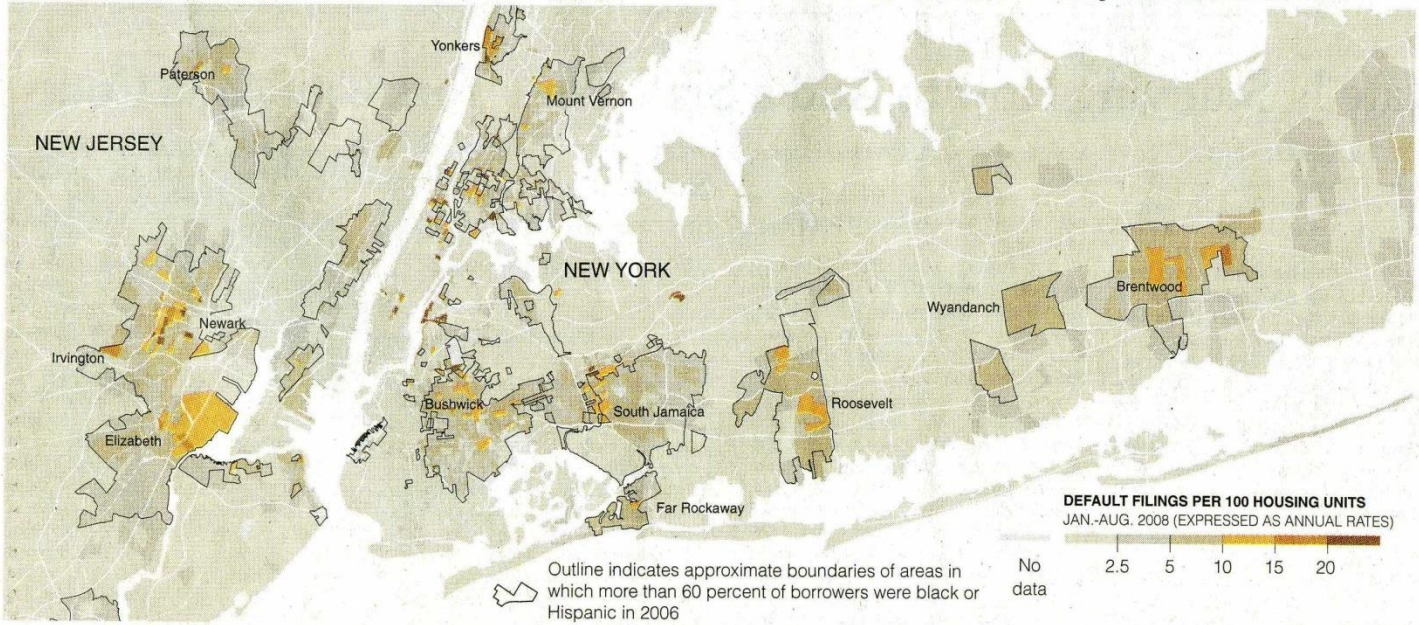
Years ago many banks drew red lines on maps around black neighborhoods and refused to lend; more recently



TODD HEISLER/THE NEW YORK TIMES

Race and Foreclosure

Default filings by lenders are highest in minority areas, where high-cost subprime lending was common before 2007.



Black Middle-Class Areas Feel the Pain

Mostly black middle-income census tracts in the region have higher foreclosure rates than mostly white areas and lower-income, mostly black areas. Tracts at least 75 percent black that had a median borrower income between $100,000 and $150,000, for instance, had a 4.4 percent default rate.

2008 foreclosure rate by tract characteristics

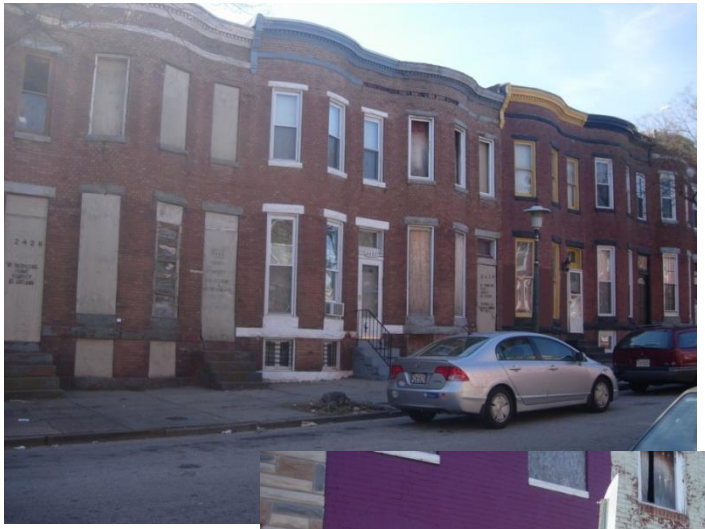
PCT. OF POP. THAT IS BLACK	MEDIAN INCOME OF BORROWERS, 2006				
	Under $50k	$50-75k	$75-100k	**$100-150k**	Over $150k
0-5%	0.3	1.0	0.9	0.6	0.4
5-25	1.1	1.3	1.7	1.2	0.5
25-50	1.0	1.8	2.7	2.4	1.8
50-75	0.8	2.1	3.7	3.5	2.4
75-100	2.0	2.8	3.9	4.4	3.2

Sources: Fed. Financial Inst. Examination Council; Census; Property Shark (www.propertyshark.com); Furman Center for Real Estate and Urban Policy; L.I. Real Estate Report; the Warren Group; American Foreclosures; Western Technologies Group

THE NEW YORK TIMES



Mayor and City Council of Baltimore v. Wells Fargo









City of Memphis and Shelby County v. Wells Fargo







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Baltimore

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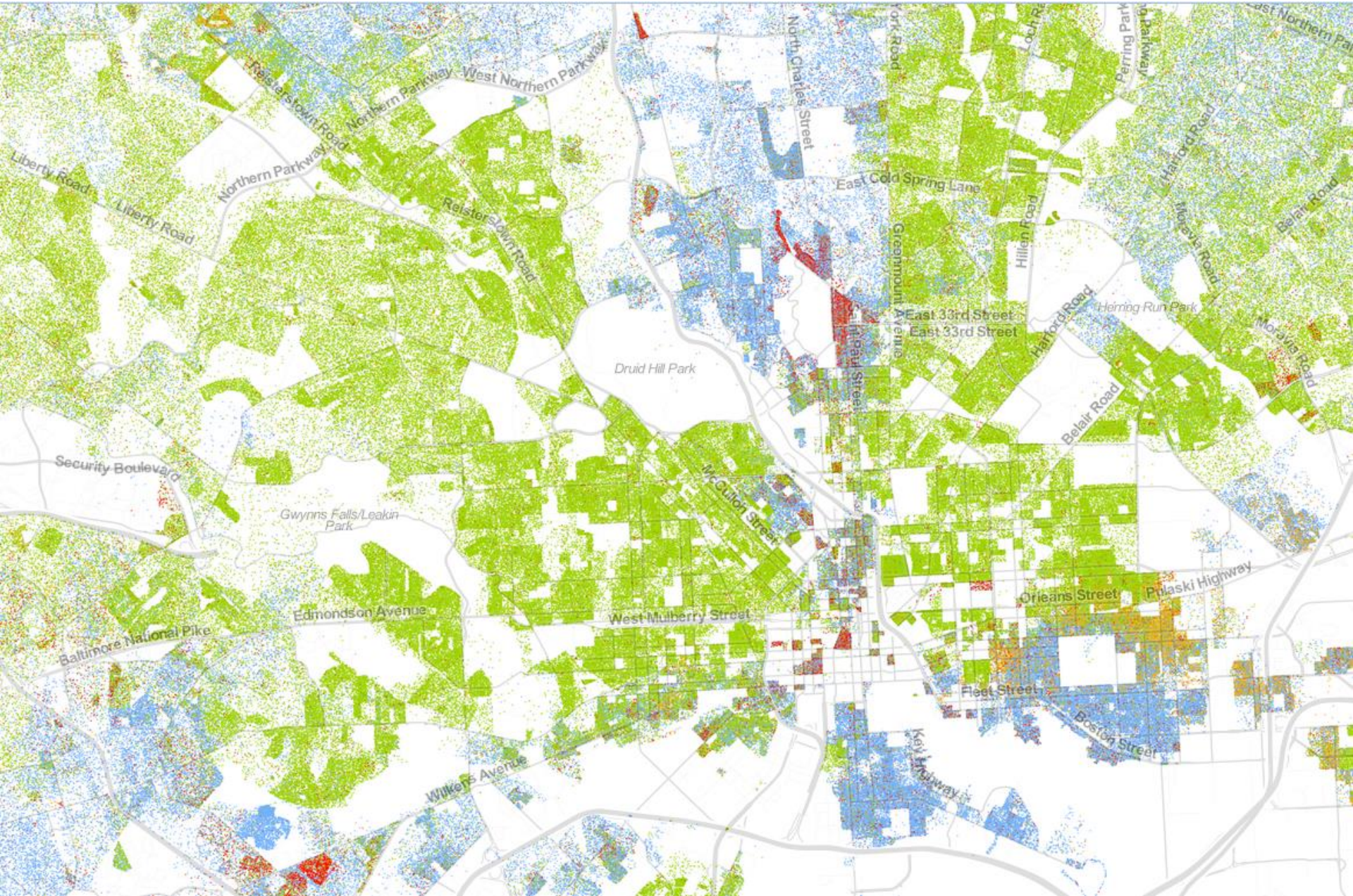
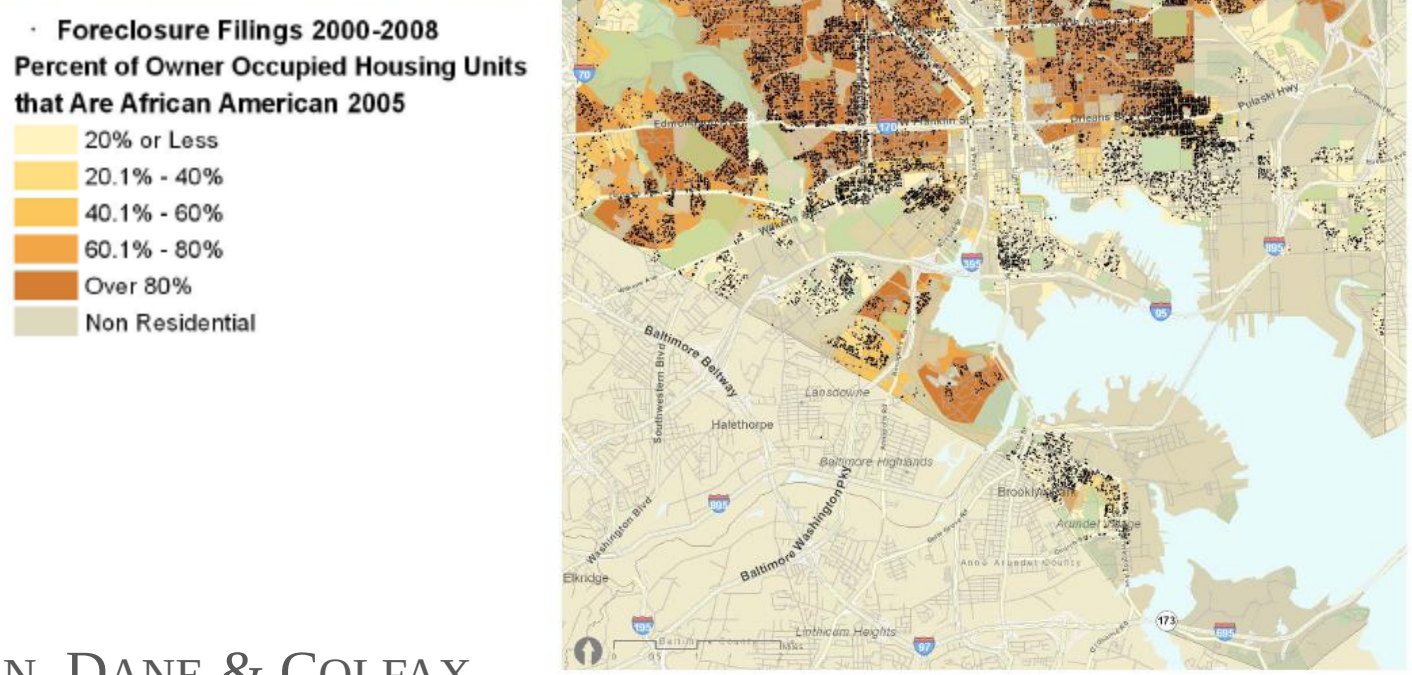




Baltimore: Foreclosure Filings and Race of Homeowners (2000-2008)





