

Discriminatory Lending Practices

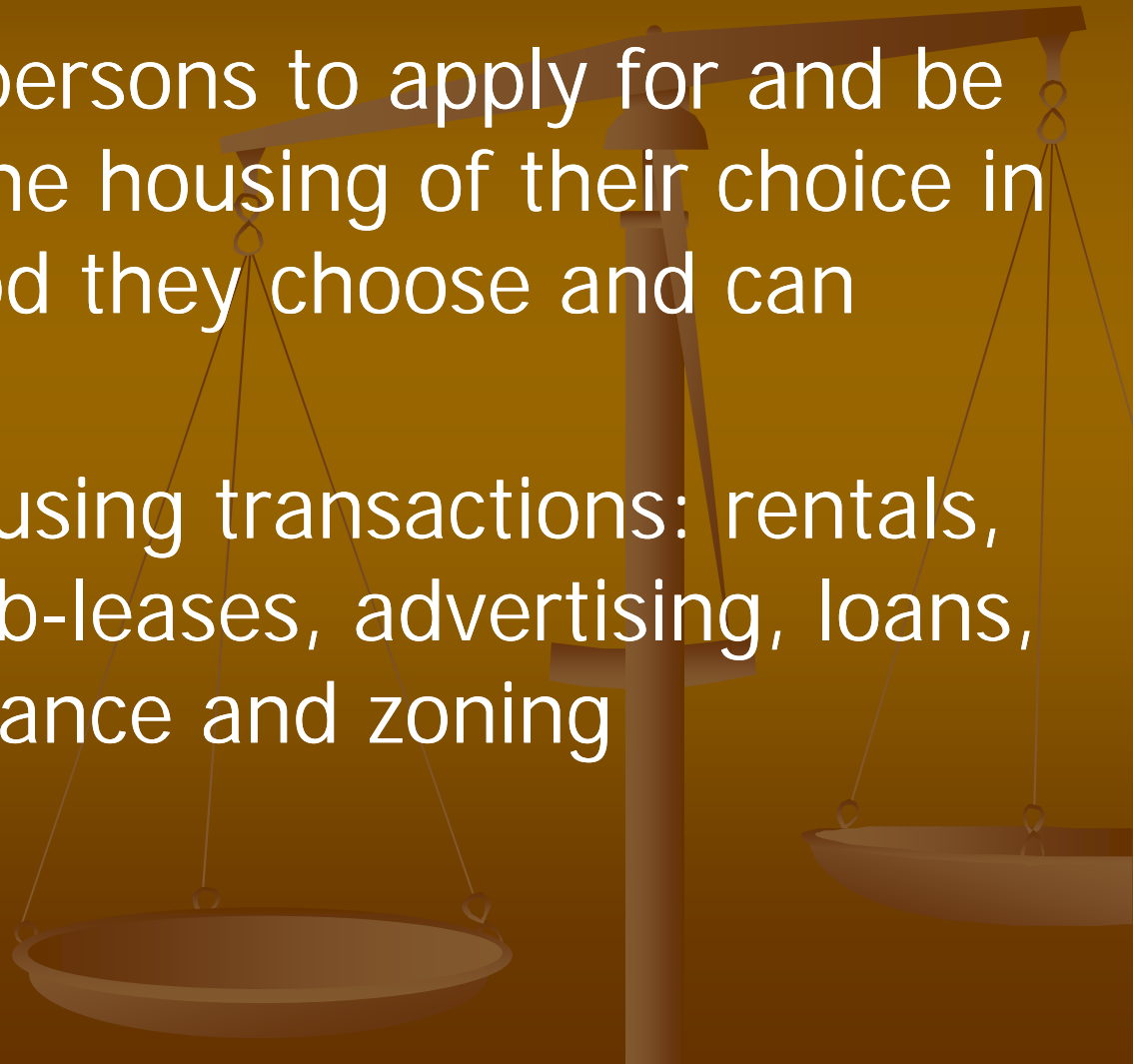


Iowa Civil Rights
Commission



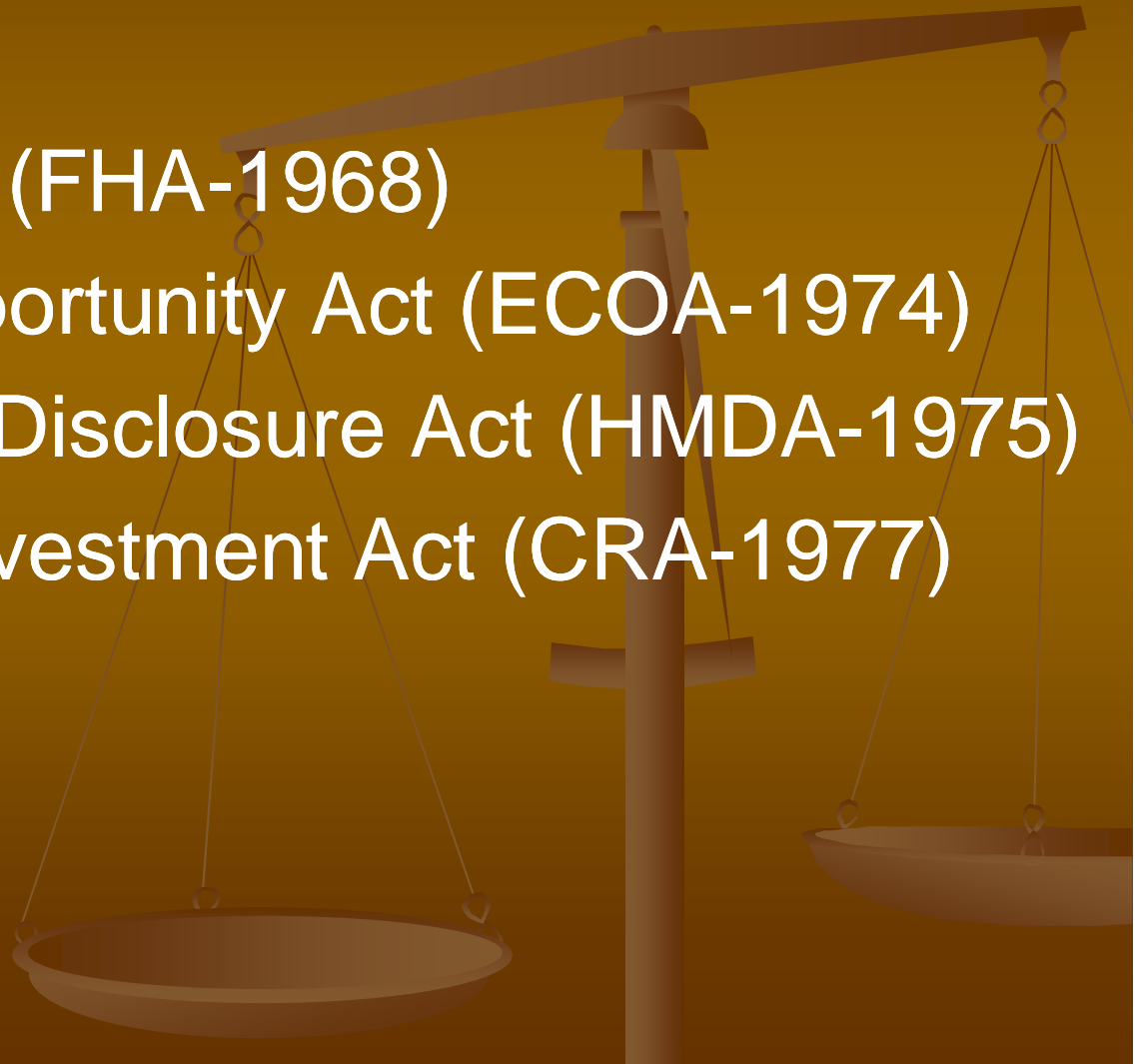
What is fair housing?

- The right of all persons to apply for and be considered for the housing of their choice in the neighborhood they choose and can afford
- Applies to all housing transactions: rentals, sales, leases, sub-leases, advertising, loans, appraisals, insurance and zoning



The Four Fair Lending Laws

- Fair Housing Act (FHA-1968)
- Equal Credit Opportunity Act (ECOA-1974)
- Home Mortgage Disclosure Act (HMDA-1975)
- Community Reinvestment Act (CRA-1977)



Covered Entities

- Any institution which accepts/manages deposits (i.e. banks, savings & loans, credit unions)
- Trust companies
- Mortgage loan companies
- Insurance companies
 - Home/renters insurance
- Pension funds



