RANKING THE LENDERS: INVESTIGATING FOR PATTERNS OF RACIAL DISCRIMINATION IN THE MAKING OF HOME LOANS

Report of the
Washington Lawyers' Committee
for Civil Rights and Urban Affairs

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ABOUT THIS REPORT

The Washington Lawyers' Committee for Civil Rights and Urban Affairs is a private, non-profit organization that was founded in 1968 to provide legal representation to victims of race discrimination. Since that time, the Committee has become one of the Nation's pre-eminent civil rights organizations, providing leadership in the areas of housing and employment discrimination, asylum and refugee rights, education, and disability rights.

This Report is one of many the Committee has prepared over the years addressing topics that are important to civil rights enforcement. The Report was prepared under the direction of John P. Relman, Director of the Fair Housing Project at the Washington Lawyers' Committee, with the expert assistance of Richard J. Ritter, an independent consultant. Drs. Bernard Siskin and Leonard Cupingood of the Center for Forensic Economic Studies in Philadelphia, Pennsylvania processed the data and provided the underlying statistics for the Report, but the preparation and interpretation of the tables and the conclusions contained in the Report represent solely the work of the Committee. The computer dot density maps included in the Appendix were prepared by consultant Amir Razavi. Staff assistance in preparing the Report at the Committee was provided by Susan Fleischmann and Karen Lee.

Copies of the Report may be obtained by contacting the Washington Lawyers' Committee for Civil Rights and Urban Affairs, 1300 19th Street, Suite 500, N.W., Washington, D.C. 20036.

I. SUMMARY OF REPORT

A. Overview

This Report offers one of the most detailed and sophisticated examinations of racial disparities in marketing and underwriting by Washington, D.C. area lending institutions ever undertaken. Using publicly available home mortgage loan data reported by lenders under the Home Mortgage Disclosure Act for the years 1990 through 1993, the Report focuses on possible discrimination in two key areas of the lending process: failure to market or solicit home mortgage loans in minority neighborhoods because of race and disparate treatment of minorities in the underwriting of loans.

The Report is based on the innovative approach first used by the Department of Justice in its seminal discrimination lawsuit against Decatur Federal Savings & Loan Association -- an approach that has been used with continued success by the Justice Department in several important cases since, culminating in the Department's landmark settlement with Chevy Chase Federal Savings Bank.

Most studies that attempt to use publicly available loan data to examine bank lending practices fail to control for important factors that may explain racial disparities in underwriting and marketing practices. For this reason they are of limited use in both identifying which lenders may be engaged in a pattern or practice of lending discrimination, and identifying which lenders should be subjected to the type of pattern or practice investigation used by the Justice Department.

In that important respect this Study is unique. It does what no one in the private sector has done to date in analyzing the fair lending practices of credit institutions in the Washington, D.C. area. Relying on statistical methods used by the Justice Department, and using the most recent loan data available, the Study controls for the income of applicants, the numbers of loans processed, and takes into account the lender's reasons for rejection. It then asks three questions: after controlling for these factors, do significant disparities between the rate at which lenders reject black and white applicants for home loans remain; are there significant race-based disparities in the marketing of home loans; and if so, which lenders in the Washington, D.C. area show the highest disparities?

B. Results:

1. *Underwriting*:

Thirteen large area lenders rejected African-American applicants for conventional mortgage loans between 1990 and 1993 at significantly higher rates than whites even after controlling for income differences. They are:

Nationsbank Mortgage Company
Margaretten & Company
Signet Mortgage Corporation
NVR Mortgage
Mellon Bank
Maryland National Mortgage Corporation

GE Capitol Mortgage
Prudential Home Mortgage Company
Columbia First Bank
Citibank Federal Savings Bank
Great Western Mortgage Corporation
Maryland Federal Savings and Loan Association
Ahmanson Mortgage Corporation

At each of these institutions black applicants were more than twice as likely to be rejected for loans as white applicants. The highest disparities were at **Nationsbank Mortgage Company**, where black applicants overall were more than *five times* more likely to be turned down for loans than whites. The next highest disparities were at **Margaretten, Signet Mortgage**, and **Mellon Bank** where blacks were at least *four times* more likely to be rejected than whites.

This finding is particularly significant because it suggests that, contrary to claims advanced by lenders, the disparities cannot be explained as the result of affirmative marketing efforts in low income minority neighborhoods. For example, at **Nationsbank Mortgage Company** high income black applicants were still *five times* more likely to be rejected than high income whites.

Four lenders showed high rejection rate disparities in the two areas where the Justice Department in its cases has found that discrimination is most likely to occur: the treatment of applicants with respect to their credit histories and debt-to-income ratios. At **Nationsbank Mortgage Company**, black applicants were *12 times* more likely to be rejected because of credit histories or debt-to-income ratios than whites. This was true even after controlling for differences in borrower incomes.

The next highest disparities were at **Citibank** where again, after controlling for income, blacks were almost *five times* more likely to be rejected for these reasons than whites.

When broken down on a year-by-year basis, rejection rate disparities *increased* in 1993 over the 1990-1993 average for virtually all lenders. The lenders that showed an increase for 1993 included **Nationsbank** and **Citibank**.

2. *Marketing*:

Fifteen large volume mortgage lenders showed significant disparities for the years 1990 through 1993 throughout the Washington, D.C. area in their market shares of loans and loan applications in majority black areas even after applying controls for loan type ("jumbo" and "non-jumbo") and loan amount. The highest disparities were found at:

Atlantic Coast Mortgage Company
American Home Funding
Inland Mortgage Company
James Madison Mortgage Company
Ryland Mortgage Corporation

Huntington Mortgage Corporation
CTX Mortgage Corporation
Developers Mortgage Corporation
Chevy Chase/B.F. Saul Mortgage Company

Computer maps showing the location of loan originations within the Washington, D.C. area, attached as an appendix to the Report, vividly depict the predominantly all-white lending patterns of many of these institutions. All of these lenders, most of which are mortgage companies, were found to originate relatively few loans in neighborhoods that are majority black (50% -75%) or predominantly black (75% - 100%).

Some lenders, such as **Atlantic Coast Mortgage Company, Developers Mortgage Corporation** and **CTX Mortgage,** do virtually no business in majority or predominantly black census tracts in either the District of Columbia or Prince George's County. Other lenders, such as **American Home Funding** and **Ryland Mortgage Company**, make a modest number of loans in some majority black tracts (mostly in Prince George's County), but originate few loans in predominantly black tracts. Likewise, **Citibank** showed significant market share disparities in majority and predominantly black neighborhoods in the District of Columbia.

The market share disparities of all fifteen lenders cannot be explained by differences in loan amounts typically sought in white as opposed to black neighborhoods. After controlling for this factor, significant disparities remain. All of the institutions examined are high volume lenders that could reasonably be expected to compete for loans in African-American areas. Indeed, just as the Justice Department found in its investigation of Decatur Federal, the white areas where these lenders conduct most of their business sit side-by-side with the very areas where they choose not to market.

C. Conclusion

The purpose of this Study is not to prove that any particular lending institution has engaged in unlawful practices that violate either the Fair Housing Act or the Equal Credit Opportunity Act. All that can be said about the lenders identified above and elsewhere in the Report is that the racial disparities in underwriting and marketing raise serious fair lending concerns that require further investigation.

Whether that investigation is undertaken by the government or the private sector is less important than the fact that it needs to be done. All residents of the Washington, D.C. area have a right to know if their bank or mortgage company is involved in discriminatory practices.

II. INTRODUCTION AND BACKGROUND TO THE STUDY

A. The *Washington Post* Series

The *Washington Post's* June 1993 series "Separate and Unequal"[1] represented the first careful look at mortgage lending practices in white and black neighborhoods in the Washington, D.C. metropolitan area. A *Post* computer study showed a racially biased system of home mortgage lending in which banks and thrifts and their mortgage company subsidiaries provided substantially more loans in white areas than in black areas even after controlling for differences in neighborhood income and housing characteristics.

The *Post* found a dual lending market in which there was a strong demand for mortgage credit in black neighborhoods that was more likely to be met by a few large national independent mortgage companies, most notably Margaretten, and a host of smaller locally-based mortgage bankers who specialized in government-insured Federal Housing Administration (FHA) and Veterans Administration (VA) loans that were aggressively marketed in the black community. According to the *Post*, depository institutions and their mortgage affiliates concentrated their mortgage lending, branching, and other banking services in the white community, and made little effort to establish business relationships with real estate agents and brokers in black neighborhoods of both the District and Prince George's County, Maryland.

The *Post* also provided anecdotal evidence indicating that seemingly creditworthy blacks and Hispanics who sought mortgage loans at area banks and thrifts were arbitrarily turned down or subjected to unreasonable delays in the processing of their applications. These frustrations often led them or their brokers to turn to independent mortgage companies as lenders of last resort whom they claimed charged higher interest rates, fees, or other charges for loans. The *Post* concluded that the disparate lending and branching patterns shown by its statistical analysis were the result of "subtle" discriminatory marketing and underwriting practices that no longer involve overtly racial commands or strategies from bank management:

> [R]arely today would a bank tell an applicant it doesn't make mortgages in particular neighborhoods. They no longer overtly practice "redlining," in which banks literally draw red lines around areas they deem risky and refuse to lend there...In the 1990s, discrimination has gone underground, according to housing economists. It is hidden within the decisions bankers make about who is creditworthy, the analysts say. It is hidden within their relationships with black real estate brokers. And it is hidden within bankers' decisions to grant only certain types of loans.[2]

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[1] *Washington Post*, June 6-8, 1993, p. A-1.

[2] *Washington Post*, June 6, 1993, p. A-24.

The *Post* series launched a Justice Department investigation that culminated in its recent, widely publicized lawsuit and consent decree against Chevy Chase Federal Savings Bank and its mortgage subsidiary, B.F Saul Mortgage Company. Chevy Chase was prominently mentioned in the *Post* articles for excluding most of the black neighborhoods of the District of Columbia from its "service area" delineated under the Community Reinvestment Act (CRA) and originating few loans in predominantly black neighborhoods in Prince George's County.

B. Studies Before and After the *Washington Post* Series

The *Post* study looked only at home purchase loans originated by area lenders in two single years, 1985 and 1991. It did not include refinance loans, which accounted for a large segment of the loan market in the 1990's. The study analyzed the relationship between race and the number of loans per 1,000 owner-occupied homes and census tract income. It found from the aggregated data that significantly fewer loans were originated in predominantly black census tracts than would be expected based on tract income and owner-occupancy.

Since the *Post* series, there have been numerous studies in this and other parts of the country that have relied on Home Mortgage Disclosure Act (HMDA)[3] data to identify racially discriminatory lending patterns. Most of these studies, like ones that have gone before, analyze aggregated HMDA data to track overall lending patterns in white and minority areas. Often these studies combined socio-economic and CRA related considerations, such as lending patterns in low and moderate income neighborhoods.[4] In other cases, the studies analyzed aggregate loan denial rates of blacks and Hispanics compared to whites, with the lenders identified or grouped according to the magnitude of the racial disparities in rejections. The recently released study of the Greater Washington Urban League, for example, focused on the loan origination and denial rates of D.C. lenders in minority neighborhoods.[5]

While these studies and reports generally conclude that minority neighborhoods receive fewer loans than white neighborhoods or that black and Hispanic mortgage applicants are denied loans at significantly higher rates than white applicants, they do not control for important factors that may explain the disparities, and they are of limited use in identifying lenders for pattern or practice fair lending investigations of the type pursued by the Justice Department.

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[3] 12 U.S.C. 2801*et seq.* This Act requires lending institutions to report to the federal bank regulatory agencies certain specified information about the home mortgage loans that they both make and deny.

[4] *See*, *e.g.*, Shlay, "Where the Money Flows: Lending Patterns in the Washington, D.C.-Maryland-Virginia SMSA," Woodstock Institute (1985).

[5] "District of Columbia Single Family Mortgages Among Minorities, 1990-1992," Greater Washington Urban League (November 1, 1994).

C. The Purpose of this Study

This Study attempts a more refined analysis of the recent HMDA data to address some of these issues in the context of specific lenders that most likely warrant pattern or practice investigations. The Study attempts to do what no one in the private sector has done to date in analyzing the fair lending practices of credit institutions in the Washington, D.C. metropolitan area (MSA):[6] it asks the question: if one controls for income and numbers of loans and takes into account the lender's reasons for rejection, do significant disparities between black and white rejection rates remain; and are there significant disparities in marketing? If so, which lenders in the Washington, D.C. area show the highest disparities?

The Study, therefore, focuses on possible discrimination in two key areas of the lending process: failure to market or solicit loans in minority neighborhoods because of race and disparate treatment of minorities in the underwriting of applications for loans. The Study is geared to the innovative and path-breaking approach first used by the Justice Department in its seminal race discrimination lawsuit against Decatur Federal Savings & Loan Association in Atlanta, Georgia, an approach that has been used with continued success by the Justice Department in several important cases since, culminating in the Department's landmark settlement with Chevy Chase.

D. The *Decatur* and *Chevy Chase* Litigation

1. *Decatur*

In *Decatur*, a case brought under the Bush Administration, the Department of Justice relied on HMDA data to determine that the Bank originated the vast majority of its mortgage loans (usually well over 95%) in majority white census tracts and made few loans in majority black census tracts. It was in this case that Justice first used computer mapping to illustrate racial disparities in a bank's lending practices in white and black neighborhoods, a technique followed in this Study.