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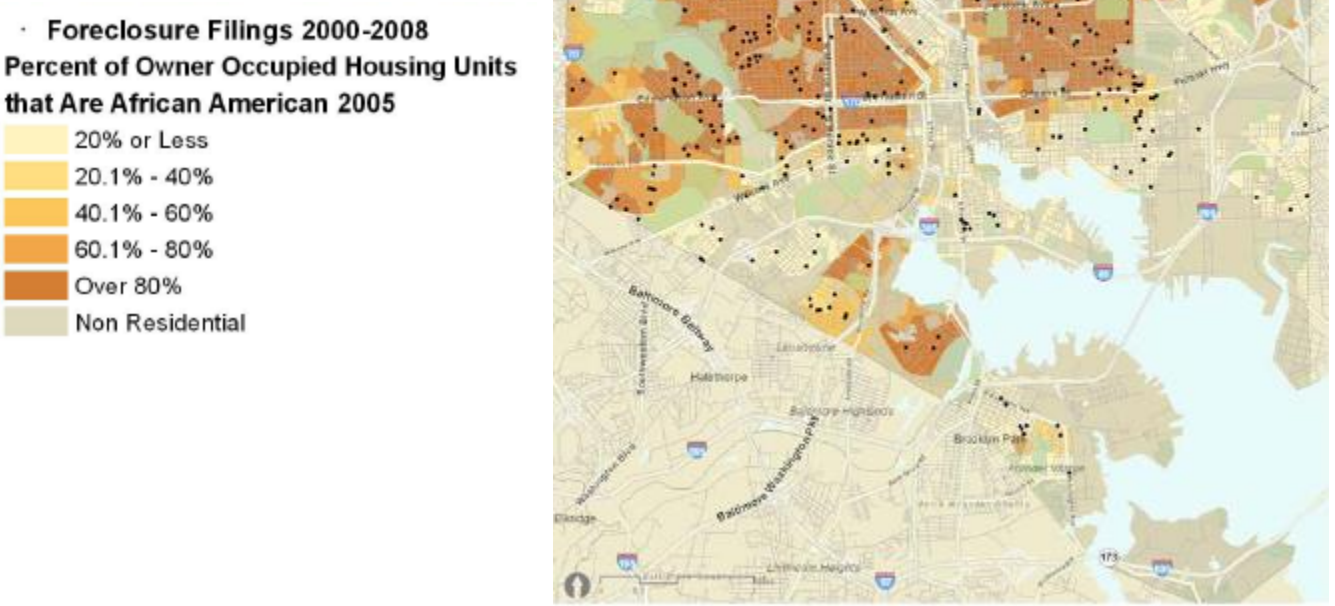

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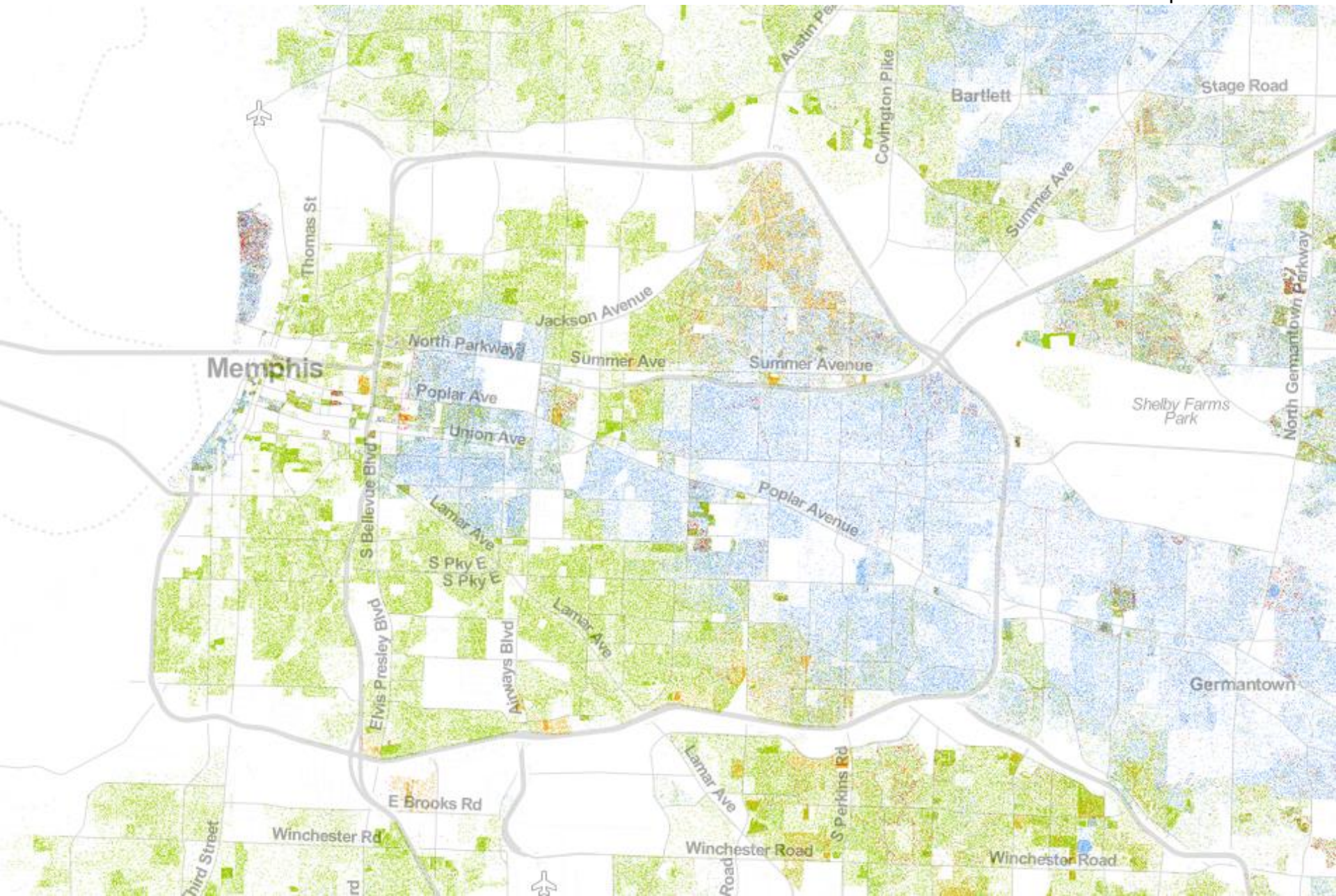



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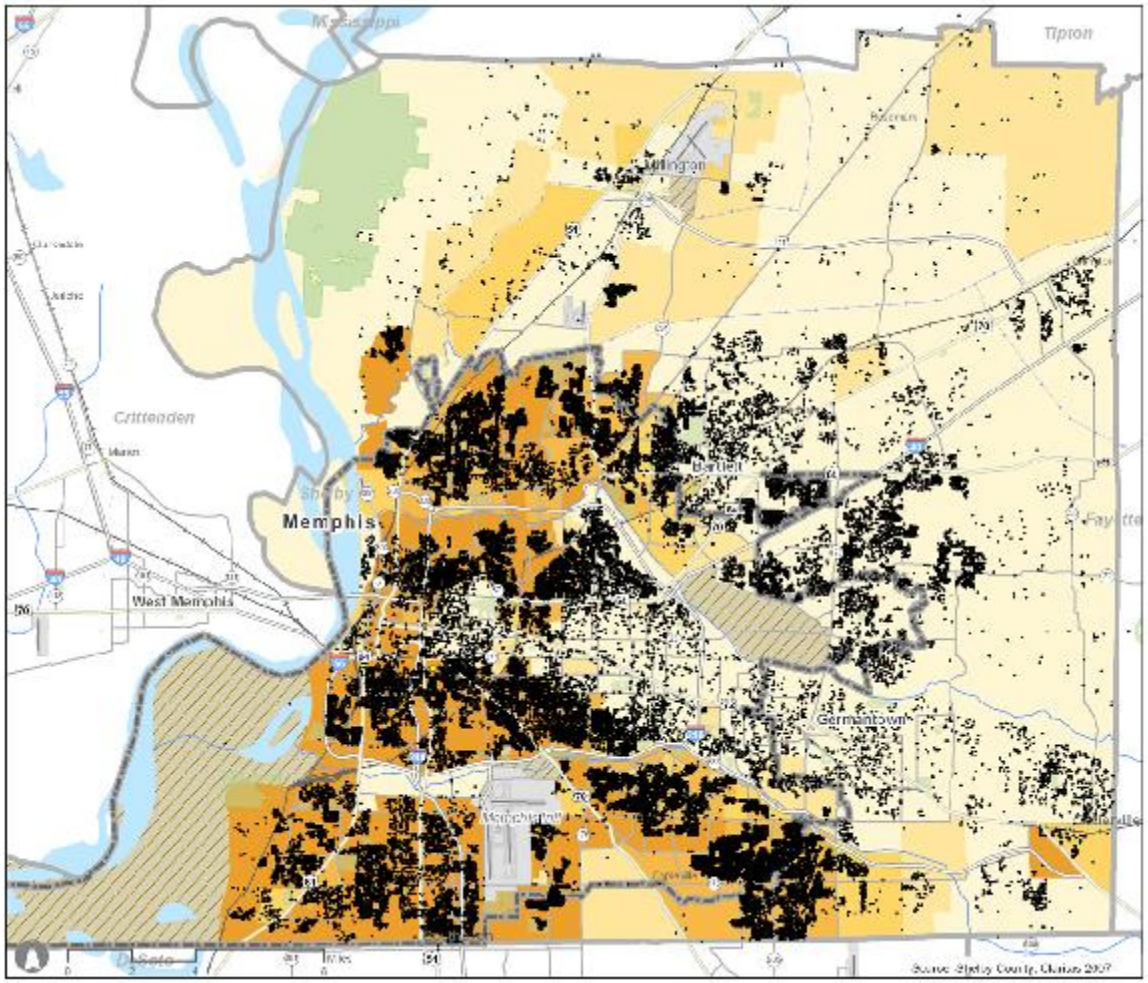


- **Foreclosure Filings 2000-2009**

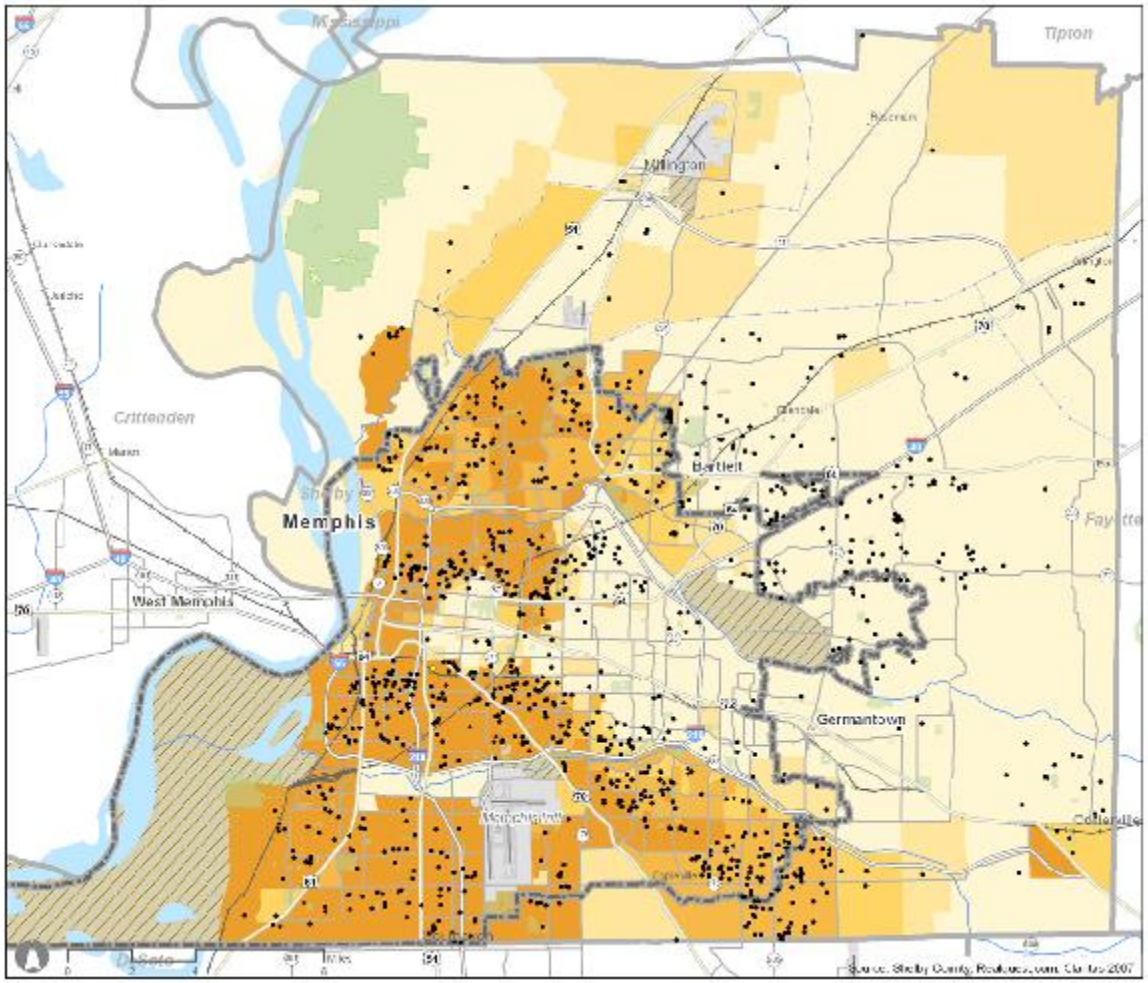
Percent African American Households 2007

Claritas Estimate By Census Block Group

- 20% or Less
- 20.1% - 40%
- 40.1% - 60%
- 60.1% - 80%
- Over 80%
- Insufficient Data



Memphis: Wells Fargo Foreclosure Filings and Race of Homeowners (2000-2009)



