

Segregated housing is alive and well | The Avvo NakedLaw Blog

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□ Dec 14, 2015 By [Gemma Alexander](#)



People of color still don't have a level playing field when it comes to buying a house. Yes, cities no longer have laws barring individuals from moving into certain neighborhoods, but the overt racism of segregated housing remains, even it's gotten more subtle.

Case in point: A New Jersey-based bank is [paying almost \\$33 million](#) to settle a suit from the Department of Justice and the Consumer Financial Protection Bureau that claims it systematically restricted access to credit in minority neighborhoods. It is the largest federal court settlement of its kind in history.

It's called redlining

On September 24, the Consumer Financial Protection Bureau (CFPB) and the Department of Justice (DOJ) jointly filed a [complaint](#) against Hudson City Savings Bank. According to the complaint, Hudson City violated the ECOA by engaging in unlawful [redlining](#) from 2009 to 2013. The complaint was filed in conjunction with a settlement in the U.S. District Court for the District of New Jersey.

Redlining occurs when banks charge minorities more for their services or exclude minorities altogether by failing to serve specific, or “redlined,” geographic areas. Think of it as [gerrymandering](#) for bank branches. [Once routine](#) in the banking industry, redlining has been illegal since the passage of the Equal Credit Opportunity Act (ECOA), which prohibits lenders from discriminating against applicants on the basis of race or ethnicity.

Hudson City, which has roughly 135 branches in New York, New Jersey, Connecticut, and Pennsylvania, embarked on a branch expansion program from 2004 to 2010 in the New York City metropolitan area. Only 6 percent of the new branches were located in predominantly African-American or Hispanic neighborhoods, despite the fact that those two groups make up just over half of the population of New York City, and roughly a third of the population of New Jersey.

The largest redlining settlement in history

The settlement is subject to court approval, but would require Hudson City to pay \$25 million in subsidies for mortgage loans in the redlined neighborhoods, along with a \$5.5 million penalty. The bank would also have to improve its compliance management system to prevent future discrimination and expand its services to include the redlined areas, actions that would raise the total [cost of the agreement](#) to \$33 million.

Hudson City has stated in a [press release](#) that “it disagrees with the statistical analysis of loans relied upon by the DOJ and CFPB as the principal basis for its claims as well as the agencies’ conclusions from their investigations.” According to Hudson City, the bank has “historically relied heavily on purchases of loans from other originators to minority borrowers in the very census tracts that form the basis of the allegations, and kept such loans on its balance sheet in order to fulfill its Community Reinvestment Act and fair lending responsibilities.”

Redlining across America

While predatory lending has gotten a lot of public attention in the past few years, redlining isn't as well-known amongst the general public. But the federal government has paid attention; in 2009, they established a [Financial Fraud Enforcement Task Force](#) that has investigated many incidents of redlining, including the Hudson City case. City governments have begun taking [action](#) as well, bringing a number of housing discrimination practices—and offenders—to light.

Concerned that you might be the victim of discriminatory lending practices? The Consumer Financial Protection Bureau maintains a [website](#) for borrowers, which explains how credit discrimination works and lists warning signs that the organization you are dealing with may be engaging in discriminatory practices.

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