The Justice Department also addressed the explanations often offered by lenders when confronted with these lending disparities, namely that socio-economic differences between white and minority neighborhoods explain the disparities. Majority black areas typically include more low income residents who cannot afford to purchase homes, experience lower population growth, have a higher proportion of rental dwellings, and experience fewer home sales and refinancings than majority white areas. Justice conducted an analysis of Decatur's market share of loans in majority white census tracts compared to majority black census tracts. This analysis effectively controlled for these explanations because it looked only at loan originations to presumably creditworthy borrowers. Justice concluded that it was appropriate to compare Decatur's market share in white and black areas because it was a large volume lender that could reasonably be expected to compete for loans in black neighborhoods of Atlanta given its proximity to the white areas in which it had high market share.

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[6] The MSA refers to the "Metropolitan Statistical Area," a geographic term used by the United States Census.

In *Decatur*, Justice went further than this to substantiate its case. After reviewing the Bank's marketing records and interviewing company employees, Justice alleged that Decatur engaged in racially discriminatory marketing practices that effectively redlined residents of Atlanta's black neighborhoods from equal access to mortgage credit. Justice found that Decatur excluded most of the black neighborhoods of Atlanta from its marketing service area under the Community Reinvestment Act. It relied on a virtually all-white staff of account executives who solicited mortgage customers almost exclusively from real estate agents and agencies that sold properties in white neighborhoods. They rarely, if ever, solicited agents who sold properties in black neighborhoods. The account executives operated out of Decatur's mortgage loan offices, all of which were located in white areas.

Similarly, Decatur's network of branches, which were also used to solicit loan business, was tied to white neighborhoods. Indeed, Decatur closed the single branch it ever opened in a black neighborhood after only three years of operation. Other marketing strategies, such as rarely advertising for mortgage loans through minority directed media, failing to market FHA/VA loans more frequently used by black borrowers, and adopting a loan commission structure that encouraged prospecting for loans on higher priced properties in white areas, discouraged loan business from African-Americans. These practices just as effectively redlined Atlanta's black neighborhoods from equal access to credit at Decatur as if the institution formally drew red lines around these areas and declared them off limits for loan solicitation.

Decatur also provided an important prototype for investigating discrimination in bank underwriting practices. The Department of Justice found that African-Americans who submitted applications for mortgage loans were subjected to stricter underwriting standards than white applicants. This inquiry was again triggered by the Bank's HMDA data, which showed that blacks were rejected for mortgage loans at significantly higher rates than white applicants. From 1988 to 1990, Decatur rejected approximately 32% of black applicants for mortgage loans but only 11% of white applicants. Thus, blacks were almost three times more likely to be denied loans than whites.

In its investigation of the Bank's underwriting practices, Justice examined over 4,000 Decatur loan files using a statistical technique called logistic multiple regression analysis. This method, which has been relied upon for years to prove discrimination in employment cases, uses a statistical model that controls for the effects of possible non-racial explanations for bank lending disparities.[7] In *Decatur*, the logistic regression model showed

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[7] The model assigns weights to the factors in the underwriting decision-making process that will best predict the outcome of the process (in this case, acceptance of the loan). The weights assigned to each factor (including race) measure the relative importance of that factor in the decision whether to accept the loan. The race variable measures the difference in the likelihood of a black or minority applicant being accepted compared to a white applicant who is similarly situated based on the underwriting variables included in the regression analysis. The race variable should not be significant to the bank's decisions if it treats similarly situated white and minority applicants equally. If it is significant, then it can be used to establish disparate treatment based on race.

A similar method was used by the Federal Reserve Bank of Boston in its 1992 study that even after controlling for possible non-racial explanations for the Bank's lending disparities, such as differences in income, credit history, and debt levels, race remained a significant factor in the Bank's loan decisions. This discrimination was also independent of the location of the property; that is, black borrowers were subjected to disparate treatment regardless of whether the home they wished to purchase or refinance was located in a predominantly black neighborhood.[8]

2. *Chevy Chase*

The same approach to proving racially discriminatory marketing used in *Decatur*, or what the *Post* characterized as "1990's style" redlining, was pursued by Justice in its *Chevy Chase* investigation. The Department alleged in its complaint against Chevy Chase and its mortgage subsidiary, B.F. Saul Mortgage Company, that these institutions had engaged in a pattern or practice of racial discrimination in marketing that violated the Fair Housing Act and the Equal Credit Opportunity Act.

As in *Decatur*, this investigation focused on the Bank's refusal to market or solicit loan business in majority black areas, specifically those in the District and Prince George's County. Justice analyzed the Bank's HMDA data, which showed that the vast majority of its loans and mortgage applications (never less than 95%) came from majority white census tracts. A market share analysis showed that the paucity of loans in black areas could not be explained by differences in the demand for mortgage credit between white and black neighborhoods.

Justice alleged that both the Bank and Mortgage Company had effectively declared black neighborhoods off-limits for loan solicitation, and was prepared to prove this by showing that the Bank and Mortgage Company had excluded black neighborhoods in the District of Columbia from their service area, refused to make sales calls or otherwise solicit mortgage loan business from real estate agents and brokers in black areas, placed virtually all of their branches and mortgage offices in white areas, and failed to advertise for loans through minority media.

E. Using the Department of Justice Approach

In preparing this Study, the Committee obtained the assistance of the same experts the Justice Department used in the *Decatur* case -- Drs. Bernard Siskin and Leonard

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of the lending practices of 131 banks in the Boston, Massachusetts area. That study, based on a sample of over 3,000 loan files from the participating institutions, showed that for any set of financial, employment, and neighborhood characteristics, black and Hispanic mortgage applicants in Boston were 56% more likely to be turned down for loans than whites. *See* Munnell et al., "Mortgage Lending in Boston: Interpreting HMDA Data."

[8] The Department of Justice also conducted a statistical analysis of mortgage loan underwriting in *Chevy Chase* but did not allege that the lender had unlawfully discriminated in this aspect of its business.

Cupingood of the Center For Forensic Economic Studies in Philadelphia, Pennsylvania.[9] Obviously, a *Decatur* type logistic regression analysis of the lenders covered by this Study could not be conducted without access to their loan files. This Study, however, uses the publicly available HMDA data in ways similar to that used by the Justice Department to identify lenders in the Washington, D.C. area who show the highest racial disparities in denial rates and whom the Committee believes are the best candidates for a regression study.

As explained below, the loan data was filtered through several screens to adjust statistically for the magnitude of the racial disparities, taking into account the number of loan applications received by the institution, the effect of borrower income, and the reasons for applicant rejections reported in their HMDA disclosures. Lenders for whom the racial disparities remained significant after these controls were applied were then ranked and identified as those best suited for a full statistical analysis of their underwriting practices.

For purposes of the marketing analysis, the Committee used the same approach taken by the Justice Department in *Decatur* and *Chevy Chase* and analyzed HMDA data for racial disparities in loan market share. The Study identified lenders with the highest market share disparities between white and black census tracts in the Washington, D.C. MSA, and tested to see if those disparities might be explained by differences in the types or sizes of loans originated in those neighborhoods. Computer mapping is also used to show the relative concentrations of a given lender's loans in white and black census tracts.

In this way, following the Department of Justice's lead, this Report offers one of the most detailed and sophisticated examinations of racial disparities in marketing and underwriting by Washington, D.C. area lenders ever undertaken. Most important, perhaps, the Report represents the first comprehensive and refined statistical review of recent HMDA data from the last two years -- a time period not covered by the *Post* report.

The purpose of this Study, however, is not to prove that any particular lending institution has engaged in unlawful credit discrimination under the Fair Housing Act or Equal Credit Opportunity Act. All that can be said about the lenders identified by the Study is that the racial disparities in underwriting and marketing raise serious fair lending concerns that require further investigation.

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[9] The Center for Forensic and Economic Studies processed the data for the Washington Lawyers' Committee and provided the underlying statistics for this Study. However, the preparation of the tables, interpretation of the tables, and conclusions represent solely the work of the Committee.

III. SUMMARY OF METHODOLOGY

This Study is based on an analysis of mortgage applications and originations for the purchase and refinance of one- to four-family residences in the Washington, D.C. MSA from 1990 to 1993 by all lenders required to report such information under the Home Mortgage Disclosure Act. The data used for the Study include all reported loan information for conventional and government-insured loans (FHA, VA, and FmHA).

As explained in Section II above, the Study is divided into two parts. **Part I** focuses on possible discrimination in the underwriting of minority loan applications. It analyzes the rejection rate disparities between white and black applicants and white and Hispanic applicants for conventional and government-insured loans.[10] Asian applicants and other minorities (not black or Hispanic) were excluded from the data used for Part I of the Study because they generally constituted too small a percentage of the total reported applicants to provide a meaningful analysis.

Lenders with the highest rejection rate disparities and large numbers of rejected minority applicants are then subjected to further analysis of their HMDA data. Specifically, the data is adjusted for income, and special focus is placed on loans rejected for credit and debt ratio deficiencies.

Part II looks at lenders who may be engaging in racially discriminatory marketing or redlining practices. It analyzes the number and percentage of mortgage applications and loan originations in white and black census tracts and each lender's market share of loans originated in those tracts. The tracts are grouped into four categories: 0-25% black; 25-50% black; 50-75% black; and 75%-100% black. This analysis looks only at the percentage of blacks in each tract because, as noted above, Hispanics and other non-black minorities reside in widely scattered areas of the MSA, thereby precluding meaningful analysis of possible marketing discrimination against these groups. Lenders who received at least 400 applications during the four-year period were included in this analysis. Those who received the vast majority (at least 90% or more) of their applications from majority white census tracts (defined as 0-50% black) and who exhibited the largest disparities in loan market share between white and black tracts are subjected to further analysis, including computer mapping of their loan originations.

[10] An applicant was identified as black or Hispanic if the borrower or co-borrower was black. An applicant was identified as Hispanic if the borrower or co-borrower was Hispanic and neither was black.

IV. SUMMARY OF FINDINGS

A. Racial Disparities In Underwriting

Thirteen large area lenders rejected African-American applicants for conventional mortgage loans between 1990 and 1993 at significantly higher rates than whites even after controlling for income differences. They are:

Nationsbank Mortgage Company
Margaretten & Company
Signet Mortgage Corporation
NVR Mortgage
Mellon Bank
Maryland National Mortgage Corporation
GE Capitol Mortgage
Prudential Home Mortgage Company
Columbia First Bank
Citibank Federal Savings Bank
Great Western Mortgage Corporation
Maryland Federal Savings and Loan Association
Ahmanson Mortgage Corporation

At each of these institutions black applicants were more than twice as likely to be rejected for loans as white applicants, and at four of these lenders Hispanic applicants had a likelihood of rejection that was at least twice that of whites.

The highest disparities were at **Nationsbank Mortgage Company**, where black applicants overall were more than five times more likely to be turned down for loans than whites. The next highest disparities were at **Margaretten**, **Signet Mortgage**, and **Mellon Bank** where blacks were at least four times more likely to be rejected than whites.

The highest disparity for Hispanics was at **NVR Mortgage** where the likelihood of rejection was more than three times that of whites, followed by **GE Capitol Mortgage** (2.98/1) and **Nationsbank** (2.52/1). While other area lenders had similarly high rejection disparities for blacks and Hispanics, the thirteen identified in this Study were selected because they rejected the largest numbers of minority applicants during the period covered by the Study.

The rejection disparities remained significant for all thirteen lenders regardless of the income of the borrowers. This finding is significant because it suggests that, contrary to claims advanced by lenders, the disparities cannot be explained as the result of affirmative marketing efforts in low income minority neighborhoods. For example, at **Nationsbank Mortgage Company** high income black applicants were still five times more likely to be rejected than high income whites. Similarly, the Study shows that at **Margaretten**, **Signet**, and **Mellon Bank** in particular, black mortgage applicants had a significantly higher likelihood of rejection than white applicants with the same income levels.

Upon closer analysis, four lenders showed high rejection rate disparities in the two areas where the Justice Department in its cases has found that discrimination is most likely to occur: the treatment of applicants with respect to their credit histories and debt-to-income ratios. At **Nationsbank Mortgage Company**, black applicants were 12 times more likely to be rejected because of credit histories or debt-to-income ratios than whites. This was true even after controlling for differences in borrower incomes.

The next highest disparities were at **Citibank** where again, after controlling for income, blacks were almost five times more likely to be rejected for these reasons than whites. **Great Western Mortgage Company** and **Ahmanson Mortgage Company** showed equally high disparities based on these reasons for rejection. A total of 681 black applicants for mortgage loans were rejected for credit or debt ratios at these four institutions alone from 1990 to 1993.

When broken down on a year-by-year basis, rejection rate disparities *increased* in 1993 over the 1990-1993 average for virtually all lenders. The lenders that showed an increse for 1993 included **Nationsbank** and **Citibank.**

Lenders that originated large numbers of FHA and VA loans also showed high rejection rate disparities for black and Hispanic applicants. **Crestar Mortgage Company** had the highest disparity. There, blacks were seven times more likely to be rejected than white applicants even after controlling for differences in income. **Union Federal Savings Bank of Indianapolis** showed the second highest disparity with a 4 to 1 black/white rejection rate after controlling for income. This institution also showed the highest black/white disparities among FHA/VA lenders that reported rejections for credit or debt ratios; blacks were almost eight times more likely to be turned down for these reasons than whites.

B. Racial Disparities In Marketing

Fifteen large volume mortgage lenders showed significant disparities for the years 1990 through 1993 throughout the Washington, D.C. MSA in their market shares of loans and loan applications in majority black areas even after applying controls for loan type ("jumbo" and "non-jumbo") and loan amount. The highest disparities were found at:

Atlantic Coast Mortgage Company
American Home Funding
Inland Mortgage Company
James Madison Mortgage Company
Ryland Mortgage Corporation
Huntington Mortgage Corporation
CTX Mortgage Corporation
Developers Mortgage Corporation, and
Chevy Chase/B.F. Saul Mortgage Company[11]

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[11] As discussed in Section II above, Chevy Chase Federal Savings and B.F. Saul Mortgage Company were the focus of one of the Justice Department's most recent pattern or practice lending investigations.