- **Wells Fargo Foreclosure Filings 2000-2009**

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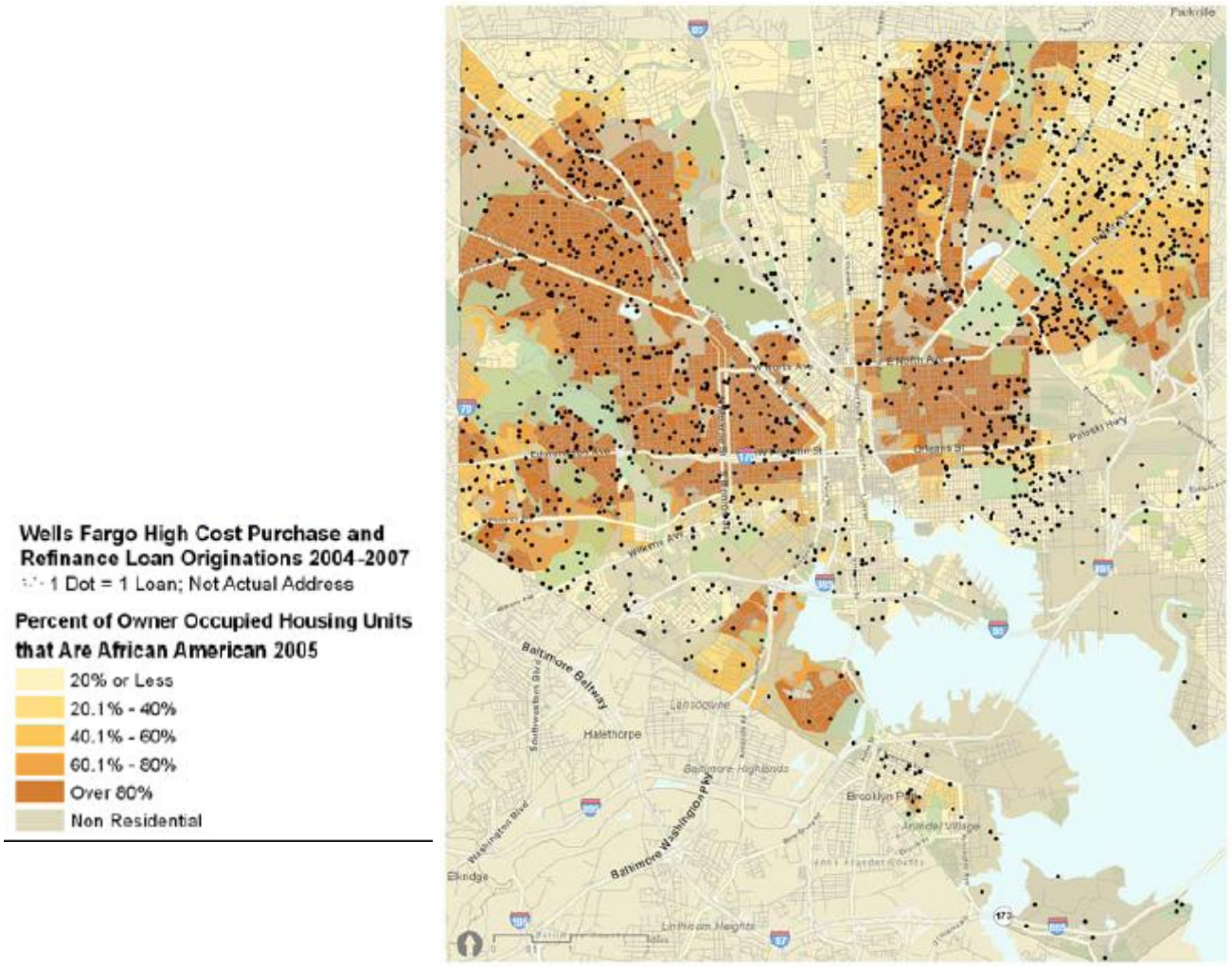
Baltimore: Wells Fargo High Cost Purchase and Refinance Loans (2004-2007)





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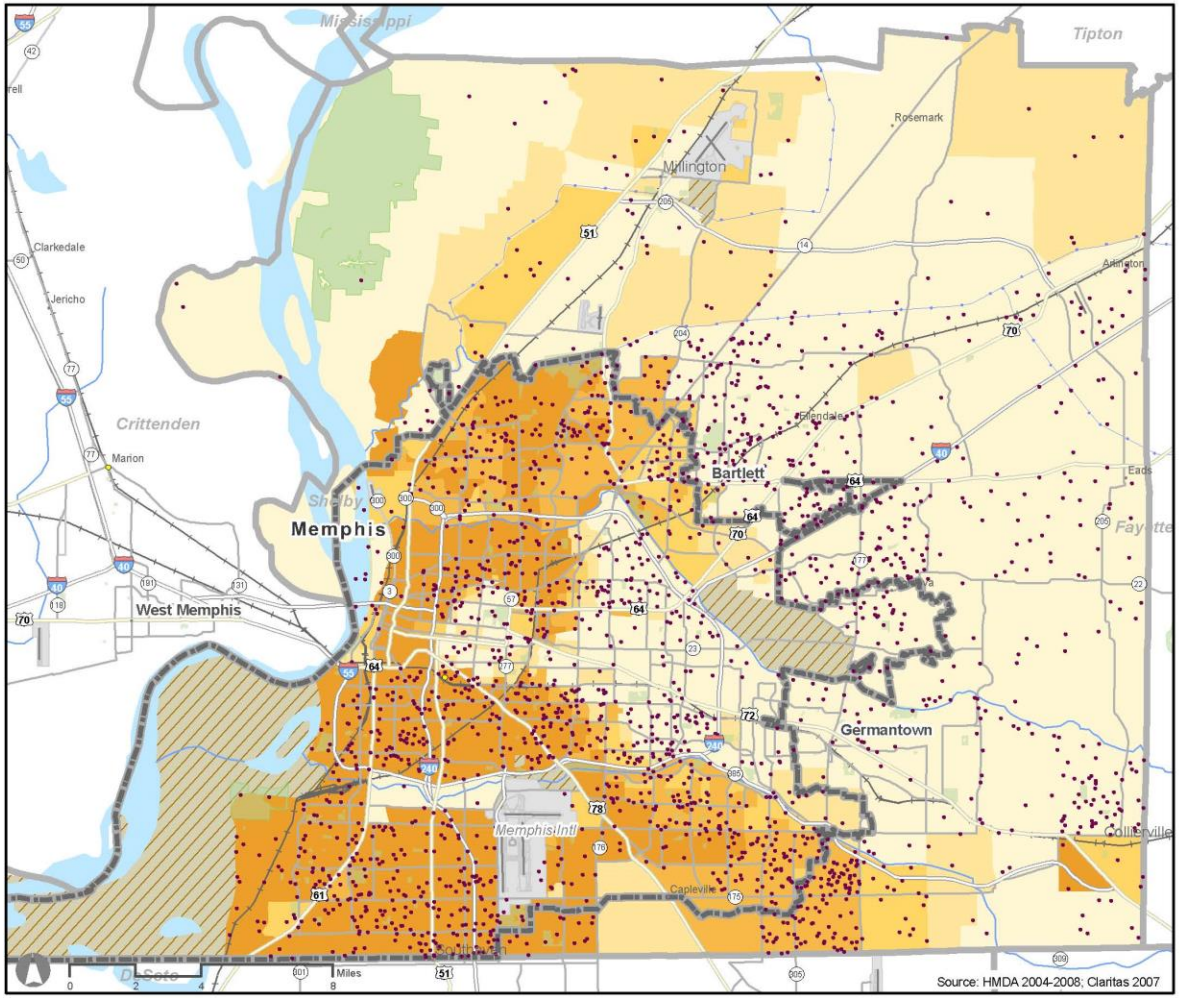

Wells Fargo Loan Originations 2004-2008
High Cost Purchase and Refinance Loans

· 1 Dot = 1 Loan Originated, Not Actual Address

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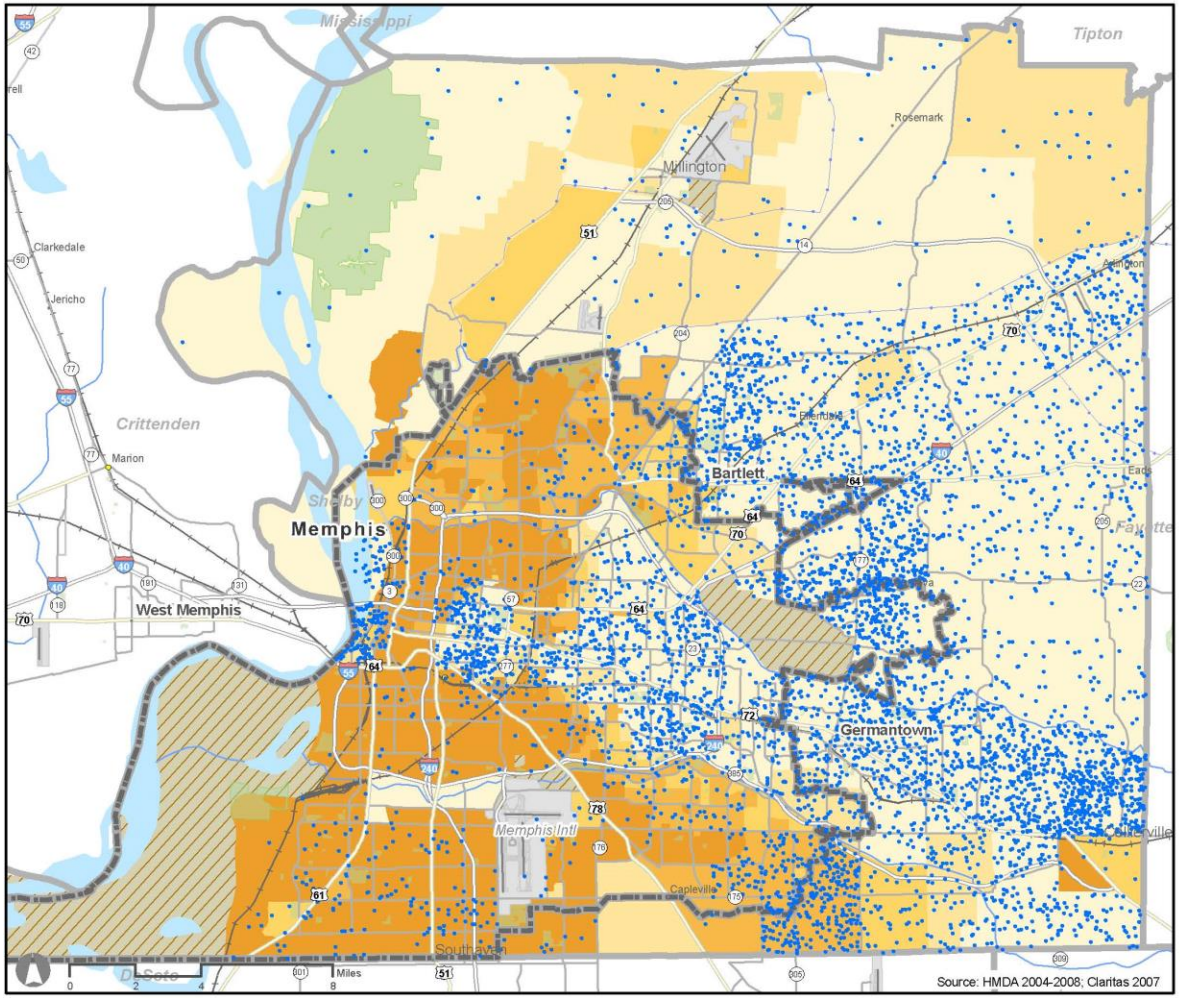