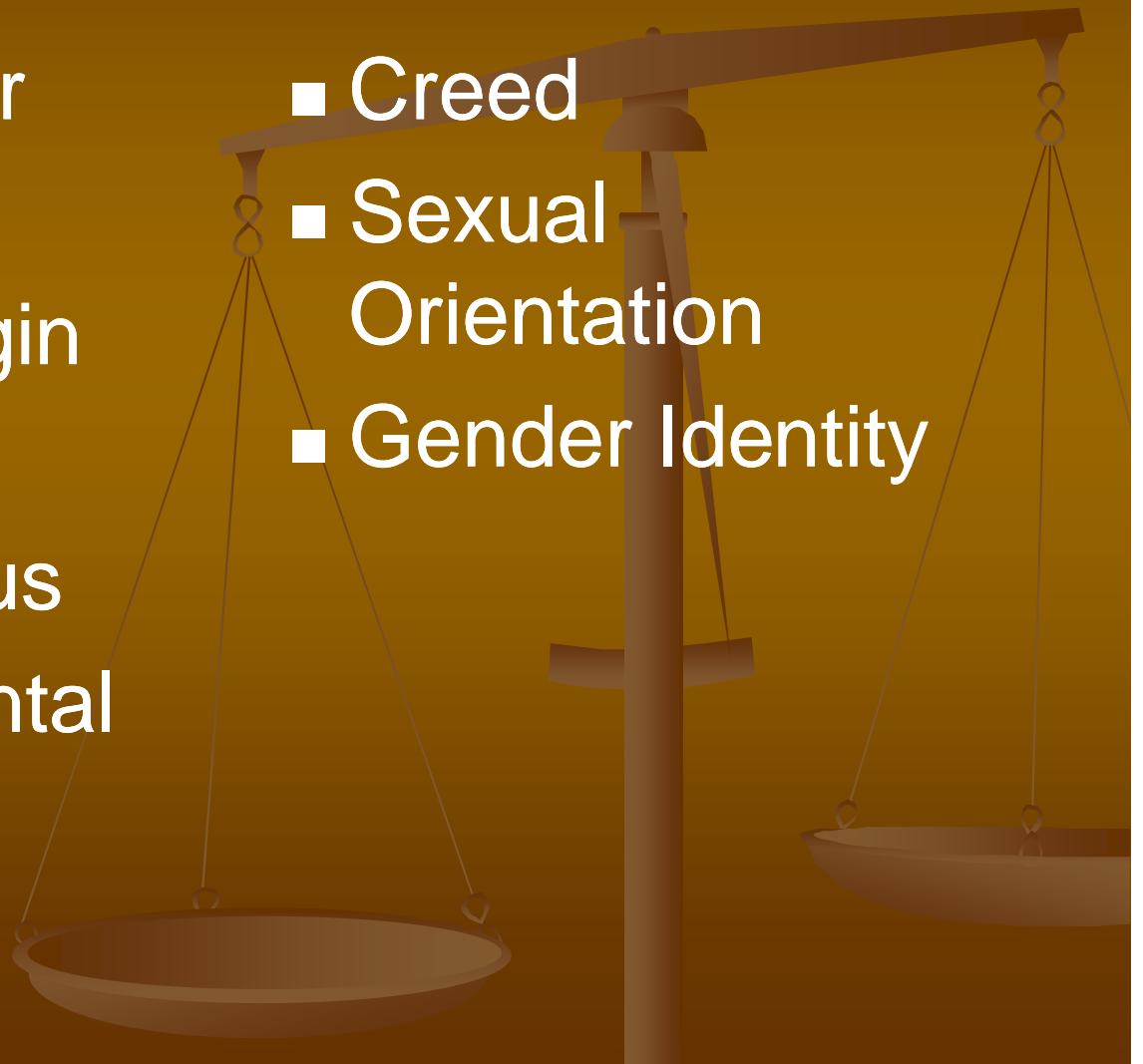
Protected Characteristics

■ FHA

- Race or color
- Religion
- National Origin
- Sex
- Familial status
- Physical/Mental Disability

■ ICRC

- Creed
- Sexual Orientation
- Gender Identity



Covered Aspects

- Selling/renting of dwelling
- Loan to build, repair, improve dwelling
- Refinancing
- Mortgage
- Security
- Development
- Purchase of real estate loans
- Selling, brokering, appraising residential real estate