Computer maps showing the location of loan originations within the Washington, D.C. MSA, produced as part of this Study, vividly depict the virtually all-white lending patterns of many of these institutions. *See* Appendix 1. These lenders originate very few loans in neighborhoods that are majority black (50% -75%) or predominantly black (75% - 100%).

Citibank showed significant market share disparities in majority and predominantly black neighborhoods in the District of Columbia. Improvements were noticeable at **Chevy Chase/B.F. Saul** in 1993, the year the Department of Justice commenced its investigation of that institution. The market share disparities of all fifteen lenders could not be explained by differences in loan amounts in white and black neighborhoods. These controls were introduced to discount the possibility that their low market shares in black neighborhoods might be explained by marketing strategies geared to upper income neighborhoods that are disproportionately white.

V. FINDINGS

A. Part One: Rejection Rate Disparities (1990 to 1993)

1. Overview

There are two basic approaches to detecting racial discrimination in the underwriting process. One is non-statistical in nature and involves individual comparisons of white and minority loan files to detect differences in treatment that cannot be explained on non-racial grounds. The other, as explained in Section II above, is through a statistical analysis of large numbers of loan files using a technique called logistic multiple regression analysis. As revealed by the *Decatur* investigation and the Boston Federal Reserve Study, disparate treatment in loan underwriting most often occurs among applicants who have credit flaws that require the exercise of underwriting judgment. The recently published Interagency Policy Statement on Fair Lending recognizes this fact:

> Disparate treatment may more likely occur in the treatment of applicants who are neither clearly well-qualified nor clearly unqualified. Discrimination may more readily affect applicants in this middle group for two reasons. First, because the applications are all "close cases," there is more room and need for lender discretion. Second, whether or not an applicant qualifies may depend on the level of assistance the lender provides the applicant in preparing an application. The lender may, for example, propose solutions to problems on an application, identify compensating factors, and provide encouragement to the applicant. Lenders are under no obligation to provide such assistance, but to the extent that they do, the assistance must be provided in a nondiscriminatory way.[12]

Many lenders today continue to rely on subjective or judgmental underwriting systems for mortgage loans, although some institutions reportedly have converted to credit scoring systems for these loans similar to those often used for consumer loans, such as credit cards. Under a subjective system, the underwriter may engage in subtle and at times even unconscious stereotyping of risks associated with minority borrowers with flawed credentials, such as delinquent credit payment histories or high debt levels. This stereotyping results in these borrowers being viewed as greater risks than white borrowers with similarly flawed credentials.

Frequently it is difficult to detect such bias through individual comparisons of selected loan files. They may show, for example, that minority borrowers were accepted with credit problems that were not waived for white borrowers. These exceptions, however, often mask the central issue; namely, whether minority borrowers on the whole are more likely to be viewed negatively because of their race or ethnicity.

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[12] 59 Fed. Reg. 18266.

From a statistical standpoint, identifying lenders who may be engaging in a pattern or practice of race discrimination in underwriting requires a significant number of rejected minority loan files. For purposes of this Study, the identified lenders each rejected approximately 25 or more black or Hispanic applicants for conventional or FHA/VA loans each year from 1990 through 1993 in the Washington, D.C. MSA, or 100 such applicants over the four-year period.

Likewise, the analysis is limited to large volume lenders; that is, those who received at least 400 applications over the four-year period, and whose rejection rates of black applicants compared to whites was at least 2 to 1 or higher under the ODDS ratio computation explained below.[13] Hispanics are added where their rejection ODDS ratio was also 2 to 1 or higher. The ODDS ratio provides a more accurate statistical assessment of the chances of rejection than the more commonly computed rejection ratio, both of which are reported in the tables.[14]

2. Conventional Loans Reported for the Washington, D.C. MSA

Table 1 reports the application data and overall rejection rates for lenders in the Washington, D.C. MSA with black and/or Hispanic to white ratios of at least 2 to 1 or higher. The overall rejection rate disparity for black to white applicants is shown in the third column from the right. Table 1 reports rejection rate data for black applicants because they constitute most of the minority applicants for mortgage loans in the MSA. The lenders are ranked, starting with those having the highest racial disparities.

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[13] Among all lenders who reported loan data pursuant to HMDA between 1990 and 1993, the average rejection rate disparity between black and white applicants was 2.6 to 1. The disparity for Hispanics was 1.7 to 1.

[14] The ODDS ratio measures the odds that one group (i.e., blacks) will be rejected for a mortgage relative to the odds that another group (i.e., whites) will be rejected for a mortgage. It allows one to distinguish two different situations where the simple rejection rate ratios are the same. For example, suppose that at one bank 10% of blacks and 5% of whites are rejected for loans. At a second bank, assume that 20% of blacks and 10% of whites are rejected. At both banks, blacks are rejected for loans at twice the rate of whites. However, the absolute disparity (5% v. 10%) is greater at the second bank. At the first bank, the odds of a black being rejected are (0.1/0.9), while the odds of a white being rejected are (0.05/0.95). Thus, the ODDS ratio for the first bank is [(1/9) / (5/95)] = 2.11, while the rejection ODDS ratio for the second bank is [(0.2/0.8) / (0.1/0.9)] = 2.25. The ODDS ratio thus considers both the relative rate of rejection and the actual magnitude of the difference.

Table 1
Rejection Disparities 1990 to 1993
Black/Hispanic Applicants - Conventional Purchase and Refinance Loans
(100 or more black and/or black and Hispanic rejected applicants)

Name	# of Apps	Black Apps	Black Rejects (%)	White Apps	White Rejects (%)	Black/ White Ratio	Black/ White ODDS Ratio*	Hispanic/ White ODDS Ratio*
Nationsbank Mortgage Co.	16218	1495	261 (17.5%)	14314	467 (3.3%)	5.35	6.27	2.52
Margaretten & Co.	9487	1635	340 (20.8%)	7344	332 (4.5%)	4.60	5.55	—**
Signet Mortgage Corp.	4254	388	99* (29.3%)	3835	311 (8.1%)	3.61	4.69	2.17
Mellon Bank	4145	353	116 (32.9%)	3661	392 (10.7%)	3.07	4.08	2.48
NVR Mortgage	9463	959	136 (14.2%)	8305	377 (4.5%)	3.12	3.48	3.16
GE Capitol Mortgage	5357	357	90* (25.2%)	4876	470 (9.6%)	2.62	3.16	2.49
Maryland Nat'l Mortgage Co.	9388	845	146 (17.3%)	8231	538 (6.5%)	2.64	2.99	—**
Prudential Home Mortgage Co.	7491	418	117 (28%)	6947	843 (12.1%)	2.31	2.81	—**
Citibank, FSB	10363	959	434 (45.3%)	9100	2161 (23.7%)	1.91	2.65	—**
Great Western Mort. Corp.	2227	509	183 (36.0%)	1623	307 (18.9%)	1.90	2.41	—**
Ahmanson Mortgage Corp.	7350	1445	700 (48.4%)	5650	1642 (29.1%)	1.67	2.29	—**
Columbia First Bank	5711	683	134 (19.6%)	4889	489 (10%)	1.96	2.20	2.58
Maryland FS & L	4813	532	139 (26.1%)	4207	600 (14.3%)	1.83	2.13	—**

* Included based on rejection of 100 or more black and Hispanic applicants.
** Not reported because ODDS ratio less than 2 to 1.

Borrower income can play an important role in loan decisions. To control for this variable and to determine if the rejection disparities remain significant among whites and blacks and whites and Hispanics with similar incomes, the applicants were grouped into three income bands corresponding with the lower 25th percentile of applicants, the middle 50th percentile of applicants, and the upper 75th percentile of applicants. In dollar terms, these income bands corresponded with applicants earning under $40,000 per annum, $40,000 to $100,000 per annum, and over $100,000 per annum. The rejection ratios were computed within each income band and weighted to an overall ratio by the number of blacks and Hispanics within each band.

This permits an adjustment of the racial disparities to account for the possible imbalance of minorities among low income applicants who may face a higher likelihood of rejection. It also controls for the claim by some lenders that affirmative marketing efforts in low income minority neighborhoods explain the increase in minority rejection rates because those areas have fewer qualified buyers. As Table 2 shows, application of these controls lowered the rejection disparities, but the disparities remained significant for virtually all lenders.

Table 2
Rejection Disparities After Adjusting for Differences in Income Levels of Applicants

Name	Income Adjusted Black/White Ratio	Income Adjusted Black/White ODDS Ratio	Income Adjusted Hispanic/White Ratio	Income Adjusted Hispanic/White ODDS Ratio
Margaretten & Co.	4.41	5.39	1.46	1.53
Nationsbank Mortgage Co.	4.5	5.28	2.31	2.42
Signet Mortgage Corp.	3.27	4.18	1.70	1.98
Mellon Bank	3.10	4.08	1.85	2.25
NVR Mortgage	3.16	3.52	2.93	3.22
Maryland Nat'l Mortgage Co.	2.58	2.92	1.57	1.66
Prudential Home Mort.	2.19	2.79	1.18	1.22
GE Capitol Mort.	2.32	2.79	2.03	2.32
Citibank FSB	1.82	2.47	1.42	1.63
Great Western Mort. Corp.	1.88	2.37	1.42	1.63
Ahmanson Mort. Co.	1.63	2.21	1.28	1.54
Columbia First Bank	1.91	2.14	1.41	1.56
Maryland FS & L	1.80	2.07	1.68	1.87

As reflected in Table 2, the three mortgage companies with the highest rejection disparities for blacks after controlling for income are **Nationsbank Mortgage Company; Margaretten & Company;** and **Signet Mortgage Company.** They were also among the largest originators of conventional home mortgages in the Washington, D.C. MSA from 1990 to 1993.

More significantly, the racial disparities in rejection rates at these three lenders, as well as most of the others identified in Table 1, *increased* during 1993 as reflected by the final HMDA data released in late October, 1994. The most notable increase occurred at **NVR Mortgage** where the income adjusted black/white ODDS ratio was nearly double the four year average (6.10 vs. 3.52). Significant increases also occurred at **Margaretten** (7.59 vs. 5.39); **Mellon Bank** (5.20 vs. 4.10); **Citibank** (3.24 vs. 2.47); and **GE Capitol Mortgage** (3.93 vs. 2.65). **Nationsbank Mortgage Company**, which after **Margaretten** had the highest adjusted rejection disparities in the MSA from 1990 to 1993, also experienced an increase for 1993 over the four-year average (5.70 vs. 5.25).

Most, but not all, of the lenders identified in Tables 1 and 2 reported the reasons for applicant rejections. This is because HMDA permits, but does not require, the reporting of reasons for rejections.[15] As discussed in Section II above, the Justice Department's statistical analysis of the loan files in *Decatur* showed that much of the racially discriminatory treatment occurred among white and minority borrowers with flawed credit histories or high debt ratios. Table 3 uses this finding to refine the analysis further to identify lenders with large and significant racial disparities in reported rejections in these two areas.[16]

The analysis upon which Table 3 is based assumes that other variables which might justify a loan rejection (employment history, for example, or lack of collateral) are uniformly applied. These variables are deleted from the calculus. The lender, therefore, is given the benefit of the doubt with respect to its application of these variables in the loan underwriting process, and the analysis can proceed to focus specifically on the area where, if discrimination exists, it is most likely to occur.

Table 3 identifies lenders that reported at least 100 or more black and minority applicants during the 1990 to 1993 period who were rejected for bad credit and/or debt ratios. Limiting Table 3 to lenders who rejected at least 100 black and minority applicants solely on credit and debt variables, of course, necessarily excludes many lenders that still

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[15] HMDA report forms contain the following denial codes: (1) debt-to-income ratios; (2) employment history; (3) credit history; (4) collateral; (5) insufficient cash (down payment, closing costs); (6) unverifiable information; (7) incomplete credit application; (8) denial of mortgage insurance; and (9) other.

[16] The HMDA data, even with reasons for rejection, does not provide sufficient information *in and of itself* to prove a pattern or practice of disparate treatment has occurred in the application of underwriting standards. This requires access to the bank's loan files. For example, simply reporting that minority borrowers are disproportionately rejected based on credit history does not prove that they were treated differently from similarly situated white applicants because their individual credit histories are not reported, nor are those of whites. However, as pointed out in the federal Interagency Loan Policy Statement, "HMDA data are useful...for identifying lenders whose practices may warrant investigation for compliance with fair lending laws [and] ...may also be relevant, in conjunction with other evidence, to determine whether a lender has discriminated."

have significantly high rejection disparities, even on these variables.[17]

Table 3
Rejection Disparities - Credit,
Adjusting for Difference in Income Levels of Applicants
(100 or more rejected black applicants for credit)

Name	# of Apps	Black Apps.	Black Rejects (%)	White Apps.	White Rejects (%)	Black/ White Ratio	Black/ White ODDS Ratio	Hisp./ White ODDS Ratio
Nationsbank Mortgage Co.	15698	1375	141 (10.3%)	13939	92 (.66%)	11.18	12.34	3.01
Citibank FSB	8423	725	200 (27.6%)	7472	533 (7.1%)	3.73	4.77	1.92
Great Western Mort.	1921	429	103 (24%)	1413	97 (6.9%)	3.49	4.37	1.90
Ahmanson Mort. (Home Sav. of Amer.)	5485	982	237 (24.1%)	4331	323 (7.5%)	3.19	3.89	1.34

Table 4 refines the analysis still further. It shows the rejection rate disparities between whites and blacks using the same underwriting variables examined in Table 3, but also applies the ODDS ratios that adjust for differing income levels among applicants. **Margaretten**, which had the second highest overall racial rejection disparity of the studied lenders (Table 1), did not report reasons for rejection in its HMDA submissions for 1990 to 1993. Likewise, **GE Capitol Mortgage** did not report reasons for rejection. Accordingly, these institutions were not included in this analysis.