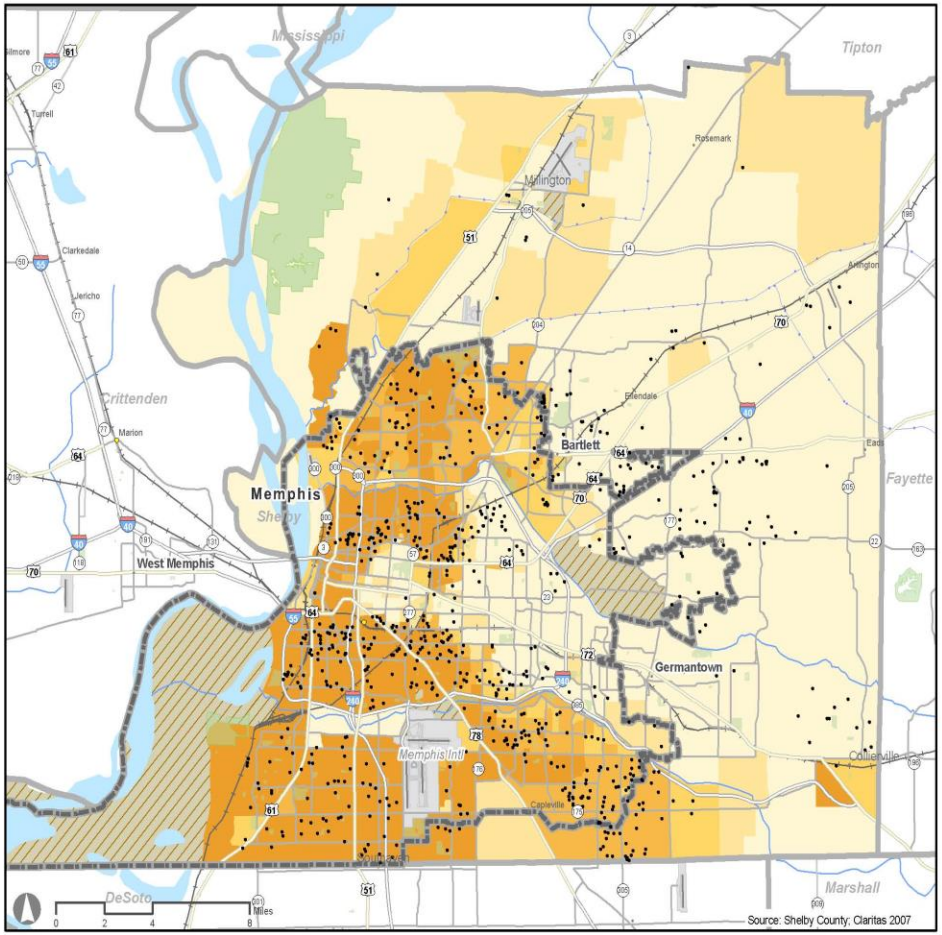

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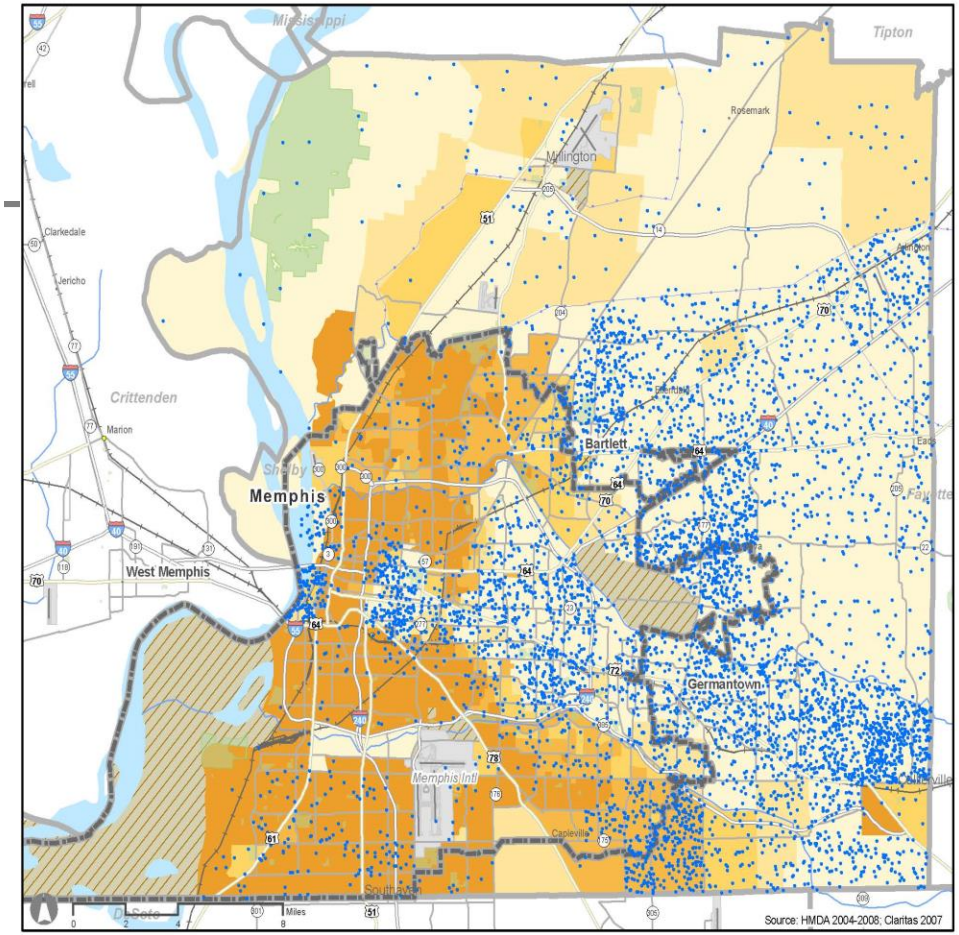

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"All the News That's Fit to Print"

The New York Times

Washington Edition
Today, mostly sunny, highs near 85. Tonight, partly cloudy, mild, lows 65 to 70. Tomorrow, warmer, humid, sun, a shower, highs 85 to 90. Weather map appears on Page A20.

VOL. CLVIII . . No. 54,699 © 2009 The New York Times SUNDAY, JUNE 7, 2009 $6.00

Suit Accuses Wells Fargo of Steering Blacks to Subprime Mortgages in Baltimore

By MICHAEL POWELL

As she describes it, Beth Jacobson and her fellow loan officers at Wells Fargo Bank "rode the stagecoach from hell" for a decade, systematically singling out blacks in Baltimore and suburban Maryland for high-interest subprime mortgages.

These loans, Baltimore officials have claimed in a federal lawsuit against Wells Fargo, tipped hundreds of homeowners into foreclosure and cost the city tens of millions of dollars in taxes and city services.

Wells Fargo, Ms. Jacobson said in an interview, saw the black community as fertile ground for subprime mortgages, as working-class blacks were hungry to be a part of the nation's homeowning mania. Loan officers, she said, pushed customers who could have qualified for prime loans into subprime mortgages. Another loan officer stated in an affidavit filed last week that employees had referred to blacks as "mud people" and to subprime lending as "ghetto loans."

"We just went right after them," said Ms. Jacobson, who is white and said she was once the bank's top-producing subprime loan officer nationally. "Wells Fargo mortgage had an emerging-markets unit that specifically targeted black churches, because it figured church leaders had a lot of influence and could convince congregants to take out subprime loans."

Ms. Jacobson's account and that of the other loan officer who gave an affidavit, Tony Paschal, both of whom have left Wells Fargo, provide the first detailed accusations of deliberate racial steering into subprimes by one of the nation's top banks.

The toll taken by such policies, Baltimore officials argue, is terrible. Data released by the city as part of the suit last week show that more than half the properties subject to foreclosure on a Wells Fargo loan from 2005 to 2008 now stand vacant. And 71 percent of those are in predominantly black neighborhoods.

Judge Benson E. Legg of Federal District Court had asked the city to file the additional paperwork and has not decided whether the lawsuit can go forward.

Wells Fargo officials have declined detailed interviews since Baltimore filed suit in January 2008. In an e-mail statement on Friday, a spokesman said that only 1 percent of the city's 33,000 foreclosures have come on Wells Fargo mortgages.

"We have worked extremely hard to make homeownership possible for more African-American borrowers," wrote Kevin Waetke, a spokesman for Wells Fargo Home Mortgage. "We absolutely do not tolerate team members treating our customers or others disrespectfully or unfairly, or who violate our ethics and lending practices."

City and state officials across the nation have investigated and sometimes sued Wells Fargo over its practices. The Illinois attorney general has investigated whether Wells Fargo Financial violated fair lending and civil rights laws by steering black and Latino homeowners into high-interest loans. New York's attorney general, Andrew M. Cuomo, raised similar questions about the lending practices of Wells Fargo, JPMorgan Chase and Citigroup, among other banks.

The N.A.A.C.P. has filed a class-action lawsuit charging systematic racial discrimination by more than a dozen banks, including Wells Fargo.

At the heart of such charges is reverse redlining, specifically marketing the most expensive and onerous loan products to black customers.

The New York Times, in a recent analysis of mortgage lending in New York City, found that black households making more than $68,000 a year were nearly five times as likely to hold high-interest subprime mortgages as whites of similar or even lower incomes. (The disparity was greater for Wells Fargo borrowers, as 2 percent of whites in that income group hold subprime loans and 16.1 percent of blacks.)

"We've known that African-Americans and Latinos are getting subprime loans while whites of the same credit profile are getting the lower-cost loans," said Eric Halperin, director of the Washington office of the Center for Responsible Lending. "The question has been why, and the gory details of this complaint may provide an answer."

Claims of doctoring loan applications and other practices.

The affidavits of the two loan officers seem to bolster Baltimore's lawsuit. Mr. Paschal, who is black and worked as a loan officer in Wells Fargo's office in Annandale, Va., from 1997 to 2007, offers a sort of primer on Wells Fargo's subprime marketing strategy by race.

In 2001, he states in his affidavit, Wells Fargo created a unit in the mid-Atlantic region to push expensive refinancing loans on black customers, particularly those living in Baltimore, southeast Washington and Prince George's County, Md.

"They referred to subprime loans made in minority communities as ghetto loans and minority customers as 'those people have bad credit', 'those people don't pay their bills' and 'mud people,'" Mr. Paschal said in his affidavit.

He said a bank office in Silver Spring, Md., had an "affinity group marketing" section, which hired blacks to call on African-American churches.

"The company put 'bounties' on minority borrowers," Mr. Paschal said. "By this I mean that loan officers received cash incentives to aggressively market subprime loans in minority communities."

Both loan officers said the bank had given bonuses to loan officers who referred borrowers who should have qualified for a prime loan to the subprime division. Ms. Jacobson said that she made $700,000 one year and that the company flew her and other subprime officers to resorts across the country.

"I used to joke that 'I'll pay for your kids to go to private school if you give me clients,'" Ms. Jacobson said in the interview.

Loan officers employed other methods to steer clients into subprime loans, according to the affidavits. Some officers told the underwriting department that their clients, even those with good credit scores, had not wanted to provide income documentation.

"By doing this, the loan flipped from prime to subprime," Ms. Jacobson said. "But there was no need for that; many of these clients had W2 forms."

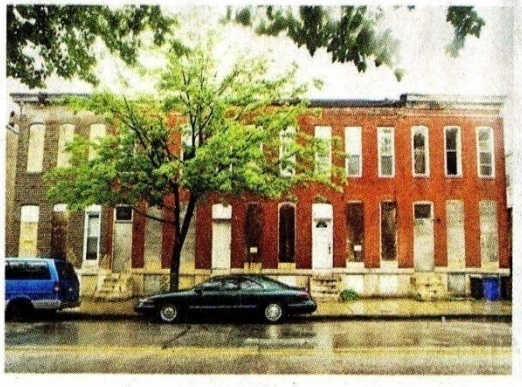
Other times, she said, loan officers cut and pasted credit reports from one applicant onto the application of another customer.

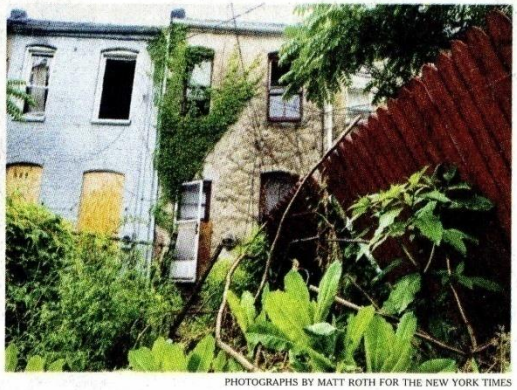
These practices took a great toll on customers. For a homeowner taking out a $165,000 mortgage, a difference of three percentage points in the loan rate — a typical spread between conventional and subprime loans — adds more than $100,000 in interest payments.

The accusations contained in the affidavits, which were given to Relman & Dane, a civil rights law firm working with the City of Baltimore, have not drawn a specific response from Wells Fargo. But city officials say the conclusion is clear.

"They confirm our worst fears: that this is not just a case based on a review of numbers and a statistical analysis," said the city solicitor, George Nilson. "You don't have to scratch your head and wonder if maybe this was just an accident. The behavior is pretty explicit."

Both sides expect to appear in court at a hearing in the case in late June.





PHOTOGRAPHS BY MATT ROTH FOR THE NEW YORK TIMES

Foreclosed homes on Barclay Street in Baltimore, left, and another on North Brice Street, which shares a downed fence with a house still lived in. The city is suing Wells Fargo Bank over its mortgage lending practices in black neighborhoods.

Janet Roberts contributed reporting.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
BALTIMORE DIVISION

MAYOR AND CITY COUNCIL OF BALTIMORE, Plaintiff, v. WELLS FARGO BANK, N.A. and WELLS FARGO FINANCIAL LEASING, INC., Defendants.	)	No. 1:08-cv-00062-BEL

DECLARATION OF ELIZABETH M. JACOBSON

1. I, Elizabeth M. Jacobson, hereby attest that I am over the age of eighteen and I am competent to testify with respect to the matter below.

2. In 1998, I was hired by Wells Fargo Home Mortgage as a "Home Mortgage Consultant" or loan officer. I worked for Wells Fargo Home Mortgage ("Wells Fargo") until December, 2007. After a period of time, I was promoted to Sales Manager.

3. For much of the time that I worked for Wells Fargo my office was located in Federalsburg, Maryland. I worked directly with loan applicants to make subprime loans. The geographic area that I covered was known as Region 12. This area included Northern Virginia, Baltimore, and Prince George's County, among other places. Much of my business came from referrals from Wells Fargo loan officers who were on the prime

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
BALTIMORE DIVISION

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1. I, Tony Paschal, hereby attest that I am over the age of 18 years and that I am competent to testify with respect to the matter below.

2. Between September, 1997 and September, 2007, during two separate periods of employment and for a total of eight years, I worked as a home mortgage consultant, or loan officer, in the Annandale, Virginia office of Wells Fargo Home Mortgage ("Wells Fargo").

3. My first period of employment with Wells Fargo was from September, 1997 to June, 1999. I was initially hired by Norwest Mortgage which merged with Wells Fargo in the middle of 1998. As a loan officer in Wells Fargo's Sales and Marketing section, my duties included contacting existing Wells Fargo borrowers in forty-eight (48) states to solicit them to refinance their home mortgage loan. Other Wells Fargo loan



Declarations Reveal Targeting

- African-American zip codes
- African-American churches
- Assigned employees based on race
- Marketing group expressly created based on race to target African-American neighborhoods
- "Mud people"; "Ghetto loans"; "N-word"; "Subprime capitol"; "those people have bad credit"; "don't pay their bills"
- Marketing software with designation for African American "language"

Item Search Criteria

Search for Items

Standard Search (* You must at least select a Type of Item or enter a Subject)

* What Type Of Item Are You Looking For?	Fast Flyer
* What Subject Are You Looking For?	
Personalized	Yes, Personalized
Strategy	Special Programs
Language	African American
Item Size	--Select One--
Item Color	--Select One--
Audience	--Select One--
Product / Program / Feature	--Select One--
High Trust Sales and Marketing	--Select One--
SALE ITEMS	--Select One--

Search

Sea... Item Size

Here ... you find t...