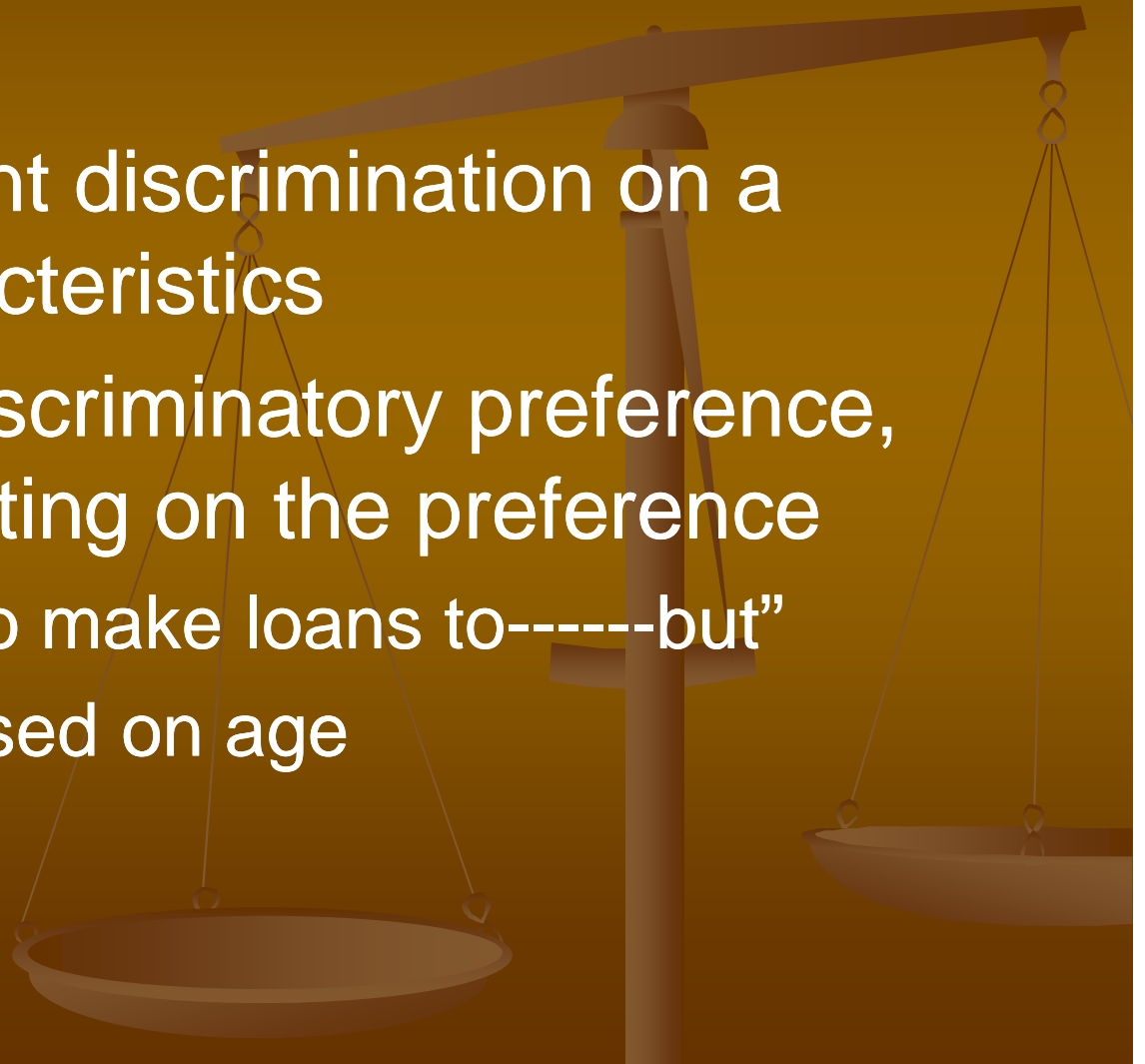
Types of Lending Discrimination

- Overt Discrimination
- Disparate Treatment
- Disparate Impact

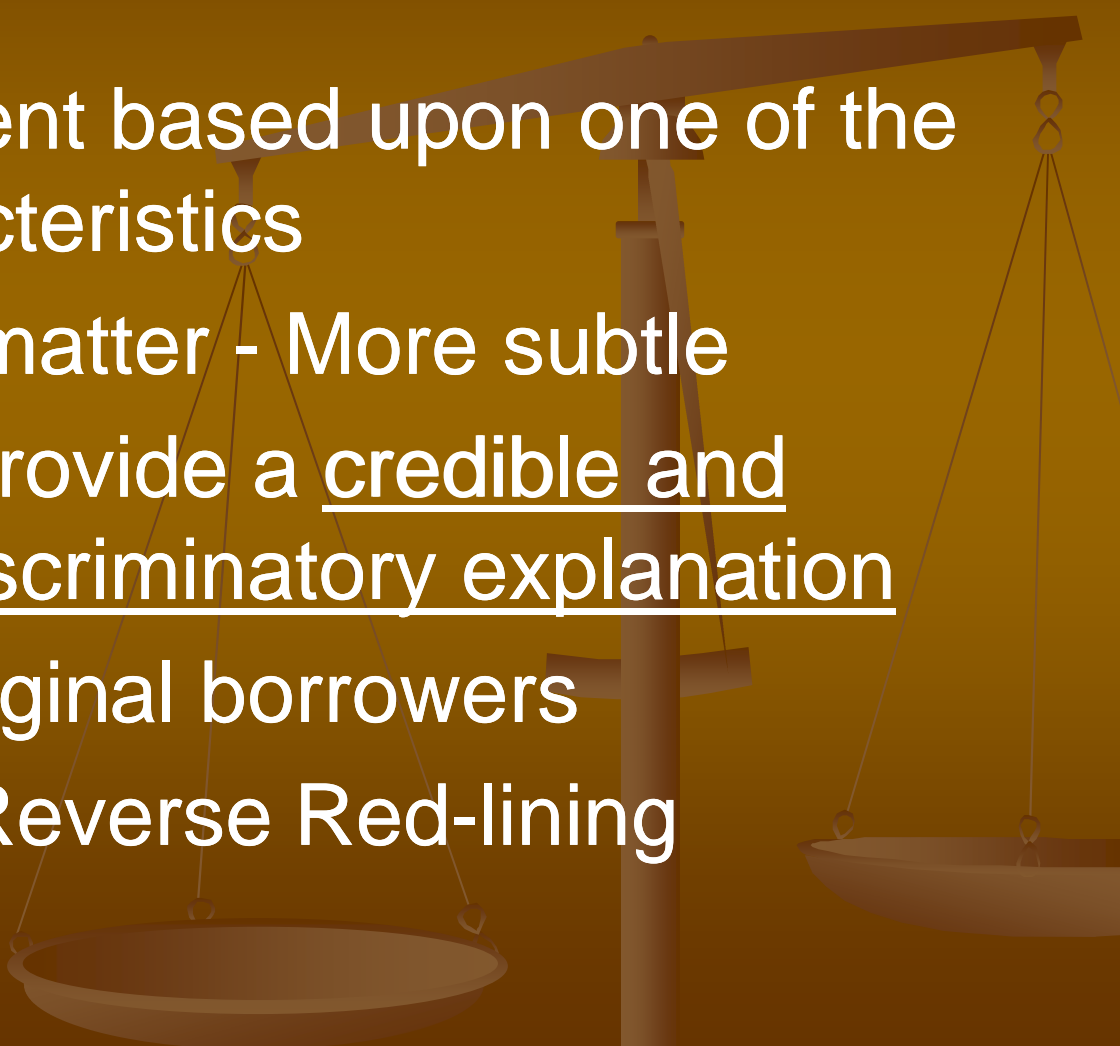


Overt Discrimination

- Openly or blatant discrimination on a protected characteristics
- Expressing a discriminatory preference, even without acting on the preference
 - “We don’t like to make loans to-----but”
 - Credit limits based on age



Disparate Treatment

- Different treatment based upon one of the protected characteristics
 - Intent does not matter - More subtle
 - Lender cannot provide a credible and legitimate nondiscriminatory explanation
 - Occurs with marginal borrowers
 - Red-lining and Reverse Red-lining
- 