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[17] For example, **NVR Mortgage Company** rejected 73 black applicants from 1990 to 1993 solely because of bad credit. The disparity between whites and blacks who were rejected for this reason was highly significant even after controlling for income (adjusted black/white ODDS ratio 8.41). Similarly high ratios on the credit and debt variables existed at several other lenders identified in Table 1 but not reported in Table 2. *See, e.g.*, **Mellon Bank** (11.34 for blacks on credit), **Signet Mortgage** (8.91 for blacks on credit and income).

Table 4
Rejection Disparities - Credit and/or Debt Ratios
Adjusting for Difference in Income Levels of Applicants
(100 or more black and/or black and Hispanic rejected applicants)

Name	# of Apps	Black Apps	Black Rejects	White Apps	White Rejects	Black/ White Ratio	Black/ White ODDS Ratio	Hisp./ White ODDS Ratio
Nationsbank Mortgage Co.	15698	1375	141 (10.2%)	13939	92 (.66)	11.18	12.34	3.01
Citibank FSB	8441	727	202 (27.8%)	7488	549 (7.3%)	3.65	4.66	1.85
Great Western Mort. Co.	1921	429	103 (24%)	1413	97 (6.9%)	3.49	4.37	1.90
Ahmanson Mort Co.	5575	1019	274 (26.9%)	4375	367 (8.4%)	3.11	3.88	1.75

Table 4 demonstrates that when controls are introduced for income, the rejection disparities remain alarmingly high, particularly at **Nationsbank Mortgage Company**, which has the largest share of the conventional home mortgage market in the Washington, D.C. area.[18] Thus, black and Hispanic applicants at institutions like Nationsbank Mortgage Company are still far more likely to be rejected for mortgage loans because of bad credit or

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[18] In the Washington, D.C. MSA the vast majority of mortgage applications in the Nationsbank system are reported and presumably underwritten through the Mortgage Company, whose underwriters work out of offices in Charlotte, North Carolina and Dallas, Texas. In 1993, for example, the Mortgage Company reported a total of approximately 8,469 applications for conventional and FHA/VA loans. The Company's three depository institutions operating in the area reported only 228 such applications -- 185 by Nationsbank, Virginia, 33 by Nationsbank, Maryland, and 10 by Nationsbank, D.C.

It is also important to note that Nationsbank entered into community loan commitments in the District of Columbia as a result of its acquisitions of several District banks: C & S Sovran Corp. and Sovran Bank in 1991, and Maryland National Corp. and American Security Bank in 1993. These commitments were required by the District of Columbia Regional Interstate Banking Act of 1985 in order for Nationsbank to purchase the institutions. In 1992, Nationsbank entered into a mortgage loan processing and credit counseling program with the Association for Community Organizations for Reform Now (ACORN). Under that program, ACORN staff screen low income mortgage applicants for eligibility in a special loan program and provide counseling in debt management. Applicants with poor credit histories or excessive debt are eliminated by ACORN staff. The remaining applicants are forwarded to the Nationsbank Mortgage Company for final underwriting review. This pre-screening by ACORN may have artificially *lowered* the black rejection rate reflected in the Mortgage Company's HMDA reports.

excessive debt than whites with similar incomes.[19]

These and other lenders identified in Tables 3 and 4 may contend that racial differences in rejection rates based on credit and debt ratios are attributable to affirmative marketing efforts in low income and minority areas. This is because, the argument goes, low income and minority areas include a higher proportion of unqualified credit applicants. Assuming without accepting this contention, the Study uses the HMDA data to the greatest extent possible to address this concern by controlling for the income levels of the borrowers. As discussed above, the weighted rejection ratios reported in Tables 2-4 take into account the possible imbalance of minority applicants among a lender's pool of low income mortgage applicants.

3. FHA/VA Loan Rejection Disparities

As in other large metropolitan areas, blacks and Hispanics are more likely to purchase and refinance homes through FHA and VA loans than white borrowers. This is in part a legacy of past discrimination in the housing and lending markets. During the 1960's and 1970's many banks and thrifts in urban markets around the country concentrated their lending in white suburban areas and ceded to independent mortgage companies and a few minority owned depository institutions much of the demand for credit in the increasingly minority inner cities. These institutions often specialized in government-insured FHA and VA loans, which were aggressively marketed in minority neighborhoods.

At the same time, many banks and thrifts curtailed their FHA and VA lending or ceased making such loans altogether. The development of this dual lending market has been well documented in the Washington, D.C. area.[20] Thus it is not surprising that the 1990-1993 HMDA data show 41.3% of all home purchases and refinances by black households in the Washington, D.C. MSA were made through FHA or VA loans. Whites in the MSA used these loans for only 22% of their home purchases or refinances.

A small number of mortgage companies have disproportionately large shares of the FHA/VA loan market in the Washington, D.C. MSA. As shown in Table 5, seven mortgage companies controlled almost 30% of this loan market between 1990 and 1993.

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[19]Many of the African-American applicants whom these institutions reported as rejected because of credit or debt to income ratios sought to purchase or refinance properties in the District of Columbia. The highest number were at **Citibank**, where 112 (55.4%) blacks were rejected for loans on D.C. properties, followed by **Ahmanson** (114; 41.6%); **Nationsbank Mortgage Co.** (40; 28.4%); and **Great Western** (37; 35.9%).

[20]*See* 1977 Report to the Washington, D.C. City Council, "Strategy for Change -- Housing Finance in Washington D.C." (submitted by the Washington, D.C. Commission on Residential Mortgage Investment).

Table 5
Companies with Largest Percentage of FHA/VA Loan Market

Company	No. FHA/VA Loans	% Market
1. Margaretten	9408	6.96
2. Ahmanson (American Home Funding)	5257	3.89
3. James Madison	5074	3.75
4. Norwest	5061	3.75
5. Dominion Bankshares	4815	3.57
6. Atlantic Coast Mortgage	4675	3.46
7. Union FSB of Indianapolis	4674	3.46

When the same rejection rate analysis used in Section V(A)(2) above for conventional loans is applied to FHA/VA loans, four of the lenders who are among the largest providers of FHA/VA loans (**Margaretten, Norwest, Union FSB, and Ahmanson**) show high FHA/VA rejection rate disparities. Table 6 reports the rejection disparities for FHA/VA lenders with the highest rates.

Table 6
Rejection Disparities 1990-1993
Black/Hispanic Applicants - FHA/VA Loans
(100 or more black and/or black and Hispanic rejected applicants)

Name	# of Apps	Black Apps	Black Rejects (%)	Whit Apps	White Rejects (%)	Black/ White Ratio	Black/ White ODDS Ratio	Hisp/Whi ODDS Ratio
Crestar Mort. Corp.	2390	727	96* (13.2%)	1486	30 (2%)	6.54	7.38	2.91
Union FSB	5145	1802	299 (16.6%)	3174	135 (4.3%)	3.90	4.48	1.42
First Washington Mortgage Corp.	3312	1244	133 (10.7%)	1735	51 (2.9%)	3.64	3.95	2.22
Margaretten	10768	5080	1138 (22.4%)	4967	349 (7%)	3.19	3.82	1.24
Banc One Mort. Corp.	1518	698	100 (14.3%)	744	32 (4.3%)	3.33	3.72	2.62
Norwest Mort. Inc. .	5289	1433	128 (8.9%)	3681	95 (2.6%)	3.46	3.70	1.34
First National Mort. Corp.	2897	978	124 (12.7%)	1804	70 (3.7%)	3.27	3.60	4.30
NVR Mort	2487	453	100 (22.1%)	1956	143 (7.3%)	3.02	3.59	1.65
American Home Funding	5592	1121	145 (12.9%)	4275	180 (4.2%)	3.07	3.38	1.48
ICM Mortgage	2603	693	129 (18.6%)	1725	116 (6.72)	2.77	3.17	1.50
Dominion Bankshares Mort. Corp.	3313	1244	177 (14.2%)	1973	109 (5.5%)	2.58	2.84	1.99

* Included based on rejection of 100 or more black and Hispanic applicants.

Following the same analysis used for conventional loans, the rejection rate disparities for FHA/VA lenders reported in Table 6 were adjusted to control for the effects of differences in incomes. Table 7 shows that in all cases the results remained significant.

Table 7
Rejection Disparities 1990-1993
Black/Hispanic Applicants - FHA/VA Loans
Adjusting for Differences in Income Levels of Applicants

Name	Income Adjusted Black/White Ratio	Income Adjusted Black/White ODDS Ratio	Income Adjusted Hispanic/White Ratio	Income Adjusted Hispanic/White ODDS Ratio
Crestar Mort. Corp.	6.45	7.29	2.76	2.87
Union FSB of Indianapolis	3.87	4.45	1.43	1.47
First Washington Mort. Corp.	3.54	3.88	1.98	1.97
Margaretten	3.20	3.82	1.21	1.24
Norwest Mort. Corp.	3.47	3.71	1.45	1.49
First National Mort. Corp.	3.30	3.66	3.97	4.61
NVR Mortgage	3.05	3.63	1.50	1.74
ICM Mortgage	3.05	3.51	1.58	1.74
Bank One Mort. Corp.	3.11	3.47	2.13	2.36
American Home Funding	3.06	3.37	1.42	1.55
Dominion Bankshares Mort. Corp.	2.58	2.85	1.86	2.07

Again, as with conventional loans, the analysis was further refined to identify FHA/VA lenders who had the highest rejection rate disparities based on credit and debt to income variables and whose HMDA reports showed at least 100 or more black applicants rejected for these reasons. Seven of the 11 lenders identified in Table 6 (**Margaretten, Norwest, Washington Federal, First Maryland, Bank One, NVR, and ICM**) generally did not report complete reasons for rejection in their 1990-1993 HMDA data, or the reasons were reported only in a limited number of instances.

As a result only two lenders are identified who reported rejecting 100 or more black applicants for credit or debt: **Union FSB of Indianapolis and Dominion Bankshares.** Table 8, therefore, is limited to results from only these lenders. That analysis, however, shows highly significant racial disparities on these variables.

Table 8
FHA/VA Rejection Disparities - Credit and/or Debt Ratios
Adjusting for Difference in Income Levels of Applicants
(100 or more black and/or black and Hispanic rejected applicants)

Name	# of Apps	Black Apps	Black Rejects (%)	White Apps	White Rejects (%)	Black/ White Ratio	Black/ White ODDS Ratio	Hisp./ White ODDS Ratio
Union FSB	4983	1724	221 (12.8%)	3097	58 (1.9%)	7.06	7.94	0.74
Dominion Bankshares Mort.	3162	1167	100 (8.6%)	1905	41 (2.2%)	3.99	4.28	2.02

The failure of 7 out of 11 FHA/VA lenders to include complete reasons for applicant rejections in their HMDA data submissions makes it difficult to determine precisely which lenders warrant additional investigation based on an analysis of credit and/or debt ratio variables. The rejection rate disparities on credit and debt ratios at **Union FSB** are strikingly high, but that may also be true at some of the other targeted FHA/VA lenders with high overall racial disparities that did not report reasons for rejection, such as **Washington Federal**, **Norwest**, and **Margaretten.** Likewise, **Crestar** and **American Home Funding** showed significant disparities on these variables,[21] but they were excluded from Table 8 because their HMDA reports showed only 43 and 86 minority rejections because of bad credit or debt ratios.

B. Part Two: Marketing Disparities (1990 to 1993)

1. Conventional and FHA/VA Loans Reported for the Washington, D.C. MSA.

As discussed in Section II above, in *Decatur* and *Chevy Chase* the Justice Department alleged that the defendant banks had originated the vast majority of their loans in majority white neighborhoods and made few loans in majority black neighborhoods. The Department analyzed both the number and percentage of loans made by the institutions and their share of the total market of loans in the relevant areas.

This Part of the Study follows a similar approach, focusing on overall application and loan origination rates and market shares of Washington, D.C. area lenders in white and black areas. Both conventional and FHA/VA loans are included in this analysis. Lenders were selected for investigation of their marketing practices based on the volume of loans originated. Specifically, the Study focuses on lenders who originated at least 3,000 mortgage loans on properties within the Washington MSA between 1990 and 1993.

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[21]The weighted minority ODDS ratio was 6.23 for **Crestar** and 4.36 for **American Home Funding.**

Racial demographics are the key to this analysis. The Washington, D.C. MSA includes the District of Columbia, Prince George's, Montgomery, Frederick, Charles, and Calvert Counties in Maryland, and Fairfax, Arlington, Loudoun, Prince William, and Stafford Counties in Virginia. The total population by race in these counties according to the 1990 census is set out in Table 9.