> For the fas... number, ... Quick Sear...

> For best results using Standard Search minimum, select a Type of Item AND a St such as "FAST Flyer - Consumer" and "F Homebuyer".

> For more targeted results, also include search criteria as appropriate, such as st language, etc. At a minimum, you must s either a Type of Item or enter a Subject.

Strategy — Special Programs

Language — African American

Item Size — --Select One--

Quick Search (Use This When You Know the Item ID)

Item ID (do not include NMFL#, etc.)

Search

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Custom Requests/Reviews

http://easyorder.wellsfargo.com/UI/ItemSearchCriteria.asp 1/17/2006



Steering

- Prime borrowers put in costly subprime loans
- Financial incentives
- Employees had substantial discretion
- Employees reprimanded for failing to steer
- Paschal and Jacobson saw files
- With access to loan files, Jacobson could identify African-American borrowers improperly steered



Methods of Steering

- "Stated income" loans given to those with documentation
- Told borrowers not to make down payment
- Told borrowers to cash-out home equity
- Falsified loan applications
- Told customers loan rates "locked"
- Did not mention lower cost products
- Lied about prepayment penalties
- Qualified borrowers based on "teaser rate"
- "Filters" evaded
- Senior managers knew



Foreclosures Causing Loss of Equity in Communities of Color

- From 2000 to 2008, foreclosures stripped between $164 billion and $213 billion of equity from communities of color[1]

- Between 2009 and 2012, the crisis will strip $194 billion of equity from African-American communities and $177 billion from Latino communities[2]

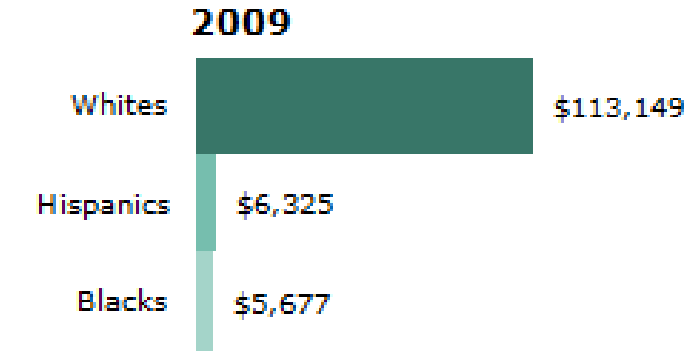
[1] Rivera, et al. (2008)
[2] Center for Responsible Lending (2010)



Wealth Gaps Rise to Record Highs Between Whites, Blacks, and Hispanics

Median Net Worth of Households, 2005 and 2009

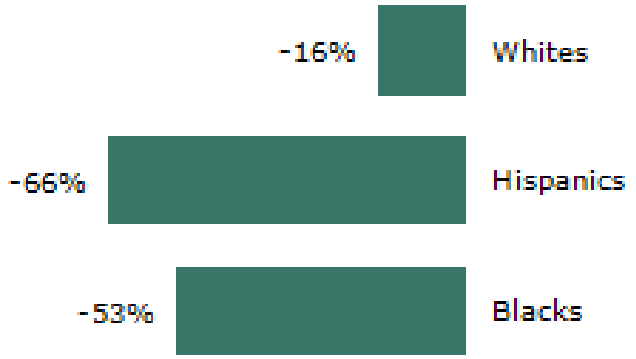
in 2009 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

PEW RESEARCH CENTER

Percentage Change in Median Net Worth of Households, 2005 to 2009



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

PEW RESEARCH CENTER



Foreclosures Result in Re-segregation

Article

The Impact of Residential Mortgage Foreclosure on Neighborhood Change and Succession

Journal of Planning Education and Research
30(1) 22–39
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DOI: 10.1177/0739456X10375305
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SAGE

Yanmei Li[1] and Hazel A. Morrow-Jones[2]

Abstract

Many factors contribute to neighborhood change and succession, one being residential mortgage foreclosures. Limited attention has been paid to how residential mortgage foreclosures in a neighborhood are related to households' socioeconomic status and mobility decisions and, thus, lead to overall neighborhood change. We use sheriff's foreclosure sales data in Cuyahoga County between 1983 and 1989 to predict changes in neighborhood indicators from 1990 to 2000, controlling for various neighborhood and census place indicators and their changes. Results suggest that higher foreclosure rates are positively related to changes in percentage black population, female headship rate, median household income, and unemployment rate. We thus conclude that foreclosures speed up the housing filtering process, and racial and economic turnover of residents. Our results will enable planners and policy makers to understand the transitional process of these neighborhoods so that they can be stabilized in the years following concentrated foreclosures.

Keywords

foreclosure, neighborhood change, housing policy, seemingly unrelated regression (SUR), neighborhood stabilization

As a result of policy incentives and innovative financial products promoting homeownership in the United States, millions have pursued and achieved the American dream of owning a home. In 1900 the homeownership rate was 46.5 percent, and in 2006 the rate had increased to 68.8 percent (U.S. Census Bureau 2008). Although there are geographical, racial, and ethnic disparities, the achievements in homeownership rates are very impressive.

But since the 1980s the rate of mortgage foreclosures has climbed and become higher than rates in any of proceeding fifty years (Elmer and Seelig 1998). The percentage of foreclosure starts for all mortgages jumped from 0.26 percent in 1986 to 0.65 percent in the second quarter of 2007 (U.S. Department of Housing and Urban Development [HUD] 2007). Alarmingly, many of the mortgage foreclosures are related to subprime loans that were generated in the late 1990s. In 1998, the total past-due rate of all mortgage loans was 4.74 percent, but the rate was 10.87 percent for subprime loans. By 2006, the rates had changed to 5.12 and 14.82 percent, respectively. The

Foreclosures have profound impacts on homeowners, lenders, real estate investors, neighborhoods, and the overall local economy and, thus, call for comprehensive policy initiatives to stabilize neighborhoods and alleviate negative impacts of foreclosures (Kingsley, Smith, and Price 2009; Immergluck 2009a, 2009b; Mallach 2008, 2009). There has been some academic research exploring the impact of foreclosures (Baxter and Lauria 2000; Immergluck and Smith 2006a, 2006b; Lin, Rosenblatt, and Yao 2009; Schuetz, Been, and Ellen 2008), but little has focused on how foreclosures relate to neighborhood change.

According to previous research the impact of mortgage foreclosure on the neighborhoods in which foreclosed properties are located is very significant (Harding, Rosenblatt, and Yao 2009; Immergluck and Smith 2006a, 2006b; Lauria 1998; Lauria and Baxter 1999; Baxter and Lauria 2000; Lin, Rosenblatt, and Yao 2009; Schuetz, Been, and Ellen 2008). Baxter and Lauria (2000) found important impacts of foreclosures on racial transition, property value change, and the general

- Explores relationship between foreclosure rates and neighborhood change indicators, including black population size, in Cuyahoga County, Ohio, 1990 to 2000
- Higher foreclosure rates linked to increase in black population size
- Foreclosures found to "speed up the housing filtering process" ("in-movement" of lower-income households)



Re-segregation and Foreclosures

- Concentrated foreclosures in communities of color:
  - Create barriers to mobility
  - Discourage new business investment
  - Accelerate flight of higher-income families



Effects of Segregation

- Negative effects on education
  - Drop-out rates, test scores, teacher quality, literacy, college education rates
- Negative effects on health
  - Access to health care, mortality and infant mortality rates, disease, mental health, addiction, teen pregnancy
- Other negative effects
  - Access to employment opportunities/earnings, incarceration rates (juvenile and adult), aggressive behavior in children, voter participation

Source: Urban Institute (2009)



Costs to Municipalities are Recorded and Quantifiable

- Vacancies require City to
  - Board property
  - Clean
  - Stabilize
  - Clear debris
  - Repair water damage
  - Potentially demolish property
- Police Department calls
- Fire Department calls
- City has calculated costs for each activity; records in database
- Costs of responding to code violations and police and fire calls at each vacant property capable of <u>precise measurement</u>



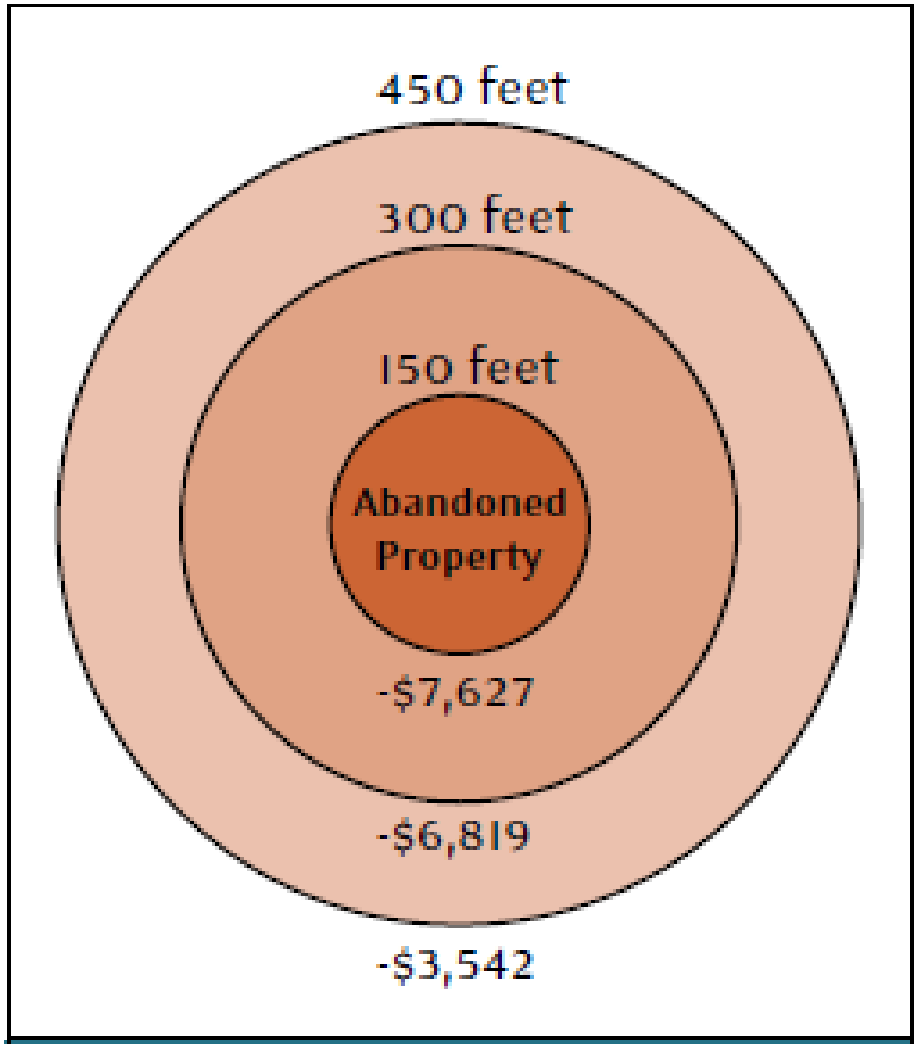
3622 Edmonson, Baltimore

- Boarded 5 times
- Cleaned 11 times
- Total spent on boarding and cleaning since June 2006: $2626.13









Temple University Center for Public Policy & Eastern Pennsylvania Organizing Project. "Blight Free Philadelphia: A Public Private Strategy to Create and Enhance Neighborhood Value." Philadelphia, 2001.

Source: National Vacant Properties Campaign (2005)

CELEBRATING 175 YEARS

THE BALTIMORE SUN

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Wells Fargo settles bias suit for $175M

City of Baltimore to get $7.5 million, 1,000 area residents $2.5 million

By Luke Broadwater
The Baltimore Sun

About 1,000 Baltimore-area residents are expected to receive thousands of dollars each under a landmark $175 million settlement between the U.S. Department of Justice and Wells Fargo over accusations of discriminatory lending practices.

Under the terms of the deal announced Thursday, Wells Fargo also will provide $7.5 million to the city of Baltimore, which federal officials credited with first raising issues of discrimination related to the bank's subprime mortgages.

The city alleged that Wells Fargo steered minorities into subprime loans, gave them less favorable rates than white borrowers and foreclosed on hundreds of Baltimore homes, creating blight and higher public safety costs. Wells Fargo is the largest residential home mortgage originator in the United States.

"Baltimore got the ball rolling," said Assistant Attorney General Thomas E. Perez, who heads the Department of Justice's civil rights division. "The federal government heard you and the federal government followed up."

The deal is the second-largest fair-lending settlement in the department's history, said Perez, a former Maryland labor secretary.

The settlement provides $125 million in payments to borrowers nationwide, in-

See WELLS FARGO, page 11



Highlights of settlement

- $125 million in payments to borrowers nationwide, of which $2.5 million is expected to go to Baltimore-area residents
- $50 million for help toward down payments to encourage home-buying, including $4.5 million for Baltimore
- $425 million in mortgage-lending in the city as part of a five-year goal
- $3 million to Baltimore for other foreclosure-related initiatives
- Washington, D.C., Chicago, Philadelphia and other cities share in the $175 million settlement



Report faults PSU leaders in abuse

Penn State's culture protected Sandusky, failed victims, investigators say

By Devon Lash, Peter Hall and Tim Darragh
Tribune Newspapers

In a scathing report released Thursday, a special investigation pins much of the blame for the Jerry Sandusky sex abuse scandal on the do-nothing attitude of four top Penn State administrators, including

Expenses misfiled, says Gray treasurer

Dispute over $100,000 highlights extent of legal problems

By Nikita Stewart

Mayor Vincent C. Gray's 2010 campaign inaccurately documented at least $100,000 in expenses in records filed with the D.C. Office of Campaign Finance, according to campaign treasurer Betty R. Brown.