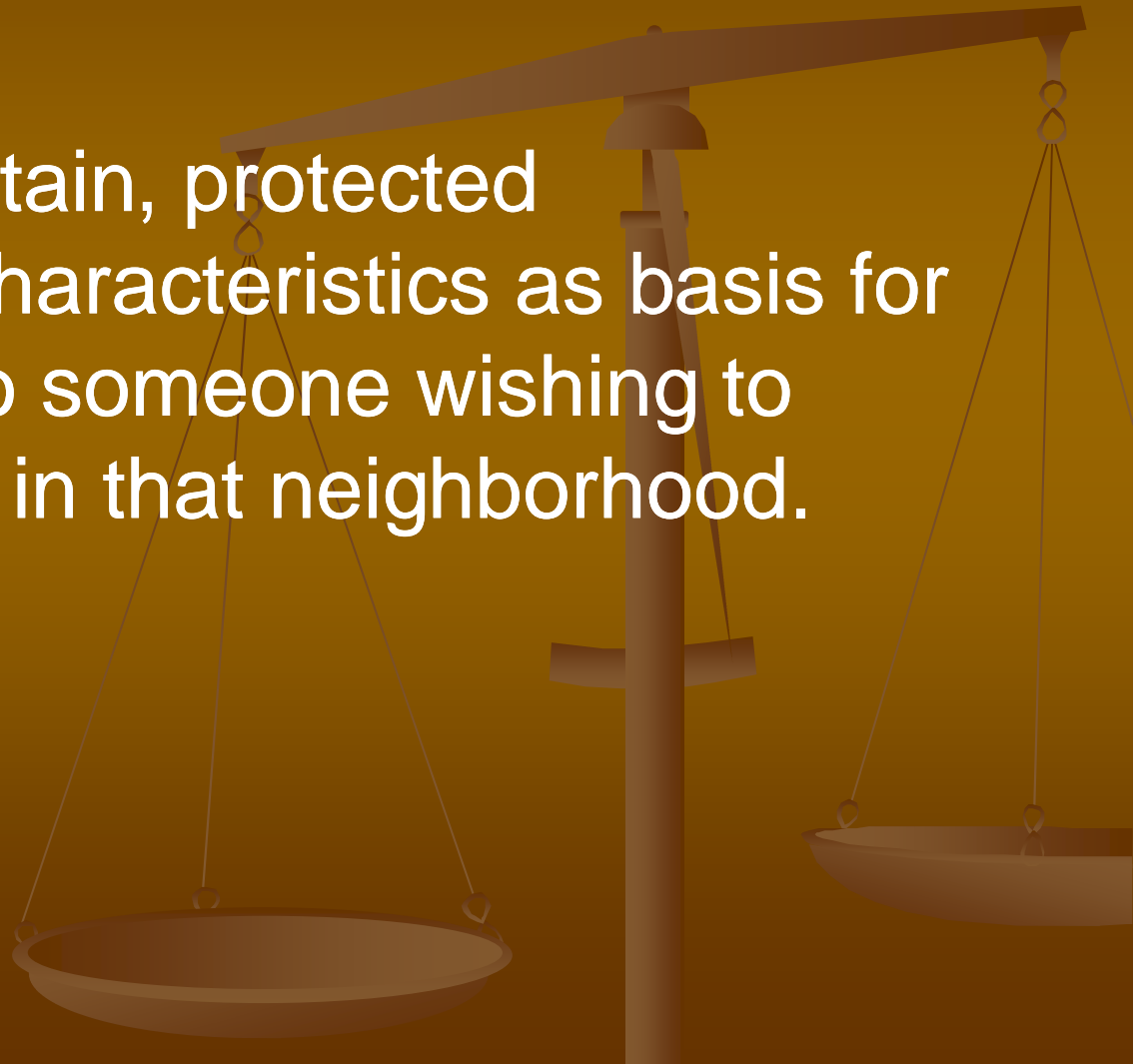
Disparate Impact



- Lender applies a policy or practice uniformly to all credit applicants, BUT
- Creates an adverse impact on applicants from a protected class
- Example - loan minimums, gross income
- Manifest business necessity has to be established - “Prove it”

