

# Connecticut Bank Sued for Alleged Discriminatory Mortgage Lending

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Last week, the Connecticut Fair Housing Center, Inc. [filed a complaint](#) against Liberty Bank in Connecticut federal district court alleging that the Bank engaged in discriminatory mortgage lending in violation of the federal Fair Housing Act. The complaint describes the Bank as “the eighth-largest conventional home purchase lender and eleventh-largest refiner in Connecticut.”

The complaint alleges that the Bank violated the FHA by engaging in the following conduct:

- According to the complaint, the Bank deliberately drew its CRA assessment area so as to exclude and thereby avoid CRA scrutiny of its banking and lending activities in certain towns with racially diverse populations and generates a disproportionately low number of mortgage loans within its assessment area from non-white applicants, making “significantly fewer than expected loans than nearly all its peers in majority-non-white census tracts, even when controlling for underwriting criteria like income and whether the borrower will live in the property.” The Bank is also alleged to over-concentrate its branches in white census tracts and, compared to its leading competitors, to have an insufficient number of branches in majority-non-white and racially diverse census tracts. The complaint alleges that to test for redlining, the plaintiff “used a statistical measure called a shortfall.” This measure “assumes that the number of loans is constant across the region and then estimates what the distribution of loans would be if they were made solely according to the income

of loan applicants rather than some other factor like composition of neighborhood or race of the applicant.” It then “allows a comparison between expected lending patterns and actual lending patterns for a single mortgage lender, and tests whether differences in origination volume are a result of applicant characteristics or variables such as discrimination against a protected class.”

- **Discrimination in extending credit.** The complaint alleges that the bank denies African-American and Latino loan applicants at a substantially higher rate than substantially similar white applicants after controlling for income and other neighborhood features.
- **Discouraging applications.** The complaint alleges that Bank representatives made statements that would discourage African-American and Latino applicants from applying for loans, provided significantly less information about the home-buying process to African-American and Latino applicants than white applicants, and offered loan terms to African-American and Latino applicants that were inferior to those offered to white applicants. In support of these allegations, the complaint describes six different tests in which African-American, Latino, and white testers were allegedly sent by the plaintiff to various Bank locations to meet with a loan officer or obtain copies of advertising materials for mortgages.

The complaint serves as a reminder that while [fair lending enforcement](#) may appear to no longer be emphasized by the CFPB under Acting Director Mulvaney, lenders should keep fair lending issues front of mind. In addition to private plaintiffs, [state regulators](#) continue to pursue initiatives to enforce fair lending laws.

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