In her first public comments since federal authorities launched an investigation into Gray's campaign, Brown said a majority of the amount had been reported as one-time "polling/mailing list" payments to her but was actually doled out in cash payments to campaign field workers.

"The [ward] coordinators actually paid the money out to the workers," Brown said.

Her comments underscore the extent of the legal troubles concerning Gray's official mayoral effort, including guilty pleas from three associates in a federal probe of the campaign. Brown's allegations show a cash-fueled effort to get out the vote for Gray (D) but one that can't easily be deciphered in records filed with campaign finance officials.

According to the U.S. Attorney's Office, more than $653,000 was secretly poured into a separate "shadow campaign" whose spending was never reported. The campaign finance office has expanded an audit of the campaign to review the unreported

MAYOR CONTINUED ON A15

Lowering his profile
Fundraiser Jeffrey E. Thompson has sold assets and kept to himself since being implicated in the probe. A14

Clouded term: Questions about hiring and campaign finances have swirled since Gray took office. A15



HARAZ N. GHANBARI/ASSOCIATED PRESS

homas E. Perez from the Justice
, comptroller of the currency.

Street firms developed a huge demand for subprime loans that they purchased and bundled into securities for sale to investors, creating financial incentives for lenders to make such loans. In early 2010, the Obama administration set up a unit in the civil rights division to focus on lending bias amid the fallout from the wave of foreclosures that had set off the financial crisis.

In December, the division settled a similar lawsuit with Bank of America for $335 million over loan discrimination by its Countrywide Financial unit. In May, SunTrust Mortgage agreed to pay $21 million in a similar case.

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Baltimore v. Wells Fargo Settlement

Wells Fargo agrees to pay $175M in bias settlement

WELLS FARGO, *From page 1*

cluding an estimated $2.5 million in the Baltimore area. Minority borrowers who were steered into subprime mortgages will receive an average payment of $15,000 each, Perez said. Blacks and Hispanics who paid higher fees and rates than white borrowers because of their race or national origin will receive smaller payments that will be determined based on what they were charged.

As part of the agreement, Wells Fargo will pay for an independent administrator to find and compensate more than 30,000 residents nationwide affected by the bank's lending practices. (Residents who believe they qualify can email wellsfargo.settlement@usdoj.gov.)

To address concerns about blight, Wells Fargo also will provide $50 million in direct down-payment assistance to borrowers in Baltimore and seven other communities nationwide that were hit hard by the housing crisis and where federal officials identified large numbers of discrimination victims.

"This practice caused harm to families, neighborhoods and the city's tax base," Mayor Stephanie Rawlings-Blake said. "The agreement puts to rest our legal challenges and allows us to move forward collaboratively and work on growing the city."

Mike Heid, president of Wells Fargo Home Mortgage, said in a statement that his company was "settling this matter ... to avoid a long and costly legal fight, and to instead devote our resources to continuing to contribute to the country's housing recovery."

The bank said it stopped making subprime loans through independent mortgage brokers in 2007 and stopped all subprime home lending in 2008.

Though the bank agreed to settle the suit, Wells Fargo spokesman Oscar Suris said it still rejects claims that it engaged in

smile," Perez said.

At a news conference at City Hall, he told a story about an "80-year-old African-American resident of the Baltimore area with a 714 credit score and a rock-solid credit file who received a subprime loan instead of a prime loan, and who was not told that she may have qualified for a prime loan with better terms."

"By the time she realized she had an adjustable-rate mortgage, and not the fixed rate she thought, it was too late," Perez said. "The damage was done."

U.S. Sen. Ben Cardin and Rep. Elijah E. Cummings released statements hailing the settlement.

Wells Fargo said it agreed to pay $4.5 million to Baltimore for down-payment assistance, and will grant the city $3 million in additional funds for foreclosure-related initiatives.

"It all started here in Baltimore City. The lawsuit filed by Baltimore City in 2008 was the catalytic force, plain and simple."

Assistant Attorney General Thomas E. Perez

Wells Fargo also set a five-year goal of lending $425 million for mortgages in Baltimore, an amount city officials called an increase over current lending levels. This commitment includes $125 million in loans for low- and moderate-income residents.

City Solicitor George Nilson said Baltimore will receive the $3 million payment next month, but officials have not yet determined how to use it. Officials said the $4.5 million will be administered by a not-yet-selected nonprofit. They said the program will be launched in late 2012 or 2013.

"This will greatly assist those looking to

ers who were victims of discrimination, the federal government said.

Perez, a former Montgomery County councilman, said he believed some Baltimore residents would qualify for payments under this review as well.

Baltimore first filed suit against the bank in 2008 but was forced to refile three times after Wells Fargo won a series of court victories. The fourth version of the city's lawsuit was filed in 2010 and identified more than 250 properties as blighted houses that fell into disrepair because of unnecessary foreclosures that resulted from dishonest loans. At the time, Nilson said the value of damages sought by the city would approach $20 million.

Under the terms of the deal, Baltimore's suit against Wells Fargo will be dismissed.

Perez said the settlement of the federal suit, which also includes payouts to Washington, Chicago, Philadelphia, San Francisco, New York, Cleveland and Riverside, Calif. —all hit hard by the foreclosure crisis — recognizes that foreclosures hurt communities as well as individuals.

"It all started here in Baltimore City," Perez said. "The lawsuit filed by Baltimore City in 2008 was the catalytic force, plain and simple. When you filed this lawsuit to call attention to the devastating consequences of this crisis, you got the attention of the federal government and you got the attention of the nation."

luke.broadwater@baltsun.com
twitter.com/lukebroadwater

- $4.5 million in direct down payment assistance to qualifying Baltimore homebuyers
- $3 million for Baltimore to use for priority housing and foreclosure-related initiatives
- $425 million in prime mortgage loans in Baltimore over the next 5 years, $125 million of which will be in low and moderate income neighborhoods
- Additional downpayment assistance from $50 million DOJ fund
- More than 1,000 Baltimore borrowers will receive direct payments from $125 million fund

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City of Richmond, CA: Using Eminent Domain to Help Underwater Borrowers



The Plan

- Underwater borrowers have no incentive to stay in home
- Principal write down is only solution
- Investors hamstrung by trusts
- Local solution: seize loan for fair market value
- Partner with private investors
- Re-finance on TBA market
- Borrower stays in home with chance to build equity



Fair Housing Issue

- Industry opposed on ideological grounds
- Threatens retaliation against participating cities
- New version of old-style redlining
- Disparate impact with no business justification



Coming Full Circle

- Lending practices that hurt cities like Richmond, CA and Baltimore through reverse redlining have now shifted to practices that hurt these same cities by denying access to good credit (redlining)
- Focus going forward: lack of good credit for communities of color and underserved neighborhoods

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City of Providence v. Santander Bank, N.A.



City of Providence v. Santander Bank, N.A.



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Santander Bank responds to Providence's intent to file suit, claiming bias against minority neighborhoods

Published: May 29, 2014 05:25 PM Comments 11

The Providence Journal / Bob Thayer

John Relman, center, of Relman, Dane & Colfax, the law firm retained by the city, points out areas of Providence that were allegedly redlined by Santander Bank at a press conference May 29.

Behind Relman, at left, is Mayor Angel Taveras. At right, Jeffrey M. Padwa, city solicitor.

- City of Providence files federal lawsuit against Santander Bank, alleging that Santander discriminated against Providence's minority neighborhood by refusing to make prime mortgage loans in minority neighborhoods, a practice commonly known as redlining
- Since 2009, Santander has deliberately reduced its lending in minority neighborhood while actively expanding its business in predominantly white neighborhoods
- Santander has not only violated fair lending laws, but is causing tangible harm to the city as a whole and the underserved communities



The New York Times

Santander Bank to Face Suit Claiming Bias in Mortgages

By SHAILA DEWAN MAY 28, 2014

As the housing bubble expanded in the early 2000s, mortgage lenders swung the other way, raising concerns that some banks are shutting out blacks and Hispanics in favor of white homeowners.

blacks and Hispanics in favor of white homeowners.

On Thursday, the city of Providence plans to file suit against Santander Bank, claiming that the bank has deliberately bowed out of

revives concerns about "redlining," or the refusal to lend in certain areas,

market crashed.

"The attitude is, if we can't do subprime loans, predatory loans in the black community, we won't do any loans at all," said John P. Relman, the lead lawyer on the case. "For us it is a civil rights issue."

A spokeswoman for Santander said the bank, formerly known as Sovereign Bank, had no comment on the lawsuit.

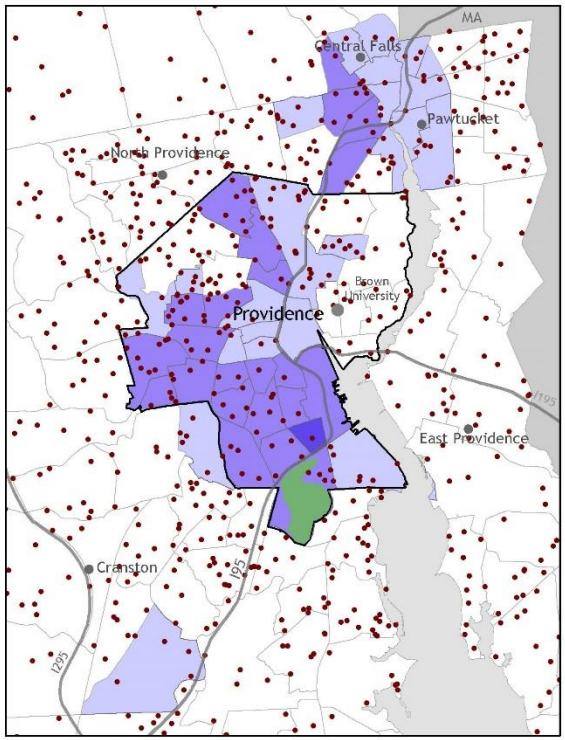
Blacks and Hispanics were harder hit by the foreclosure crisis and the recession than whites, so to some degree it is understandable that lenders would be seeing fewer minority borrowers now than they once did.

But the lawsuit asserts that after Sovereign was bought by Banco

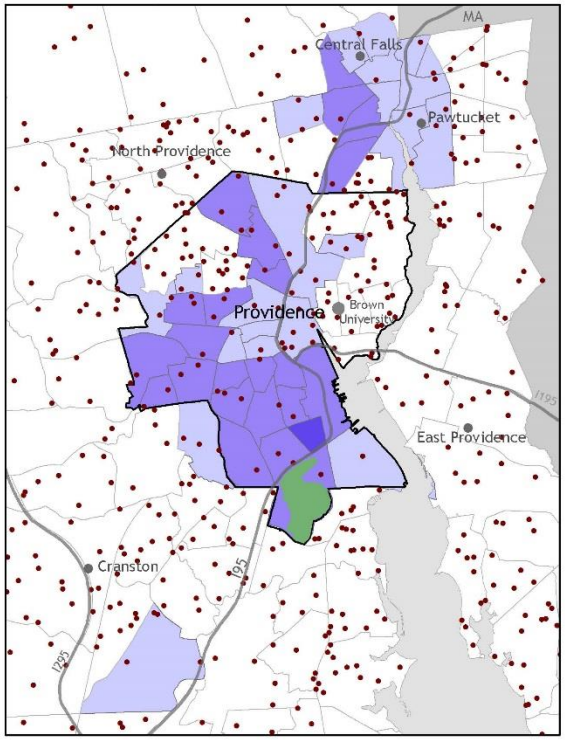


Santander: Lending in Providence

2006-2007



2009-2012



Loan Originations: Santander*
Providence, RI

*Loan points represent the average number of loans made per tract per year.

Data Source: 2010 US Census, FFEIC HMDA Database, Rhode Island Geographic Information Systems

Percent Minority

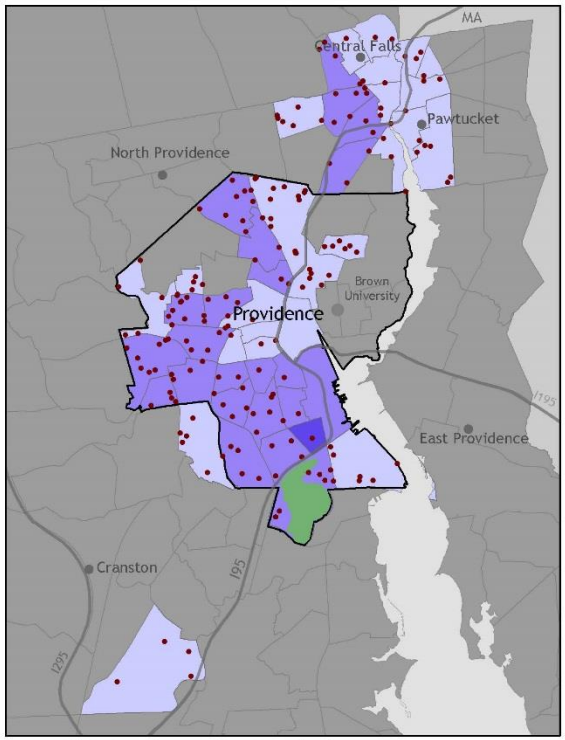
- < 30%
- 30 - 49.99%
- 50 - 79.99%
- > 80%

- Loan Originations
- Roger Williams Park

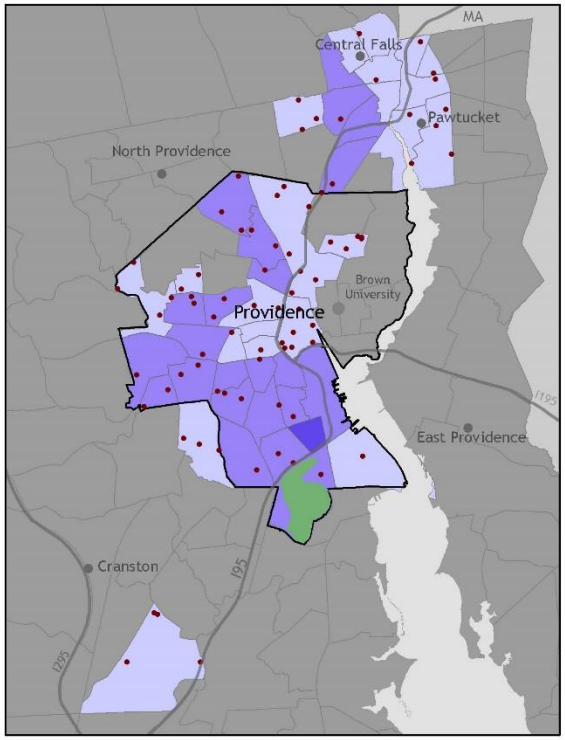


Lending in Majority-Minority Communities

2006-2007



2009-2012



Loan Originations: Santander*
Providence, RI

*Loan points represent the average number of loans made per tract per year.

