

# DOJ Reaches Landmark Settlement of Claims Regarding Racial Discrimination in Mortgage Lending

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Last month, two subsidiaries of American International Group ("AIG") agreed to pay \$7.1 million to settle claims by the United States Department of Justice ("DOJ") that the companies unlawfully charged African American borrowers higher mortgage fees over a period of three years as compared to white borrowers. In [United States of America v. AIG Federal Savings Bank](#), 99-mc-09999 (D. Del.), DOJ alleged that from 2003 to 2006, AIG Federal Savings Bank ("AIG FSB") and Wilmington Finance, Inc. ("WFI") failed to cap the fees which affiliated brokers could charge to borrowers, and failed to monitor the fee amounts charged. DOJ further alleged that during this time, African American borrowers were charged fees on average 20 basis points higher than total broker fees paid by similarly situated white borrowers. In some metropolitan areas, DOJ alleged the discrepancy rose to the level of 75 basis points.

The consent order requires AIG FSB and WFI to pay \$6.1 million to compensate roughly 2,500 African American borrowers who were overcharged, and to contribute at least \$1 million towards programs designed to provide financial education to consumers. AIG FSB and WFI also represented that they have exited the wholesale-lending business and agreed that if they seek to return, they must notify the government and change their business practices.

The AIG settlement is the largest monetary settlement ever obtained by DOJ for the compensation of victims of lending discrimination. Thomas Perez, the DOJ assistant attorney general for civil rights, [stated](#) that this is the first time DOJ has held a lender accountable for allegedly discriminatory conduct by its affiliated brokers, and warned that if need be, this will not be the last time. He further [remarked](#) that the prior administration made no meaningful effort to crack down on racially discriminatory lending, [which contributed to the current national housing and economic crisis](#). Mr. Perez announced that there are 45 pending cases along the same lines, and that ["lenders who ignored the discriminatory practices of brokers must be held accountable."](#)

Other federal and state regulators are expected to take similar steps. For example, Robb Adkins, executive director of the Obama Administration's Financial Fraud Enforcement Task Force (FFETF), stated that the settlement should be seen as a ["warning shot"](#) to those who would engage in fraud or discrimination, and that the FFETF, comprised of representatives from a variety of federal and state regulatory and law enforcement bodies, is redoubling its efforts to prosecute similar conduct.