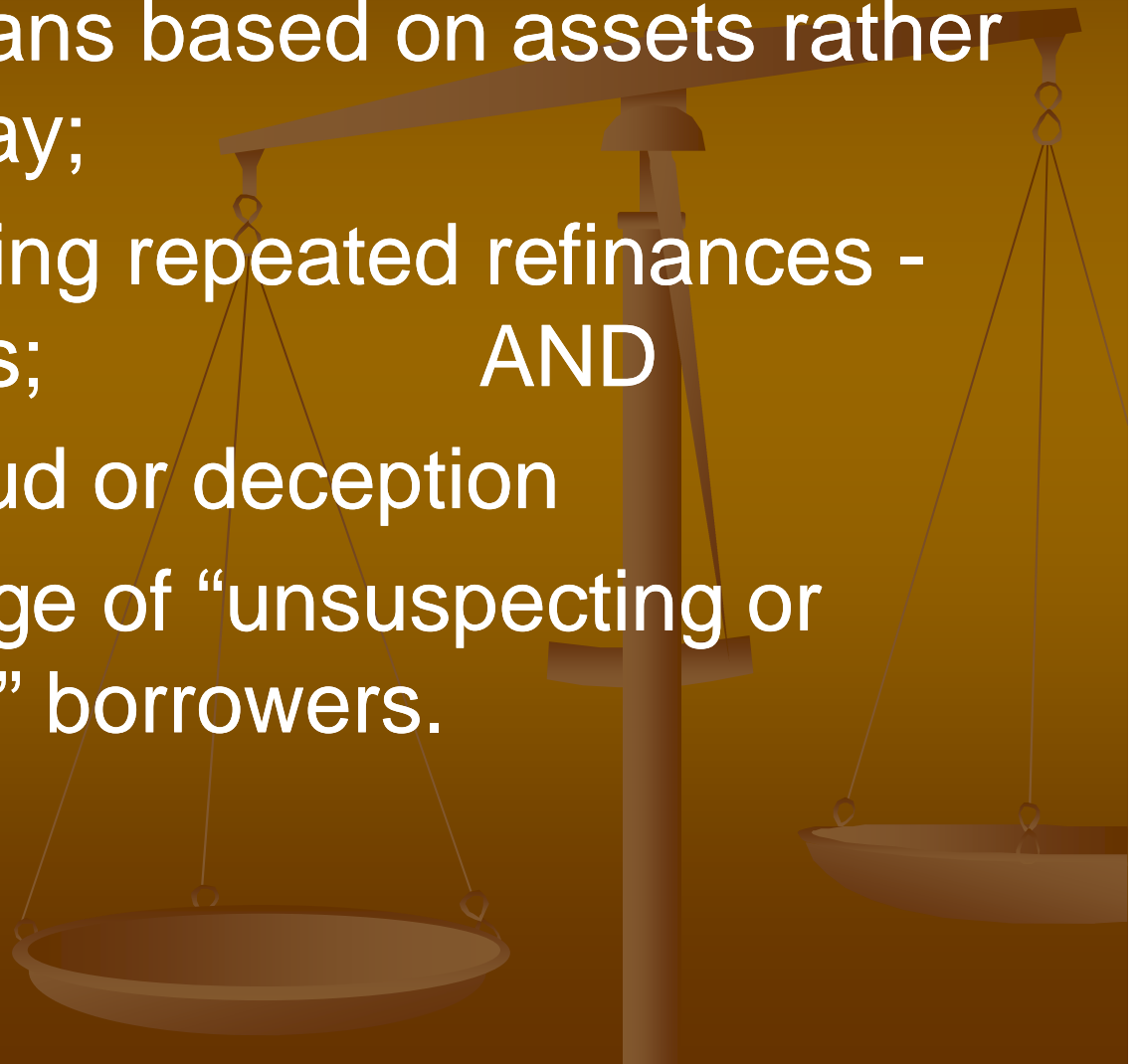
Redlining

- Considering certain, protected neighborhood characteristics as basis for declining loan to someone wishing to purchase home in that neighborhood.

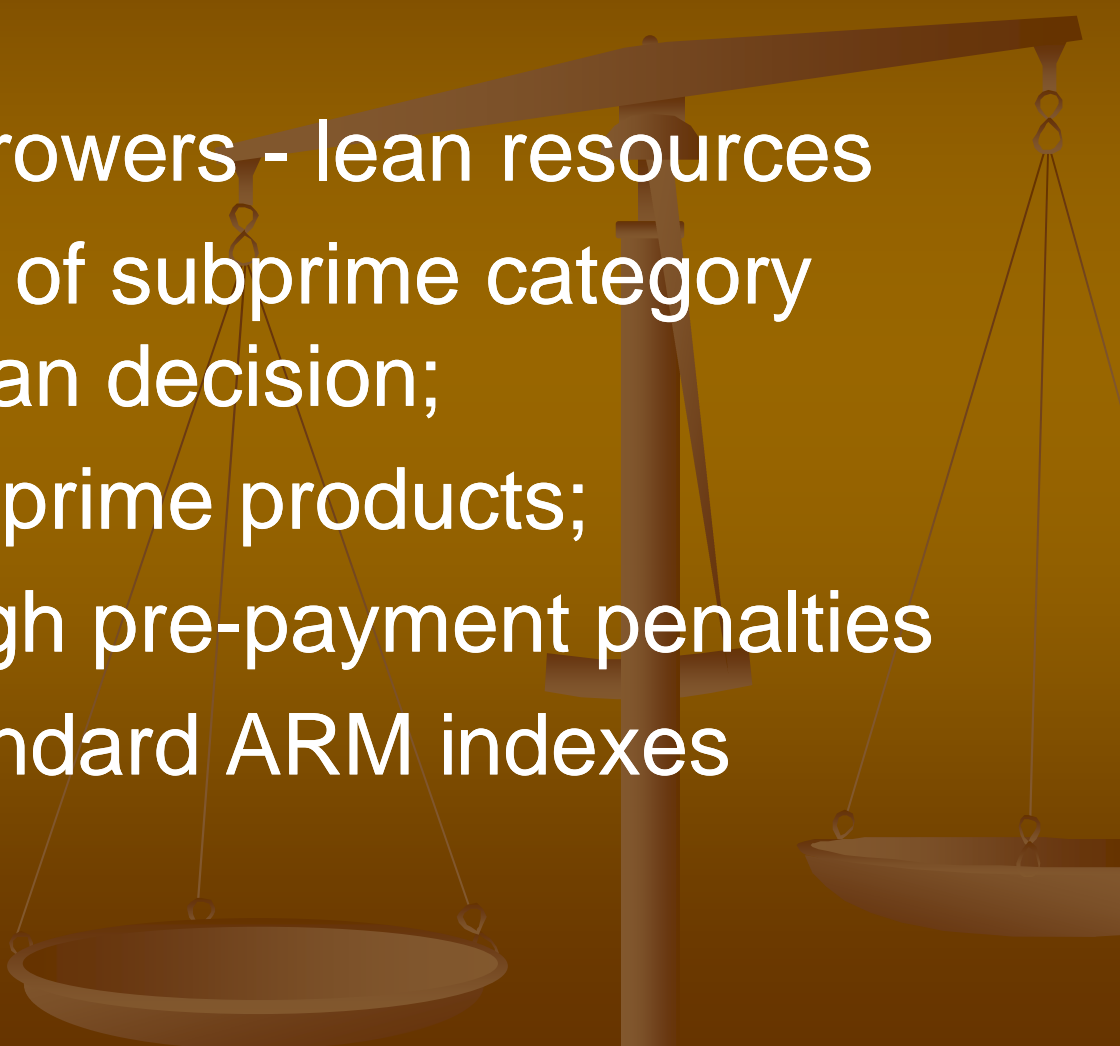


Predatory Practices

- Unaffordable loans based on assets rather than ability to pay;
- “Flipping” Inducing repeated refinances - high points, fees; AND
- Engaging in fraud or deception
- Taking advantage of “unsuspecting or unsophisticated” borrowers.