Data Source: 2010 US Census, FFEIC HMDA Database, Rhode Island Geographic Information Systems

Percent Minority

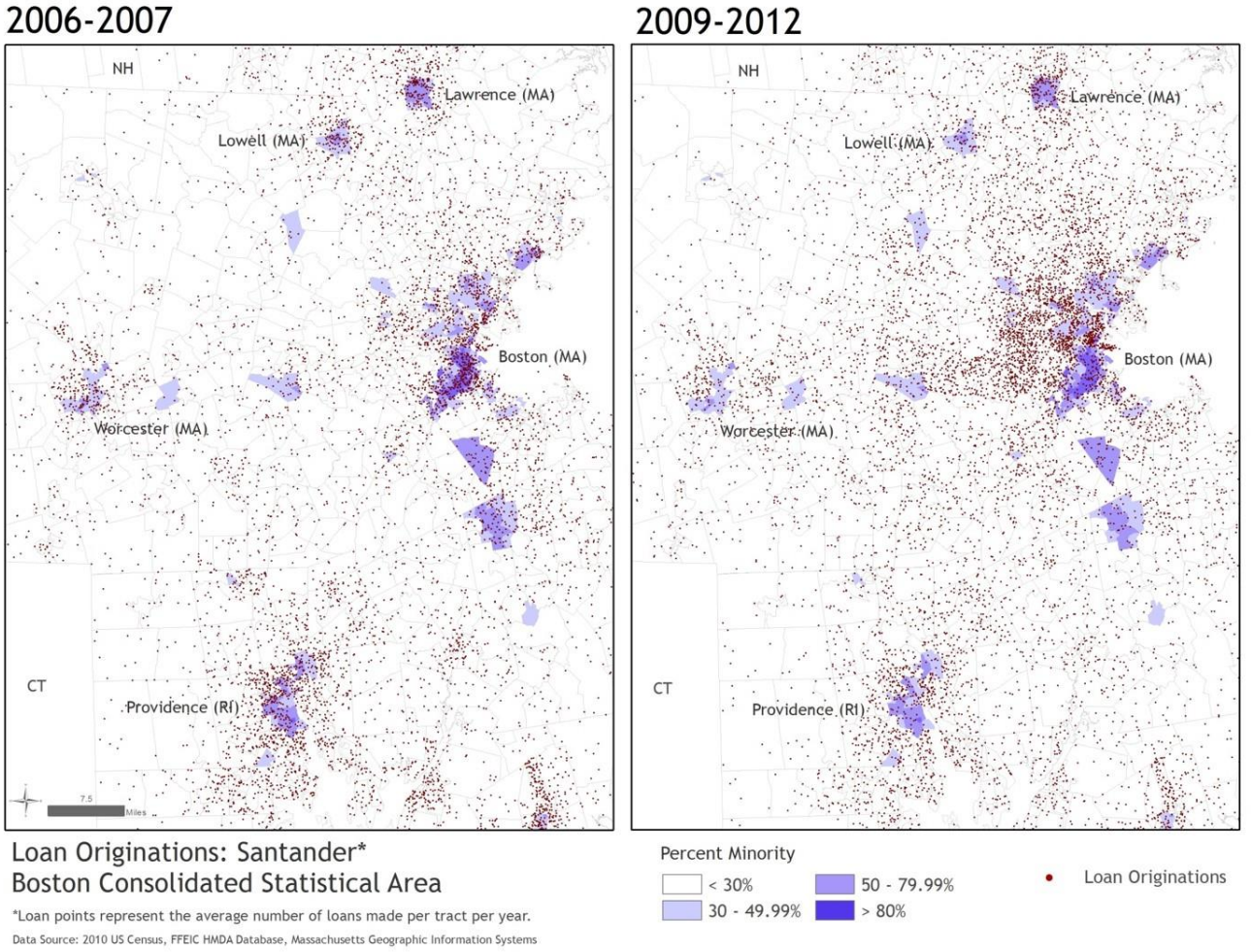
< 30%	50 - 79.99%
30 - 49.99%	> 80%

Loan Originations

Roger Williams Park

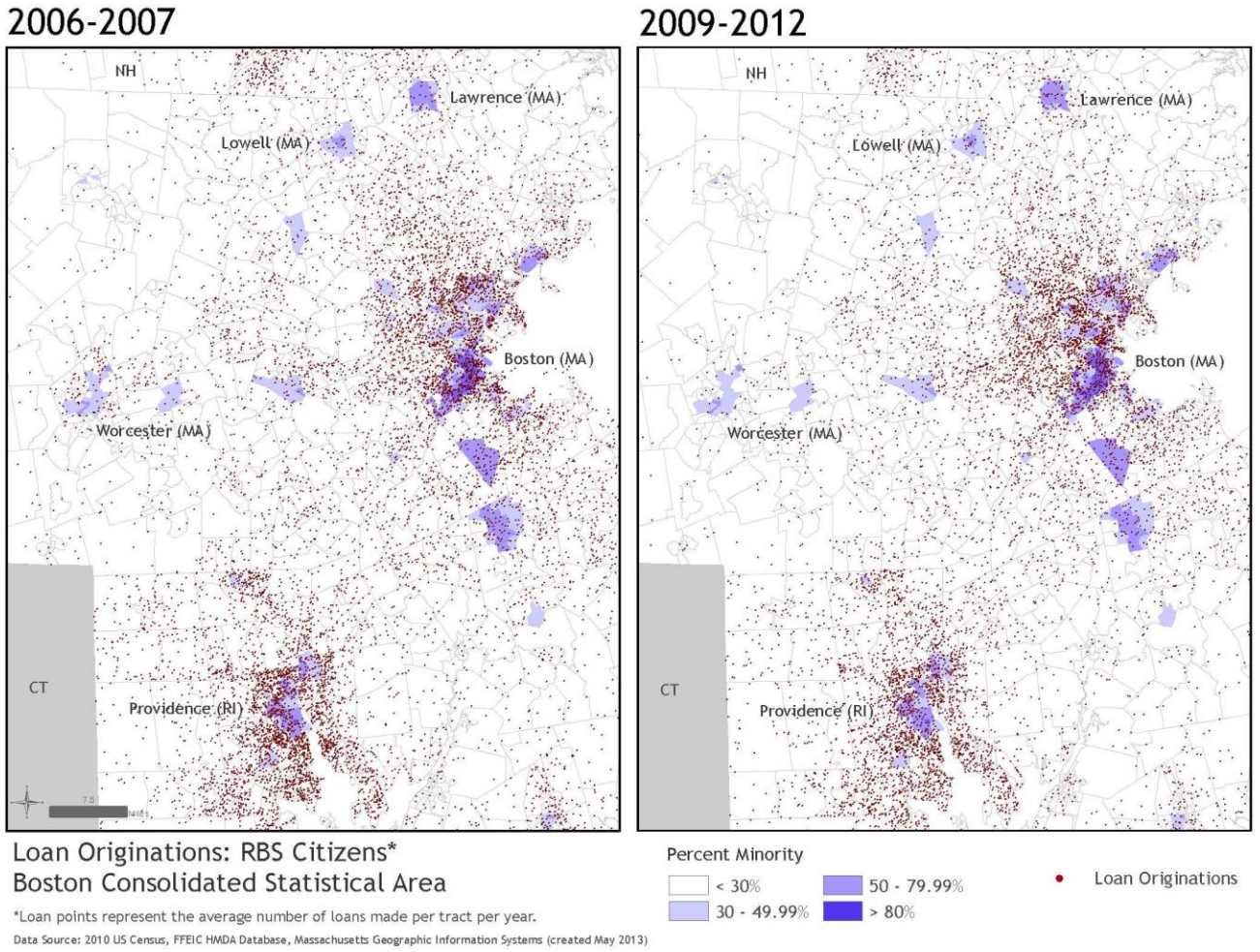


Boston CSA Originations





Boston CSA Originations





Race Spread

	0%-29.9% Minority Tract						30%-49.9% Minority Tract						50%-100% Minority Tract						
	2006	2007	2009	2010	2011	Change	2006	2007	2009	2010	2011	Change	2006	2007	2009	2010	2011	Change	Spread
Top 10 lenders	83,357	73,884	92,850	85,328	72,630	**6 %**	6,072	5,613	4,985	4,540	4,094	**-22 %**	4,991	5,244	3,885	3,375	2,864	**-34 %**	**40.4 %**
Sovereign	7,506	6,389	10,826	9,493	7,064	**31 %**	575	530	478	433	343	**-24 %**	588	582	349	339	296	**-44 %**	**75.3 %**
RBS	13,962	10,091	10,311	10,811	9,374	**- 15 %**	637	529	510	488	484	**-15 %**	548	498	417	500	473	**-11 %**	**-4.1 %**

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Morgan, et al. v. Richmond School of Health & Technology



RSHT

- 2 campuses, both majority African-American
- Programs
  - Practical Nursing
  - Medical Assistant
  - Surgical Technology
  - Pharmacy Technician
  - Massage Therapy
  - Medical Billing & Coding
  - Radiologic Technology
- Costs: $10,000 - $28,000
- Duration of Programs: 9-19 months





Fraud in Obtaining Loans

- W-2 forms altered
- Signatures of students forged, cut and pasted
- Attendance records and grades altered
- Signatures on high school transcripts forged
- Graduates' employment statuses falsified



Sham Education

- Teachers not qualified, not showing up to class
- Courses do not prepare for licensing and certification exams
- Failure to place students in externships
- Promised certification in Community Home Health, which does not exist
- Lack of necessary materials, equipment, and textbooks



Purpose: Milk Government for Loans

- Failing students kept enrolled by altering grades
- Teachers pressured to pass students

> *Administrators regularly pressured me to change grades so that students would not fail out . . . I had to hand in my grade book at the end of each module and I know that after I handed it in, some students' grades were changed from failing to passing. This allowed RSHT to continue to earn money from the students because it kept the students from failing out of the school.*
> – Tiana Branch Declaration

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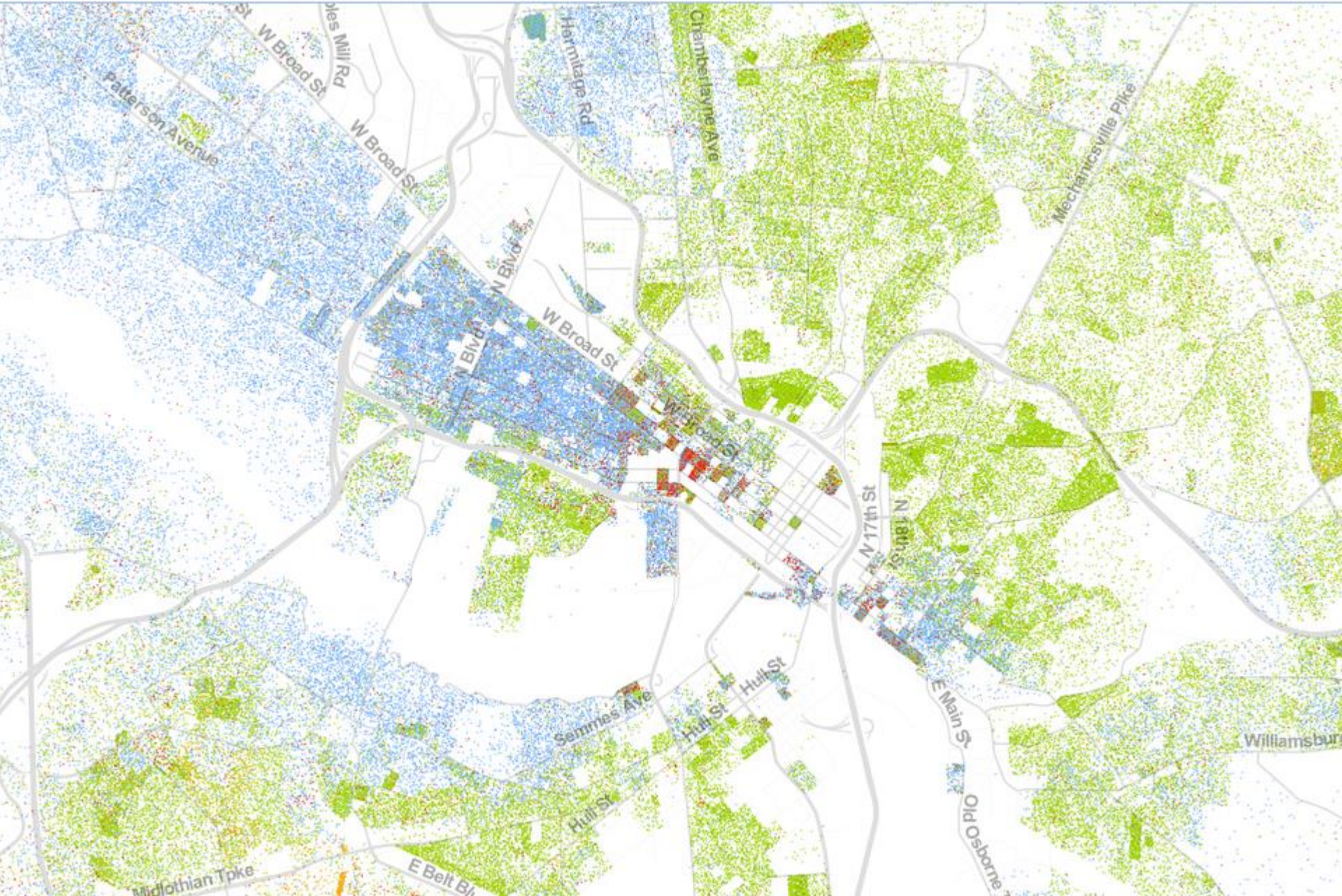
Richmond

