

# Mortgage Lenders Analyzed For Bias

## Action Could Lead To Broader Probe

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About 200 lending institutions are under review by federal regulators to examine whether they make mortgage loans fairly or are discriminating against minorities by charging them higher rates.

The review, which involves several government agencies regulating different parts of the mortgage industry, was spurred by the release of new banking data last month by the Federal Reserve, which for the first time compiled statistics on high-cost loans. The Fed analysis found that about a third of blacks got high-price loans when they bought a house in 2004, compared with about 9 percent of non-Hispanic whites. About 20 percent of Hispanics got the more costly loans.

Costlier loans, also called subprime loans, are generally written for those with flawed credit and mean higher payments for borrowers than lower-cost "prime" loans. Banking industry officials have said they do not discriminate and that borrowers, no matter their race or ethnicity, are charged

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use as unexcusing when each report of identity theft, including the June disclosure that more than 40 million credit card numbers may

# Lenders Queried on Minorities' Share of Higher-Cost Loans

LOANS, From D1

higher interest rates if they have had credit scores.

In their report on the statistics last month, Federal Reserve officials agreed that much of the difference in loan rates was based on credit scores and other financial factors, but noted that "about 2 percent of the 8,853 lenders" whose numbers they reviewed "exhibited a statistically significant difference in the incidence of higher-price loans between black and Hispanic borrowers ... and non-Hispanic white borrowers."

They said they would begin contacting lenders in that group to learn more about their practices. But in the report, Fed officials also urged caution in interpreting the data, saying it would be "unfortunate if unwarranted accusations of illegal bias, stemming from improperly analyzed pricing differences, discouraged lenders from participating in this segment of the market."

The Fed has sent lists of lenders to review to the various agencies that regulate the different types of institutions. The regulators would not identify which institutions are on those lists.

Washington lawyer Andrew L. Sandler, who has many lending-industry clients, said he was aware of "several lenders" who had been

curred, but 21 percent said they thought their credit card number was stolen off the Internet. The previous year, 18 percent blamed

contacted by regulators, but he would not identify them. He said the letters informed the lenders of the Fed's analysis and asked them to explain their lending policies and statistics in more detail.

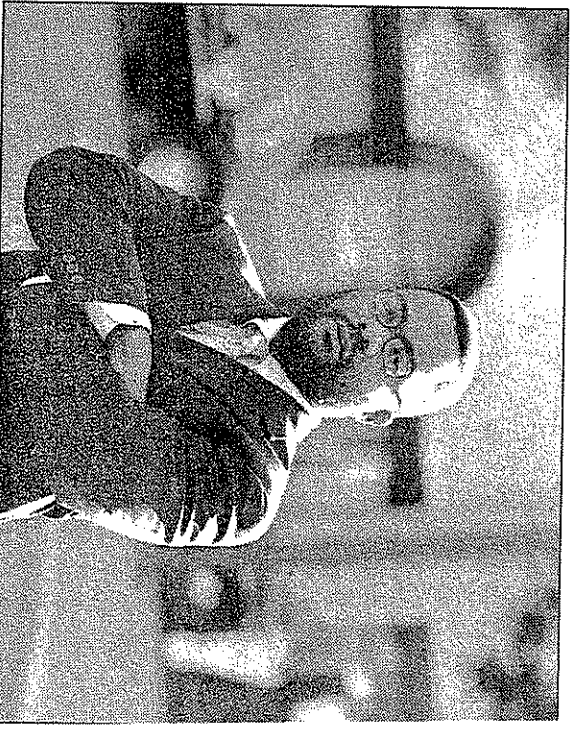
Many of the government agencies involved in the review declined to comment at length on the matter, saying they had just begun reviewing the statistics. Several officials said the companies with the most notable discrepancies appeared to be state-chartered firms, and also subprime lenders, which are more loosely regulated.

The Fed provided the Department of Housing and Urban Development, which enforces the Fair Housing Act and oversees the subprime lending market, with a list of 179 institutions to review, said Bryan Greene, director of the office of policy at HUD's Fair Housing Office.

The list "identified lenders that had higher cost loans on average for minorities than for whites," Greene said. The information did not prove discrimination had occurred but that it would be a "very, very useful indicator to us as we consider where to launch an investigation," he said.

If an investigation were launched, it would be conducted by the new systemic investigations unit at HUD, which is coor-

vacy experts, however, question its necessity. "It's a good idea and clever, but I've never seen the need to use it," said Bruce Schmeier,



BY SISAM BIDDLE — THE WASHINGTON POST

**Bryan Greene, shown here in 2003, says HUD is deciding whether new lending data justify an investigation into possible bias in mortgage lending.**

dinating efforts to pursue cases that seem to reflect widespread bias rather than only individual cases brought to the attention of federal officials.

Frank G. Gresock, spokesman for the Federal Deposit Insurance Corp., which regulates banks, said his agency is taking its cues from the Fed. "On our end, we're still analyzing the data and will deal with it institution by institution."

Kevin L. Petrasic, managing director of external affairs at the Office of Thrift Supervision, which regulates savings and loans, said his agency also had received a list from the Fed. "It's not that great of a number," he said. "It's significantly under 50" lenders, he said.

The Federal Trade Commission, which enforces the Equal Credit Opportunity Act, is doing its own review of the banking statistics, known as HMDA or Home

er to correct.

But overall, Schmeier added, most people distribute their credit card number widely. "I give it all

Mortgage Disclosure Act data. "We are taking a close look at the HMDA data," said Peggy Twomb, assistant director of the FTC's division of financial practices. "This is a very important issue, and in the past we have used HMDA data to target fair lending investigations."

The National Credit Union Administration, which oversees credit unions, was asked to review two institutions, said Nick Owens, a spokesman for that agency. He said that regional staff members would make inquiries at the firms' headquarters, but that preliminary discussions indicated the companies had "made few loans in lightly populated areas, so that any differences showed up as statistically significant."

Officials at the Justice Department's civil rights division declined to comment.