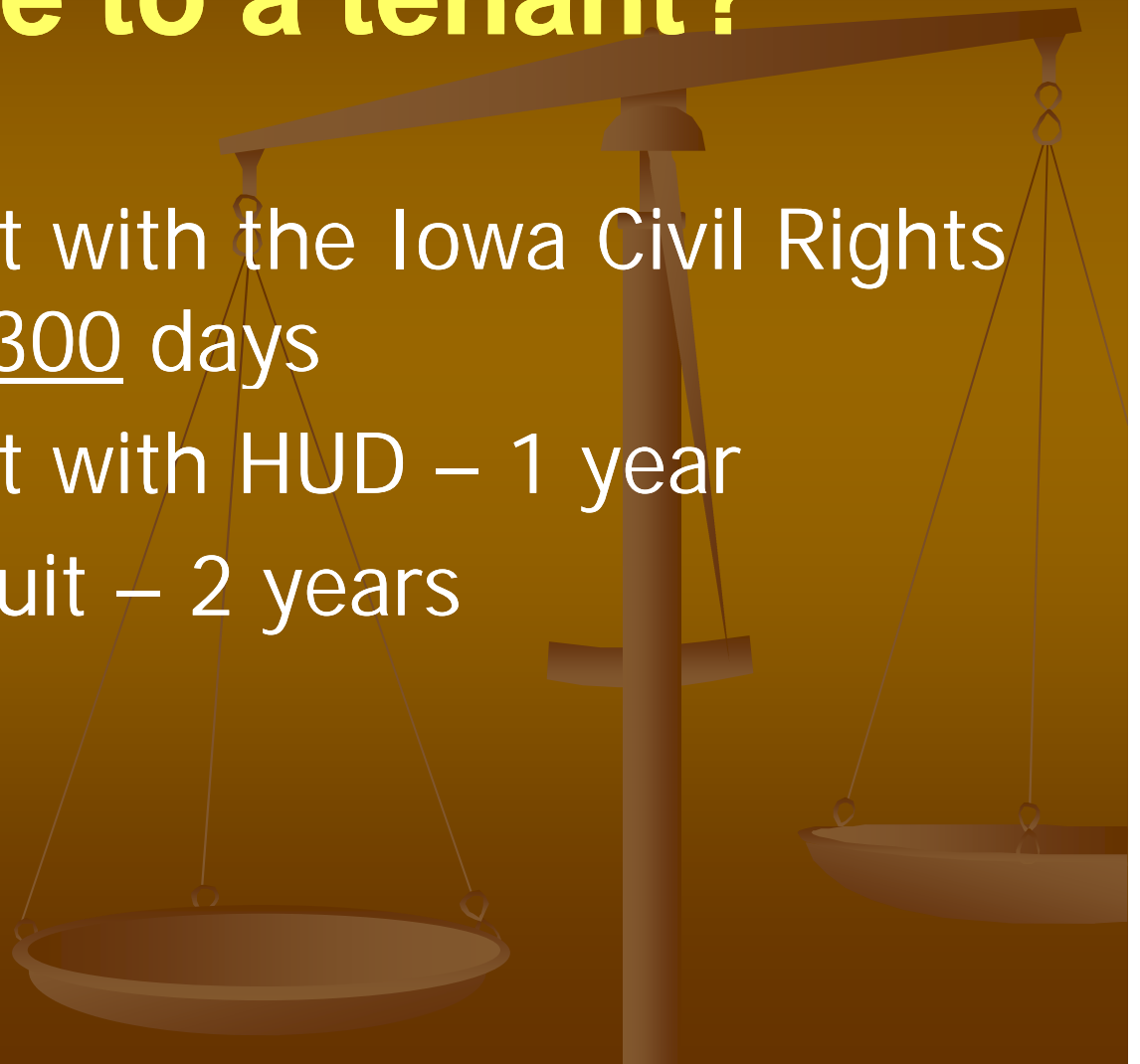


Subprime gone bad

- Vulnerable borrowers - lean resources
 - Measurements of subprime category applied after loan decision;
 - Steering to subprime products;
 - High rates - High pre-payment penalties
 - Use of non-standard ARM indexes
- 

What legal remedies are available to a tenant?

- File a complaint with the Iowa Civil Rights Commission – 300 days
- File a complaint with HUD – 1 year
- File a civil lawsuit – 2 years



Iowa Civil Rights Commission

Grimes State Office Building

400 E. 14th Street

Des Moines, Iowa 50319

515-281-4121

800-457-4416

FAX 515-242-5840

<http://www.state.ia.us/government/crc>