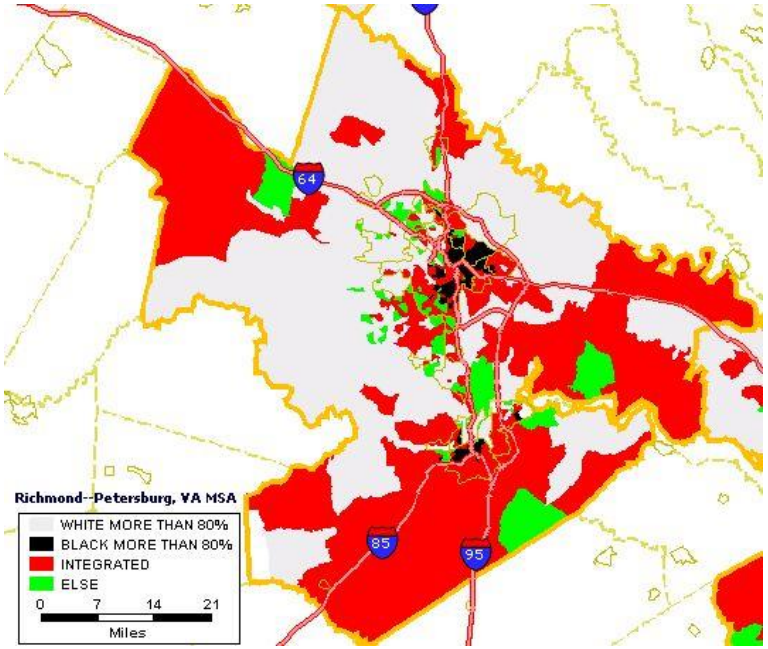
● = African American ● = White
● = Hispanic ● = All Others
● = Asian 1 dot = 1 person





Targeting Minority Communities

- Richmond MSA: 30.1% African-American
- African-American, > 25, and highest degree = H.S. diploma: 33.3% African-American
- RSHT: 75% African-American





Marketing

- Flyers
- Door to door
- BET
- Hip hop stations
- "On the bus line"
- Target food stamp recipients
- Open houses







CONSUMERAF

Richmond Students

Lawsuit says school lures s

06/13/2011 | Truman Lewis | ConsumerAffairs.c



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MICHAEL PAUL WILLIAMS' COLUMN B1

She's an honors grad, three years after medical crisis



'CHRISTINA DOESN'T QUIT' C1

Squirrels' MC brings fun to half-innings



Fed's Lacker: Economic data 'disappointing' D1

Richmond Times-Dispatch

Tuesday, June 14, 2011

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Suit alleges fraud at for-profit school

Class action says Henrico-based RSHT 'is a sham'

BY KARIN KAPSIDELIS
Richmond Times-Dispatch



Amanda Smith, who didn't earn the license she wanted, is one of the plaintiffs.

Mary Morgan enrolled in a nine-month program that she thought would provide her with the certification necessary to start a home health-care business. Now, she owes more than $10,000 in federal student loans for a certification she found does not exist in Virginia.

Amanda Smith owes $20,000 but still does not have the surgical technician license she expected to earn at the same Henrico County for-profit health and technology school, RSHT. The school never provided her with the clinical externships necessary for her to get her license and the higher-paying job she needed to pay back the loans, she said.

The two women are plaintiffs in a class-action lawsuit filed last week in U.S. District Court in Washington against RSHT, formerly known as Richmond School of Health and Technology. The suit alleges that the school targets poor and minority students and enriches itself through the loans it receives from the U.S. Department of Education.

RSHT owner Margaret Knight, who founded the school in 1997, vows to fight and says the allegations are unfounded. The school, with campuses in Chester and Henrico, is accredited and in com-

SCHOOL, Page A12



JOE MAHONEY/TIMES-DISPATCH

RSHT, formerly Richmond School of Health and Technology, has campuses at the Shops at Willow Lawn (above) and in Chester.

RSHT lawsuit

Read the class-action complaint against the school.
At TimesDispatch.com, search: local news.



Partly cloudy. High: 81. Low: 59.

Pentagon Papers finally go public
Nation & World A4

JLARC: Agencies lax on immigrant status
Metro B1

Genworth Financial to sell Medicare supplement unit
Business D1

SETTLEMENTS STATE



Email SHARE

and Technology

of Health and Technology,
source for cash".

egard for the education its
rom financial aid programs

students who get financial
g out most or all students'
United States Department
nto financial aid forms that

00 to $20,000. "Targeting
stitutes 'reverse redlining.'
e Equal Credit Opportunity

udents," the suit alleges.
ey in fact they are getting
ut the employment status

rtunity Act, the Consumer

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For-profit college settles class-action lawsuit

Mary Beth Marklein, USA TODAY 7:06 p.m. EDT July 26, 2013

Former students say school offered a sham education



- For-profit college agrees to pay $5 million
- 4,000 students could be eligible for award

filed by eight former students who said the training they received was a sham.

The agreement, approved late Thursday in the U.S. District Court for the Eastern District of Virginia, settles claims that Chester Career College, formerly known as Richmond School of Health and Technology, targeted minorities for enrollment and did not provide them an adequate education. The complaint, filed in 2011, also estimated that the college has received approximately $5 million a year in federal student loan programs.

"In other words, the federal government funded (the school's) scheme," says John Relman, of Relman, Dane & Colfax, a Washington, DC, law firm that represented the plaintiffs. Relman says more than 4,000 former students may be eligible to receive funds from the settlement.

In resolving the lawsuit, the School did not admit any wrongdoing.

A statement put out by the plaintiff's attorneys says that "in addition to $5 million in monetary relief, the settlement provides for continued reporting by the School regarding its students' success and career placement. These measures will improve and strengthen the School as it continues its mission of educating, graduating and assisting in the employment of hundreds of students in various medical fields in and around Richmond."

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Structural Racism



Structural Racism

- What:

  A practice that exploits historic discrimination and spatial segregation for private or political gain

- Why:

  Profits and power can be extracted more easily from underserved communities made vulnerable by decades of historic discrimination and segregation



Structural Racism

- Harms:
  - Strips equity from minority/underserved communities
  - Creates new barriers to integration
  - Perpetuates segregation

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Establishing Discrimination Against Ex-Offenders Under the Fair Housing Act



Incarceration & Parole Statistics

- By 2008:
  - 1.6 million people under state or federal detention
  - 7.3 million people under probation or parole
- 1970 to 2007:
  - Number of people in prison increased sevenfold

(2007, 2009 US Bureau of Justice Statistics)



Ex-Offender Statistics

- Each year, 650,000 individuals are released from prison; 7 million from jail
  - 95% of state prisoners released at some point; 80% released to parole

(Hughes & Wilson "Reentry Trends in the U.S.")



Ex-Offender Statistics (cont.)

- 25% of the US population has a criminal record
- Housing preferences for applicants with no criminal record would exclude huge fraction of the population

(Hughes & Wilson "Reentry Trends in the U.S.")



Ex-Offender Statistics (cont.)

- Ex-offender population is disproportionately African-American men (incarceration rate almost 7x that of white men)
  - US population: 12.6% African-American, 16.3% Hispanic; just under 50% men
  - Prison and jail populations: 39.4% African-American, 18% Hispanic; 91% men
  - Chance of going to prison: 32.2% for African-American men, 17.2% for Hispanic men, 5.9% for white men

(2009, 2010 Census; 2009 US Bureau of Justice Statistics)



Ex-Offenders & Recidivism

- Stable housing can reduce recidivism rates
  - 67.5% of prisoners released are rearrested within 3 years (increase from 62.5% in 1983)
  - Each time one moves after release from prison increases chance of re-arrest by 25%

(2006 Reentry Policy Council Report)



Ex-Offenders & Access to Public Housing

- Human Rights Watch estimates that between 1999 and 2004, at least 3.5 million convicted felons were ineligible for public housing due to local housing authority rules that prohibit admission to ex-felons convicted within 5 years of application for housing

(2004 Human Rights Watch)



Access to Criminal Records

- Increased access to electronic criminal records post-9/11 → increased tenant screening
  - By 2003, 94% of criminal records maintained by state criminal history repositories were automated
  - Increased use of criminal background checks by tenant screening agencies, not just landlords

(2003 US Bureau of Justice Statistics)



Access to Criminal Records (cont.)

- 80% of members of National Multi-Housing Council (organization of large apartment companies) report screening prospective tenants for criminal histories



Birmingham

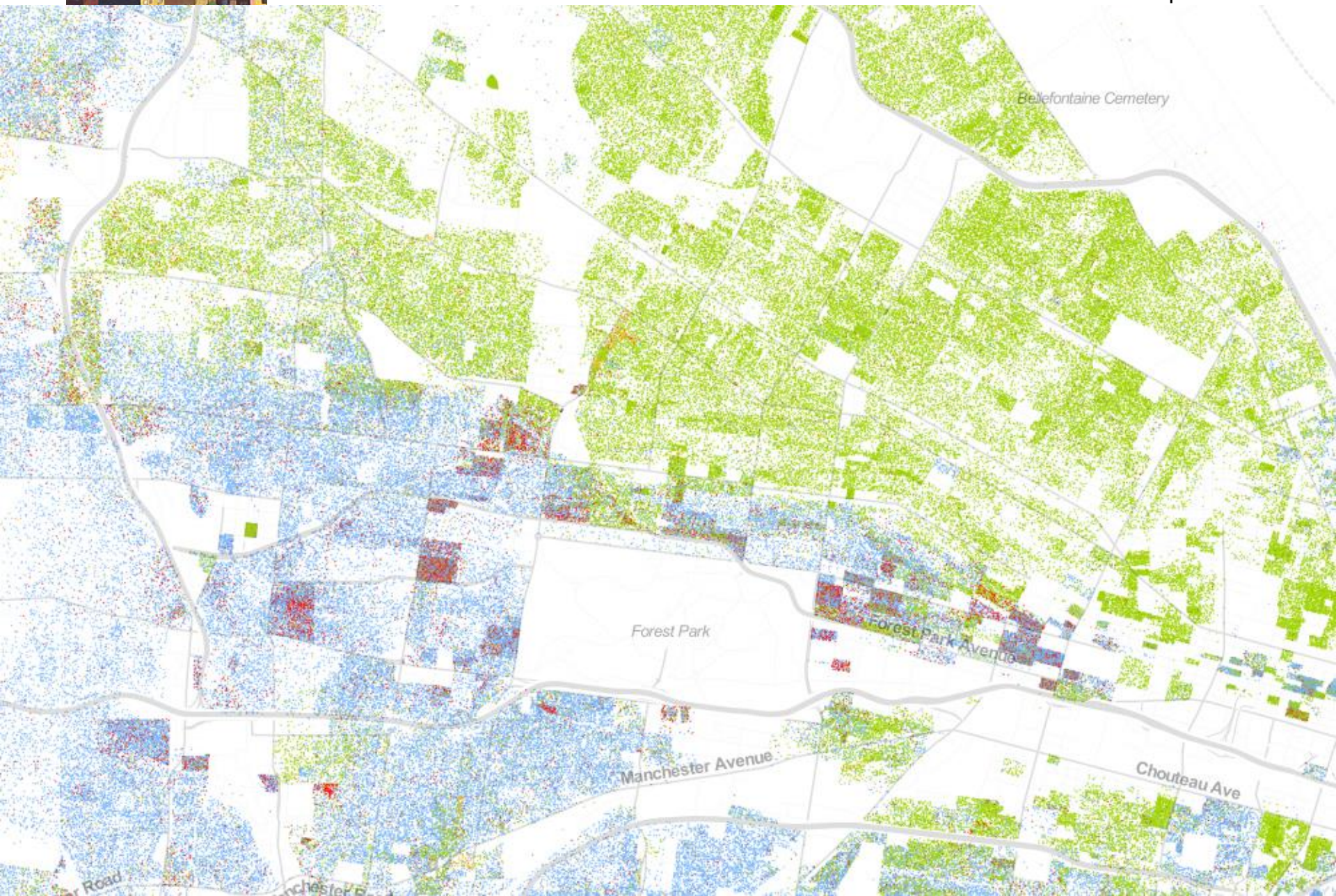
● = African American ● = White
● = Hispanic ● = All Others
● = Asian 1 dot = 1 person





St. Louis

● = African American ● = White
● = Hispanic ● = All Others
● = Asian 1 dot = 1 person





Philadelphia

● = African American ● = White
● = Hispanic ● = All Others
● = Asian 1 dot = 1 person