Table 9
Population Distribution of Washington, DC
MSA by County

Jurisdiction	Total Pop.	White	Percent	Black	Percent	Hispanic	Percent	Other	Percent
District of Columbia	606,900	166,225	27.39	396,397	65.32	32,710	5.39	11,568	1.91
Calvert	51,372	42,401	82.54	8,050	15.67	502	0.98	419	0.82
Charles	101,154	79,345	78.44	18,179	17.97	1,705	1.69	1,925	1.90
Frederick	150,208	139,076	92.59	7,934	5.28	1,713	1.14	1,485	0.99
Montgomery	757,027	549,029	72.52	89,676	11,85	55,684	7.36	88,339	11.67
Prince George's	729,268	303,149	41.57	366,114	50.20	29,983	4.11	30,594	4.20
Arlington	170,936	118,559	69.36	17,598	10.30	23,089	13.51	11,690	6.84
Fairfax	818,584	634,680	77.53	62,275	7.61	51,874	6.33	69,755	8.52
Loudoun	86,129	75,431	87.58	6,223	7.23	2,156	2.50	2,319	2.69
Prince William	215,686	174,423	80.87	24,579	11.40	9,662	4.48	7,022	3.26
Stafford	61,236	54,807	89.50	4,154	6.78	1,252	2.04	1,023	1.67
MSA	3,923,547	2,459,133	62.68	1,027,022	26.18	224,786	5.73	212,633	5.42

The census data reveals that the vast majority of African-Americans in the MSA reside in majority black census tracts in the District of Columbia and Prince George's County. A total of 658,892 blacks (64.0% of the total black population) reside in census tracts that are majority (50% or more) black in the Washington, D.C. MSA, and 516,266 (50.1%) live in tracts that are 75% or more black. Approximately 90% of the District's black residents live in majority black census tracts while in Prince George's County that figure is approximately 75%.

Table 10 identifies lenders who originated 3,000 or more conventional and FHA/VA loans from 1990-1993. The Table shows the total number and percentage of loans originated in majority white (or non-black) census tracts and majority black tracts, and reports the lender's market share of loans originated in those tracts. The totals shown in this Table include both purchase and refinance loans.

Table 10 also identifies the magnitude of the racial disparities in market share through a standardized disparity index. This index measures the differences between the percentage of loans originated in majority black census tracts and the percentage of loans originated in majority white tracts. The larger the index, the larger the lender's disparity of market share between white and black tracts. The index is standardized to a volume of 100,000 loans to allow for comparison of the index figures in one year with figures from a set of years.[22] Table 10 includes all lenders whose standardized disparity index was 3.0 or higher.

Table 10
Loan Originations* and Market Share 1990 to 1993
Majority White vs. Majority Black Census Tracts
3000 or More Loans, Disparity Index > 3.0

Name	# Loans White Tracts	%	Market Share	# Loans Black Tracts	%	Market Share	Disparity Index Standardized
Atlantic Coast Mortgage	10394	98.8	2.036	127	1.2	0.304	10.56
Chevy Chase/B.F. Saul	13384	96.4	2.662	498	3.7	1.191	7.61
Ryland Mortgage Co.	9934	96.7	1.946	342	3.4	0.818	6.94
CTX Mortgage	3545	99.0	0.694	34	1.0	0.081	6.32
American Home Funding	15826	95.4	3.100	769	4.9	1.840	6.14
Prudential Home Mort.	7564	96.8	1.482	254	3.2	0.608	6.14
Inland Mortgage	6147	97.0	1.204	182	3.0	0.435	5.99
Developers Mortgage Co.	7453	96.1	1.460	301	3.9	0.720	5.21
Huntington Mortgage	4063	97.5	0.796	106	2.5	0.254	5.17
Bank Fund Staff FCU	3662	97.6	0.922	90	2.4	0.367	5.04

[22] If the computation had not been standardized to 100,000 loans, this index would represent the disparity expressed in units of standard deviation. Since the 100,000 loan figure is less than the actual number of loans, the standardized index underrepresents the disparity as expressed in units of standard deviation.

Name	# Loans White Tracts	%	Market Share	# Loans Black Tracts	%	Market Share	Disparity Index Standardized
PHH U.S. Mort. Corp.	6047	96.4	1.185	227	3.6	0.543	5.01
Franklin Mortgage Cap	4762	96.8	0.933	159	3.2	0.380	4.85
Presidential FSB	3145	94.6	0.616	78	2.5	0.187	4.64
Navy FCU	11304	95.0	2.214	590	5.0	1.411	4.59
Nationsbank Mort. Co.	16853	94.2	3.301	1036	5.8	2.478	3.85
James Madison Mortgage Co	8741	94.9	1.712	471	5.1	1.127	3.78
NVR Mortgage	9426	94.6	1.847	539	5.4	1.289	3.45
Source One Mortgage	4352	95.4	0.853	212	4.6	0.507	3.12

* Loans that were not reported with proper census tract designations were excluded from the analysis. The total number of loans excluded for this reason constituted only a small fraction of reported loans.

With the exception of Presidential Savings Bank, the Navy Federal Credit Union, and the Bank Fund Staff Credit Union, all of the lenders identified in Table 10 are mortgage companies. Seven are affiliated with depository institutions covered by the Community Reinvestment Act;[23] the remaining seven are independent mortgage companies.

Because of the high loan volume of the institutions listed in Table 10, it is reasonable to expect that their loan business would extend into many areas of the Washington, D.C. MSA. An analysis of the locations of their loans and loan applications shows this to be true. *See* Appendix 1. Notwithstanding that fact, Table 10 reveals that each of these lenders over the four-year period covered by the Study made over 94% of their loans in majority white census tracts, with many of the lenders exceeding that figure.

This disparity in the market shares of loans in majority white and majority black

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[23] Atlantic Coast Mortgage Company (First Tennessee Bank); B.F. Saul Mortgage Company (Chevy Chase FSB); American Home Funding (The Rochester Community Savings Bank); Huntington Mortgage Corporation (Huntington National Bank); Nationsbank Mortgage Company (Nationsbank); James Madison Mortgage Company (Madison National Bank); and NVR Mortgage Corp. (NVR Savings Bank).

census tracts is particularly useful in helping identify possible racial redlining.[24] When faced with predominantly white lending patterns such as those shown in Table 10, lenders often refer to socio-economic differences between many white and black neighborhoods to explain the disparities. As discussed in Section II above, majority black census tracts typically include more low income residents who cannot afford to purchase homes, experience lower population growth, have a higher proportion of rental dwellings, and experience fewer home sales and refinancings than majority white census tracts. The loan market share analysis used here controls for these possible explanations because it looks only at successful loan originations to presumably creditworthy borrowers by HMDA reporting lenders.

Thus, significant imbalances in a lender's market share, when correlated with neighborhood racial characteristics, can be considered a fair indicator of possible racial redlining and discriminatory marketing. The inference becomes more plausible when, as here, the institutions are high volume lenders that could reasonably be expected to compete for loans in black areas. This is so because of the proximity of black areas of the MSA to the white areas where these lenders conduct most of their business. These conclusions are graphically illustrated by the dot density maps contained in Appendix 1.

Some lenders may target affluent or upper income borrowers who are often disproportionately white and reside in predominantly white areas. Others may impose minimum loan amounts or specialize in "jumbo" loans that screen out low income borrowers who are disproportionately black or minority. These types of restrictive lending policies also may provide a possible explanation for market share disparities.

Without endorsing such policies, which may in practice have a disproportionate discriminatory effect on African-American or other minority loan applicants, the Study controls for this variable by computing the market share disparities on the basis of two loan types: "jumbo" loans (over $203,000); and "non-jumbo" loans (under $203,000). The non-jumbo loans are divided into sub-categories: the lowest percentile (under $90,000); middle 50th percentile ($90,000 to $150,000); and upper 75th percentile ($150,000-$203,000). Market shares are then calculated for each loan type. For example, if a lender has 10% of the jumbo market but only a 1% share of loans below $90,000, its expected loan share in black areas would be 10% of all jumbo loans and 1% of all loans below $90,000 made in black areas. The analysis, therefore, adjusts for differences in market share in the black and white areas that might be due to a lender's decision to market separate types of loans in different ways.

Table 11 below shows that after controlling for loan amount and loan type, the market share disparities of most of the lenders identified in Table 10 either increased significantly or remained essentially unchanged.

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[24] As part of the market share analysis, the Study examined each lender's share of total mortgage applications, as well as approved loans by census tract and the racial composition of the tract. The racial disparities increased slightly for most of the targeted lenders.

Table 11
Loan Originations* and Market Share (1990 to 1993)
Adjusting for Differences in Share by Loan Amount and Loan Type
Majority White vs. Majority Black Census Tracts
Standardized Disparity Index > 3.0

Name	# Loans White Tracts	%	Market Share	# Loans Black Tracts	%	Market Share	Disparity Index w/o Controls	Disparity Index with Controls
Atlantic Coast Mort.	10394	98.8	2.037	127	1.2	0.304	10.56	11.72
American Home Funding	15826	95.4	3.101	769	4.6	1.840	6.14	8.21
Inland Mortgage	6147	97.1	1.201	182	2.9	0.436	5.99	7.82
Ryland Mortgage	9934	96.7	1.946	342	3.3	0.818	6.94	6.29
James Madison Mortgage Co.	8741	94.9	1.712	471	5.1	1.127	3.78	6.86
Huntington Mortgage Corp.	4063	97.5	0.796	106	2.5	0.254	5.17	5.98
Navy FCU	11304	95.0	2.214	590	5.0	1.411	4.59	4.61
Developers Mortgage	7453	96.1	1.460	301	3.9	0.720	5.21	5.51
Chevy Chase/B.F. Saul	13384	96.4	2.622	498	3.6	1.192	7.61	5.96
CTX Mortgage	3545	99.0	0.695	34	1.0	0.081	6.32	5.52
PHH U.S. Mortgage	6047	96.4	1.185	227	3.6	0.543	5.01	4.90
Presidential FSB	3145	97.6	0.616	78	2.4	0.187	4.64	4.16
Bank Fund Staff FCU	3662	97.6	0.922	90	2.4	0.367	5.04	3.27
ICM Mortgage Corp.	3866	93.4	0.757	274	6.6	0.656	0.92	3.08
Source One Mortgage	4352	95.4	0.853	212	4.6	0.507	3.12	3.45

* Loans excluded that were not reported with proper census tract designations.

After applying the loan type and loan amount controls, the disparity indices of four lenders (**Nationsbank Mortgage Company; NVR Mortgage Company; Prudential Home Mortgage Corporation;** and **Franklin Mortgage Capital**) fell below 3.0 and thus were excluded from Table 11. Application of these controls, however, did result in the inclusion of one additional lender in Table 11 which did not appear in Table 10 (**ICM Mortgage Corporation**).

The large racial disparities in market share that remain after controlling for differences in loan amounts constitute yet another important indicator of racially discriminatory redlining. These controls show that differences in the types and sizes of loans in black and white neighborhoods do not explain the market share disparities.

2. Computer Mapping of Loan Origination Disparities

To illustrate the lending patterns of lenders identified with high market share disparities, loan originations of most of these lenders for 1992 and 1993 have been plotted on color-coded maps that depict the racial concentration of residents in the Washington, D.C. area. *See* Appendix 1. These maps vividly display the racially stratified marketing programs apparently used by many area lenders.

For purposes of comparison, a computer map showing **Margaretten's** 1993 mortgage loan originations is included. It shows heavy concentrations of loans in majority and predominantly black census tracts of the District of Columbia and Prince George's County. Large numbers of loans also appear in many predominantly white census tracts in the MSA. As discussed in Section II above, this Company has traditionally marketed its loan products in both black and white neighborhoods in the Washington, D.C. MSA. The Company's underwriting practices, however, remain a concern because of the very high rates at which blacks are rejected for loans as compared to whites. *See* Section V (A)(2).

Some lenders, such as **Atlantic Coast Mortgage Co.**, **Developers Mortgage Corp.** and **CTX Mortgage**, do virtually no business in majority black (50% - 75%) census tracts or predominantly black (75%- 100%) tracts in either the District of Columbia or Prince George's County. Other lenders, such as **American Home Funding** and **Ryland Mortgage Company** make a modest number of loans in some majority black tracts (mostly in Prince George's County), but originate few loans in predominantly black tracts.

From 1990 to 1993, **American Home Funding** originated 3.3% of all HMDA reported loans in majority white tracts, but that rate fell to only 1.5% in predominantly black tracts. **Ryland Mortgage Company** originated 2.1% of HMDA reported loans in majority black tracts, but only 1.3% were in predominantly black tracts.

One major lender in the District of Columbia not identified based on overall marketing disparities is **Citibank**. However, when Citibank's market share in majority white and majority black census tracts in the District is examined, significant disparities are found (15.37 on the uncontrolled index and 8.79 on the controlled index). Citibank's market share disparities increased further as the African-American population of the tracts increased (19.73 on the uncontrolled index and 12.22 on the controlled index). These disparities did not remain as high when the analysis was expanded to include all of the tracts in the MSA. *See* Appendix 1 (**Citibank** map).

Set forth below is a more detailed discussion of the lending patterns revealed by the computer dot density maps at some of the institutions with the most significant marketing disparities.

a. *Developers Mortgage Corporation*

Developers has one central office in the Washington, D.C. MSA from which most of its loan activity appears to originate. It is located in a white area in Vienna, Virginia (8321 Old Courthouse Road). From 1990 to 1993 the company originated 7,754 home purchase and refinance loans in the Washington, D.C. MSA.[25] Its controlled disparity index in market share between majority white and majority black census tracts is **5.51**. The 1992 and 1993 loan dot density maps show crescent-shaped lending patterns that ring and largely avoid the black areas of the District of Columbia and Prince George's County. They begin in predominantly white Prince William County, run through the white counties of Fairfax, Virginia and Montgomery, Maryland, and extend into the largely white northern perimeter of Prince George's County. The Company did significant loan business in the District of Columbia, but virtually all of those loans were in the predominantly white northwest section of the City.

b. *CTX Mortgage Corporation*

CTX has one office in the Washington, D.C. MSA from which most of its loan activity appears to occur. It is located in a white area in Fairfax, Virginia (11216 Whaples Mill Road). From 1990 to 1993 it originated 3,579 home purchase and refinance loans in the MSA. Its controlled disparity index in market share between majority white and majority black census tracts is **5.52**. The 1992 and 1993 loan maps show a loan pattern remarkably similar to **Developers Mortgage Corporation**: that is, a crescent shape that rings black areas of the District of Columbia and Prince George's County. Heavy loan volume is shown in Fairfax and Montgomery Counties and in the outer perimeter of Loudoun County. Like Developers, CTX made a significant number of loans in the mostly white northeast section of Prince George's County but almost no loans in the majority or predominantly black areas of the County. Indeed, very few loans were made in racially mixed (25%-50%) census tracts in the County. CTX made many loans in the District of Columbia, but like Developers, virtually all of these loans were in the predominantly white northwest part of the City.

c. *Atlantic Coast Mortgage Corporation*

Atlantic Coast Mortgage presently has two offices in the Washington, D.C. MSA, both in predominantly white areas of Virginia: 12700 Fair Lakes Circle in Fairfax, Virginia, and 2239-A Tacketts Mill Drive in Lake Ridge Virginia. An office in Bethesda, Maryland (6903 Rockledge Drive) was recently closed. That office was also located in a predominantly white area. The Company originated a total of 10,521 home purchase and refinance loans in the Washington D.C. MSA from 1990 to 1993. Its controlled disparity index in market share between majority white and majority black census tracts is **11.72**. The 1992 and 1993 loan maps show that virtually all of Atlantic's loan activity was in the predominantly white areas of Fairfax, Falls Church, and Alexandria, Virginia, or in the adjoining white counties of Prince William, Loudoun, and Stafford, Virginia. The maps show 54 loans in Prince George's County in 1992 and 1993, but only 8 of those were in majority or predominantly black census tracts. Forty-nine loans were made in the District of Columbia in 1992 and 1993, of which only 7 were in majority or predominantly black tracts.

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[25] The loan totals for each of the companies discussed below do not include loans for which there were no (or erroneous) census tract designations in their HMDA submissions.

d. Inland Mortgage Company

Inland has two offices in the Washington, D.C. MSA, both in white areas of suburban Maryland: (10280 Old Columbia Road, Columbia, Maryland, and 1355 Piccard Drive, Rockville, Maryland). From 1990 to 1993 Inland originated 6,329 home purchase and refinance loans in the Washington, D.C. MSA. The Company's controlled disparity index in market share between majority white and majority black census tracts is **7.82**. The 1992 and 1993 maps show a loan pattern that almost completely circles, yet largely avoids, the black areas of the District of Columbia and Prince George's County. Heavy loan volume is shown in the predominantly white counties of Stafford, Prince William, and Fairfax, Virginia, and Montgomery County in Maryland. Most of Inland's loans in Prince George's County were in majority white areas, although it made slightly more loans in majority black areas of the County than either **Developers** or **CTX**. The Company extended its loan business into the predominantly white northwest section of the District of Columbia, but stopped abruptly when the neighborhoods became majority or predominantly black.

e. American Home Funding

American Home Funding has 10 offices in the Washington, D.C. MSA: six in Maryland and four in Virginia.[26] All are located in predominantly white areas. The Company has no office in the District of Columbia. From 1990 to 1993 American Home Funding originated 16,595 home purchase and refinance loans in the Washington, D.C. MSA. The Company's controlled disparity index in market share between majority white and majority black census tracts is **8.21**. Next to **Nationsbank Mortgage Company**, it was the area's largest originator of home mortgages for the period of time covered by the Study. Its 1992 and l993 loan pattern closely resembles that of **Inland**, although on a larger scale. The map shows a vast doughnut shape, with heavy lending throughout the white suburbs of the MSA. Loan activity extends as far north as Frederick County, Maryland, and as far south as Stafford County, Virginia and Calvert County, Maryland. The eye of the doughnut, which shows very few if any, loans, centers in the predominantly black census tracts in the District of Columbia and Prince George's County. Large numbers of loans were made in the predominantly white northwest section of the District of Columbia, but like **Inland**, the pattern stops abruptly at the edge of the City's black neighborhoods. Large numbers of loans are shown in Prince George's County. While most of those loans were originated in predominantly white or mixed race census tracts, some were made in majority black tracts. The fall-off in loan activity was most dramatic in the predominantly black tracts of Prince George's County and the District of Columbia. Very few loans were originated in these areas.

f. PHH U.S. Mortgage Corp.

PHH U.S. Mortgage has one office in the Washington, D.C. MSA, located in a

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[26] 4231 Markham Street, Annandale, Va.; 7794 Donnegan Drive, Manassas, Va.; 510 South Main Street, Culpepper, Va.; 3516 Plank Road, Fredericksburg, Va.; 18310 Montgomery Village Ave., Gaithersburg, Md.; 7600 Greenway Center Dr., Greenbelt, Md.; 14 Shangri La Drive, Lexington Park, Md.; 6011 Executive Blvd., Rockville, Md.; 14 West Patrick Street, Frederick, Md.; 64 Highway 301, Waldorf, Md.

Bethesda, a predominantly white area of Montgomery County, Maryland. From 1990 to 1993 PHH originated 6,274 home purchase and refinance loans in the Washington, D.C. MSA. The Company's controlled disparity index in market share between majority white and majority black census tracts is **4.90**. The 1992 and 1993 loan maps show a lending pattern that circles the District of Columbia. Virtually no loans were made anywhere in the District of Columbia, and in Prince George's County few loans appear in the predominantly black census tracts. A slightly better, but still disproportionately small amount of loan activity is shown in the majority black tracts in Prince George's County. The vast majority of the Company's loans were originated in the predominantly white areas of Prince William and Fairfax Counties in Virginia, and Montgomery County in Maryland.

g. Ryland Mortgage Company

Ryland has 6 offices in the Washington, D.C. MSA, all located in predominantly white areas. Three of the offices are located in suburban Maryland and three are located in northern Virginia.[27] From 1990 to 1993 Ryland originated 10,276 home purchase and refinance loans in the MSA. The Company's controlled disparity index in market share between majority white and majority black census tracts is **6.29**. As shown on the map, Ryland's 1992 and 1993 lending pattern is crescent-shaped, encompassing the largely white suburbs in Fairfax and Montgomery Counties and winding into the majority white northern parts of Prince George's County. Lending activity extends into the District of Columbia, but only as far as the predominantly white northwest section of the City. Predominantly black neighborhoods in the District of Columbia and Prince George's County received only a handful of loans.

h. Huntington Mortgage Company

Huntington has three offices in the Washington, D.C. MSA, all located in predominantly white areas. Two are in suburban Maryland and one in northern Virginia.[28] From 1990 to 1993 Huntington originated 4,169 home purchase and refinance loans in the MSA. The Company's controlled market share disparity index between majority white and majority black census tracts is **5.98**. Huntington's 1992 and 1993 lending pattern shows that most of its loans were made in the predominantly white counties of Prince William and Fairfax in Virginia, and Montgomery County in Maryland. Lending in Prince George's County was largely confined to the majority white northern parts of the County. Significant numbers of loans were made in the District of Columbia, but they too were concentrated in the predominantly white upper northwest part of the City. Very little lending occurred in majority black or predominantly black census tracts in either the District of Columbia or Prince George's County, although there was a modest increase in lending activity in these areas in 1993.

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[27] 7130 Minstral Way, Columbia, Maryland; 6550 Rock Spring Drive, Bethesda, Maryland; Rockville, Maryland (address not listed in telephone directory); 12150 Monument Drive, Fairfax, Virginia; 6225 Brandon Avenue, Springfield, Virginia; and 1953 Gallows Road, Vienna, Virginia.

[28] 18310 Montgomery Village Avenue, Gaithersburg, Maryland; 6401 Golden Triangle Drive, Greenbelt, Maryland; and 2750 Kilarny Drive, Woodbridge, Virginia

I.   James Madison Mortgage Company

James Madison has six offices in the Washington, D.C. MSA, all in predominantly white areas. Three are located in northern Virginia, two in Montgomery County, Maryland, and one in Frederick County, Maryland.[29] The Company's control disparity index in market share between majority white and majority black census tracts is **6.86**. The 1992 loan map shows heavy concentrations of loans in predominantly white areas in Fairfax County in Virginia, and Montgomery and Frederick Counties in Maryland. Significant lending activity is also shown in majority white areas of Prince George's County, Maryland, and in the predominantly white northwest section of the District of Columbia. Few loans were made in either majority or predominantly black census tracts in the District of Columbia or in Prince George's County. The 1993 loan map shows a substantial increase in lending activity in majority and predominantly black census tracts in Prince George's County, but reveals little loan activity in majority or predominantly black census tracts in the District of Columbia.

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[29] 1150 Whaples Mill Road, Fairfax, Virginia; 10560 Main Street, Fairfax, Virginia; 13100 World Gate Drive, Herndon, Virginia; 7250 Woodmont Avenue, Bethesda, Maryland; 702 Russell, Gaithersburg, Maryland; and 3 Hillcrest Drive, Frederick, Maryland.

APPENDIX 1

Computer Dot Density Maps Showing Loan Originations in Washington, D.C. MSA

a. Developers Mortgage Corporation

b. CTX Mortgage Corporation

c. Atlantic Coast Mortgage Corporation

d. Inland Mortgage Company

e. American Home Funding

f. PHH U.S. Mortgage Corporation

g. Ryland Mortgage Company

h. Huntington Mortgage Company

i. James Madison Mortgage Company

j. Source One Mortgage Company

k. Presidential Savings Bank, F.S.B.

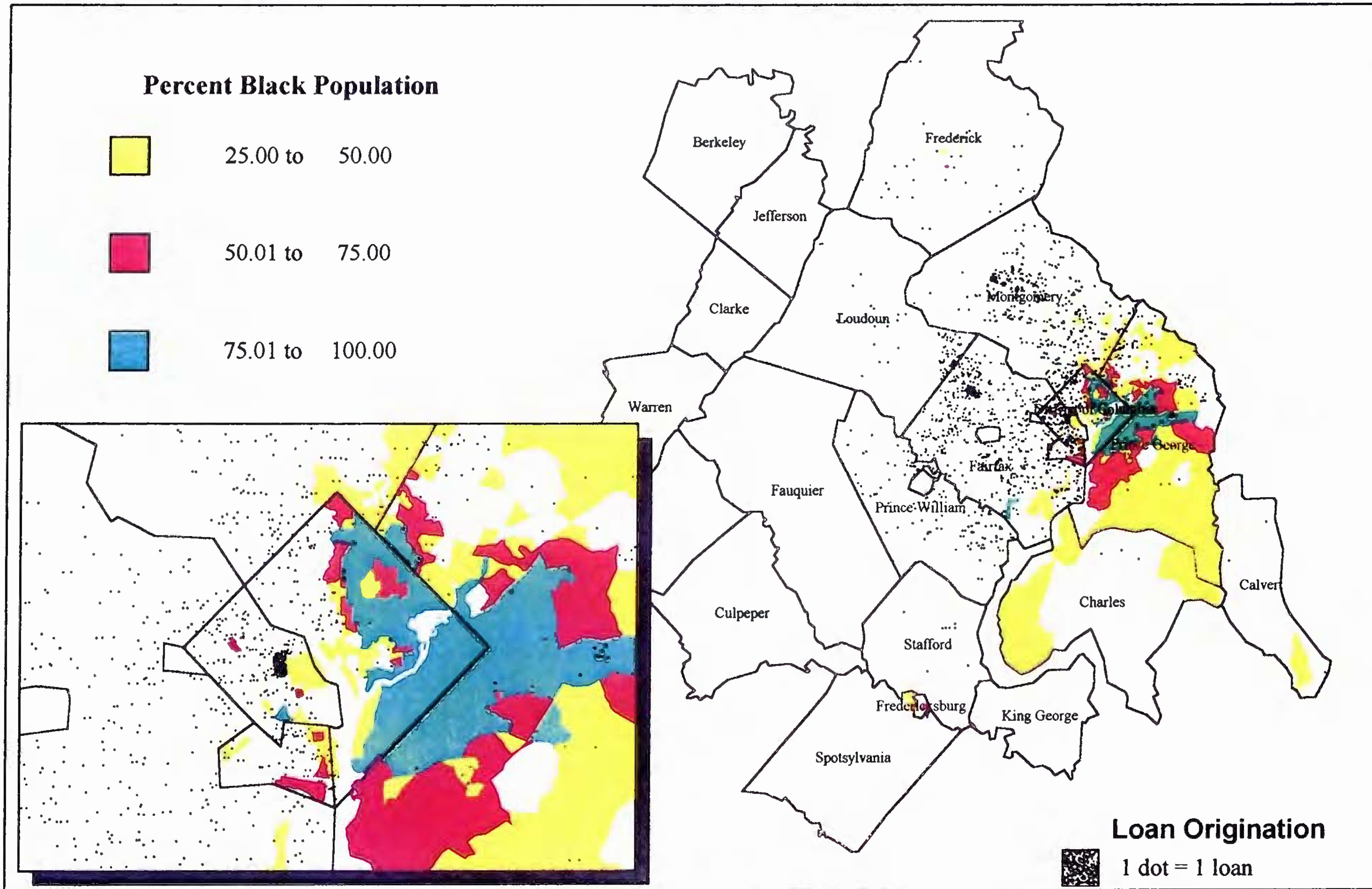
l. Citibank

m. Chevy Chase/B.F. Saul Mortgage Company

n. Margaretten & Company

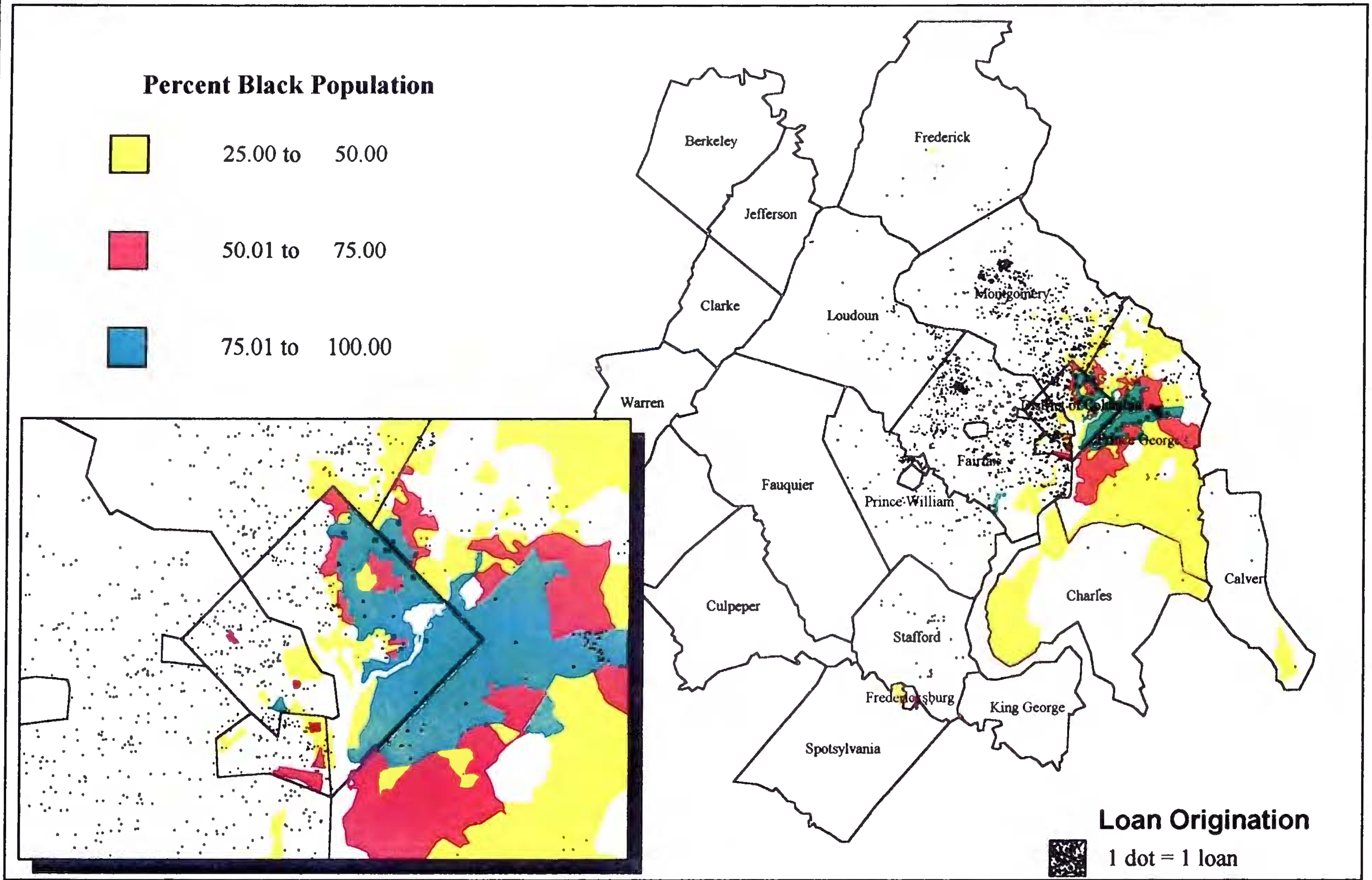
Developers Mortgage Corporation

1993 HMDA (Washington D.C.) 1990 Census



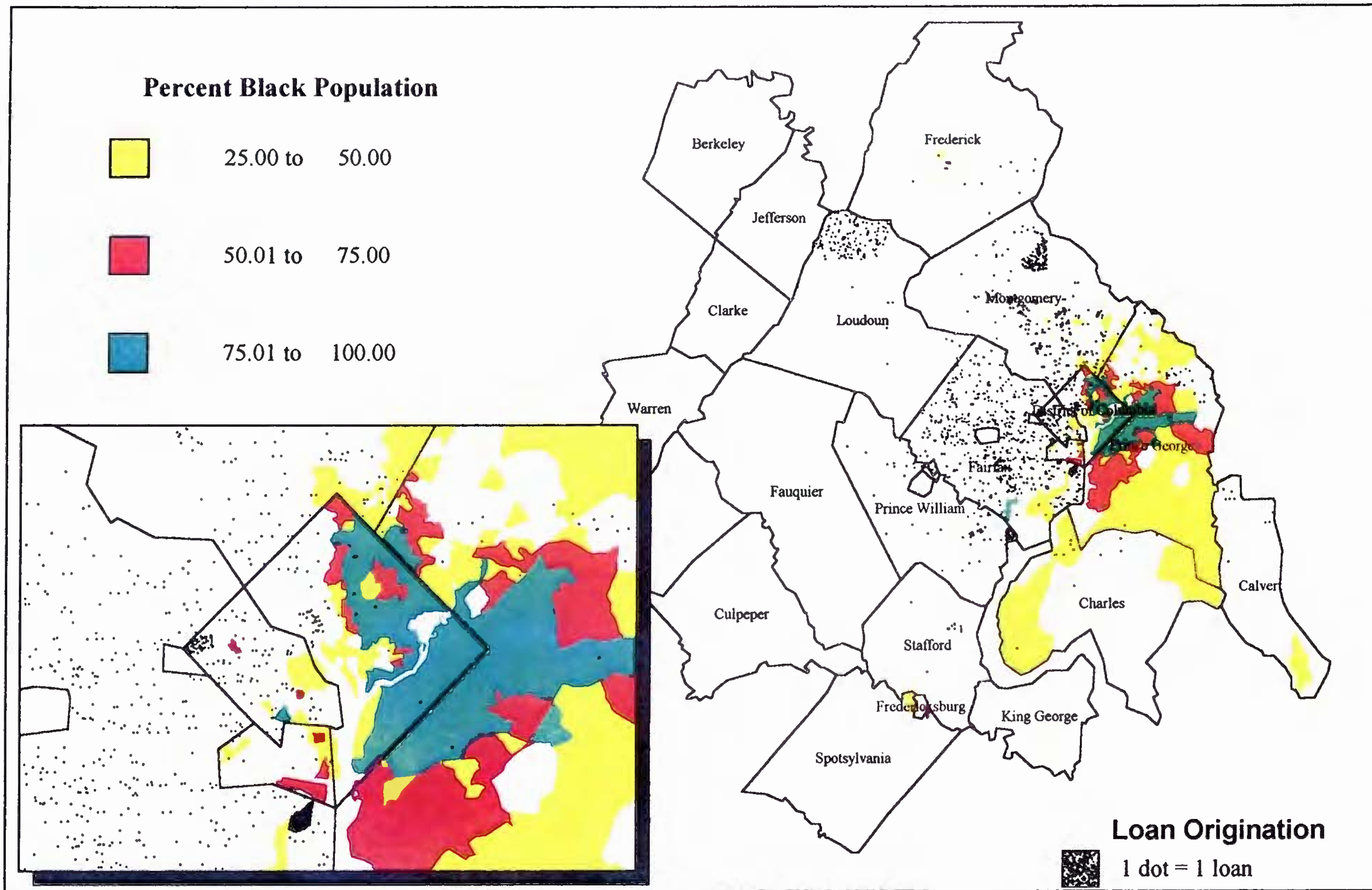
Developers Mortgage Corporation

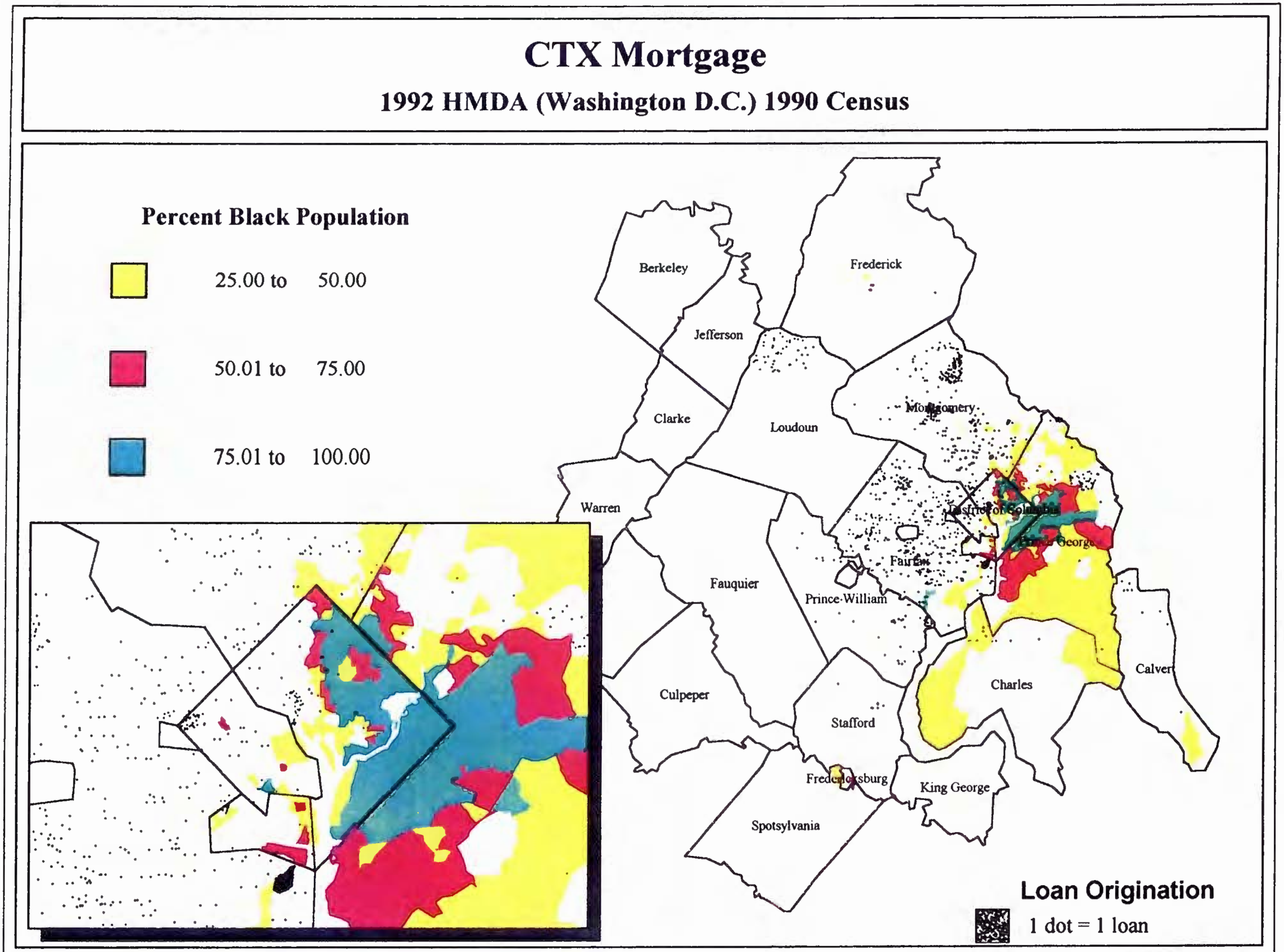
1992 HMDA (Washington D.C.) 1990 Census



CTX Mortgage

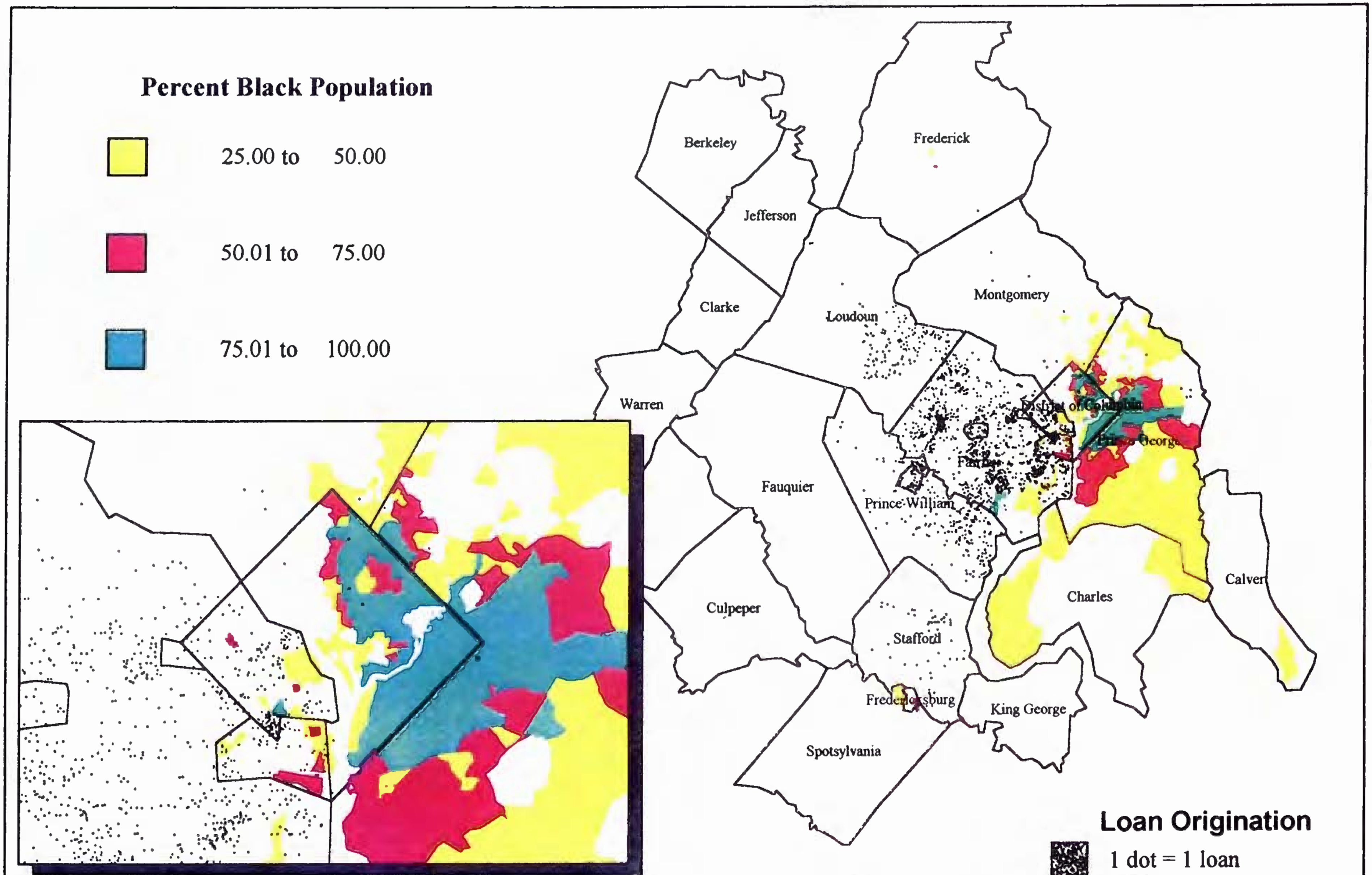
1993 HMDA (Washington D.C.) 1990 Census




CTX Mortgage
1992 HMDA (Washington D.C.) 1990 Census
Percent Black Population
25.00 to 50.00
50.01 to 75.00
75.01 to 100.00
Berkeley
Frederick
Jefferson
Clarke
Loudoun
Montgomery
Warren
District of Columbia
Prince George
Fairfax
Fauquier
Prince William
Culpeper
Charles
Calvert
Stafford
Fredericksburg
King George
Spotsylvania
Loan Origination
1 dot = 1 loan

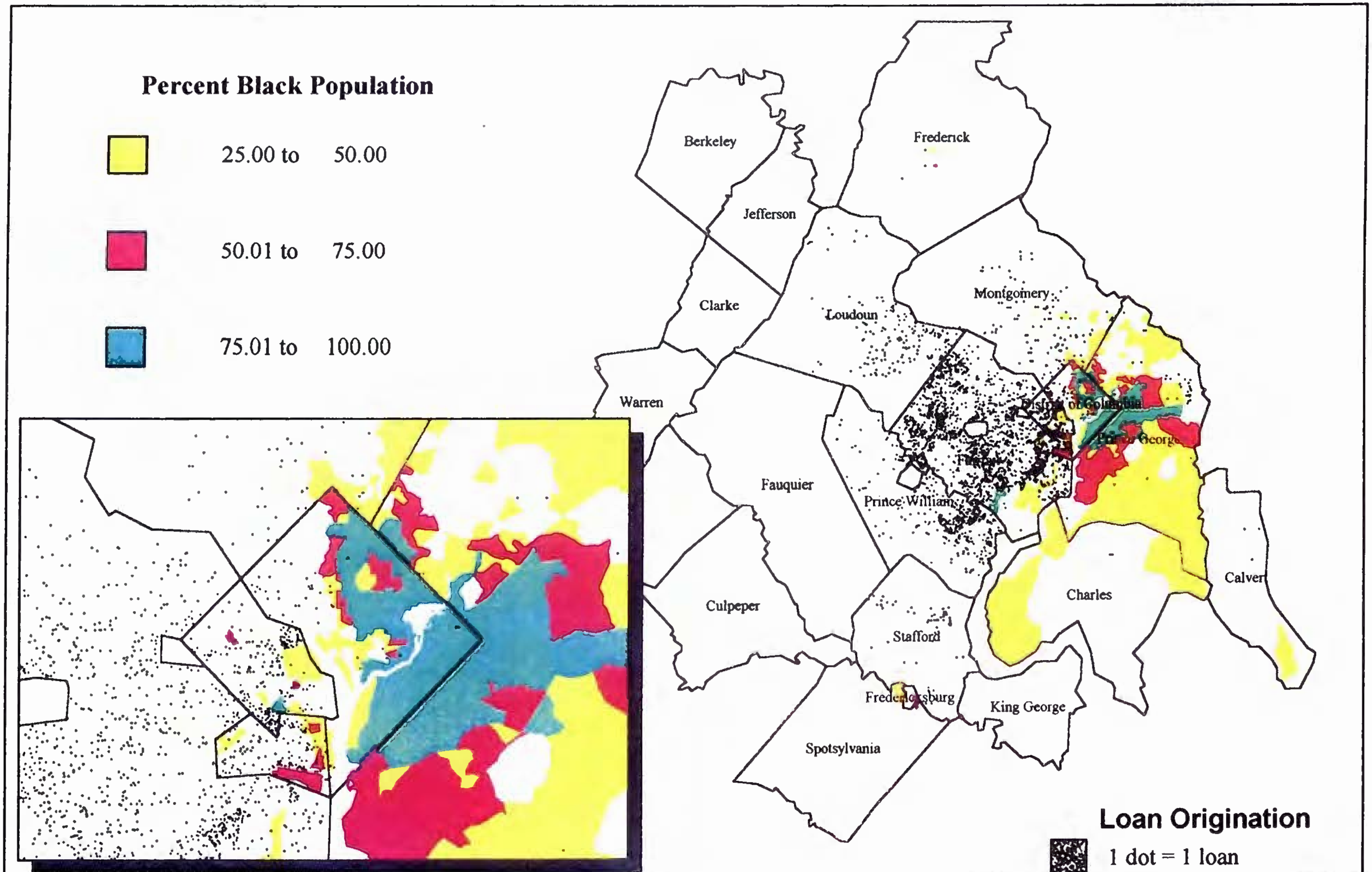
Atlantic Coast Mortgage Co.

1993 HMDA (Washington D.C.) 1990 Census



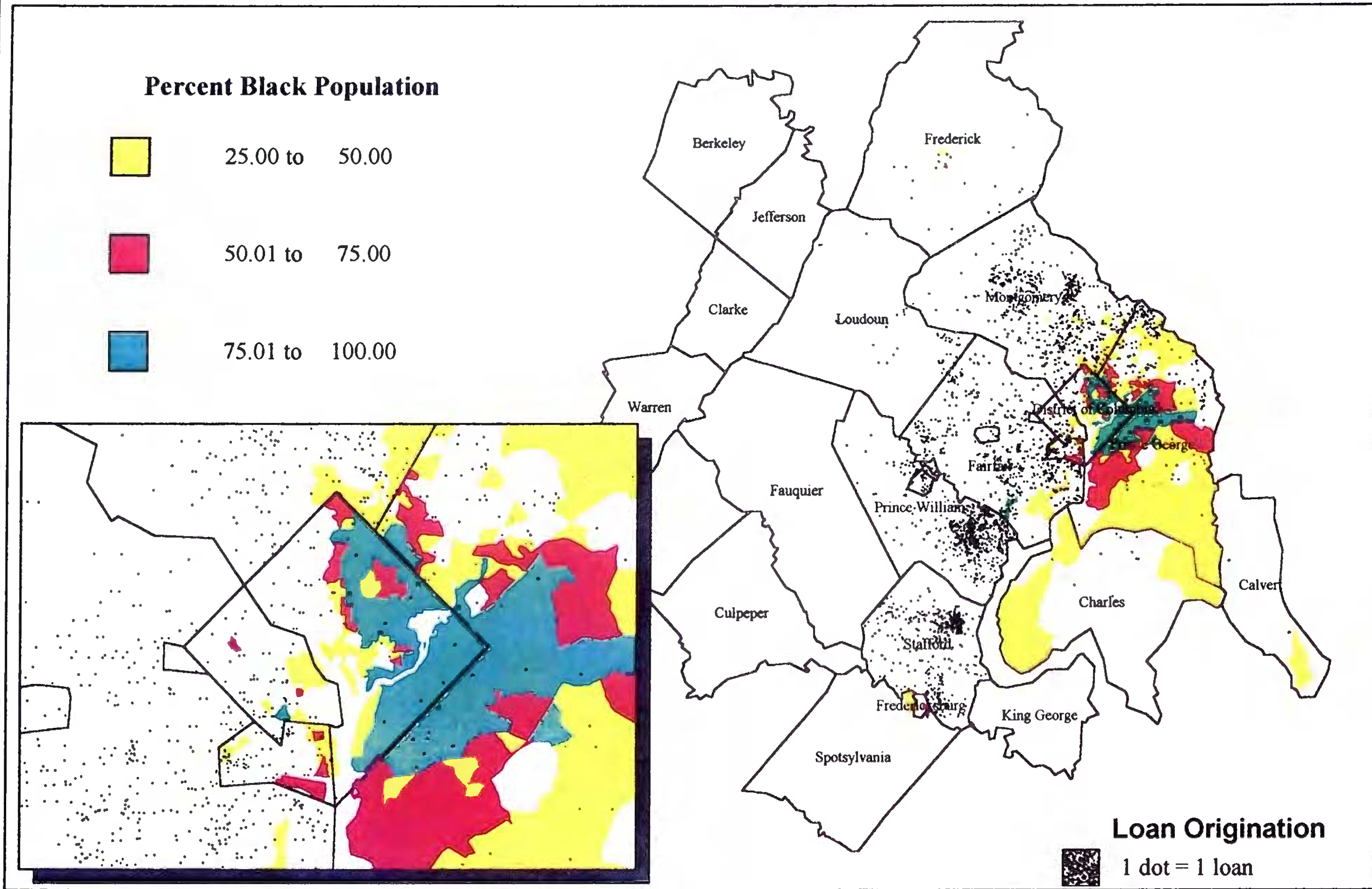
Atlantic Coast Mortgage Co.

1992 HMDA (Washington D.C.) 1990 Census



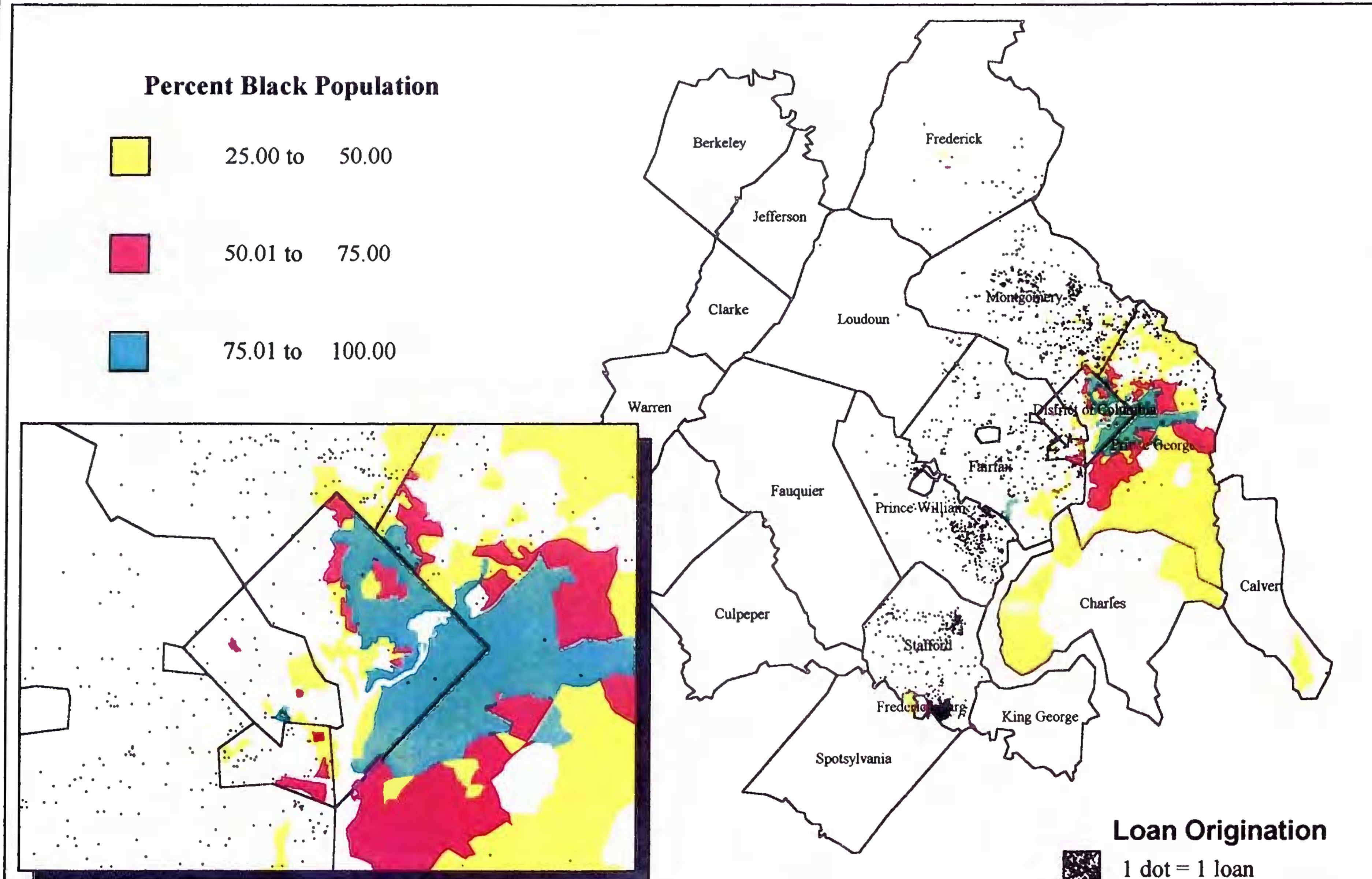
Inland Mortgage Corp.

1993 HMDA (Washington D.C.) 1990 Census



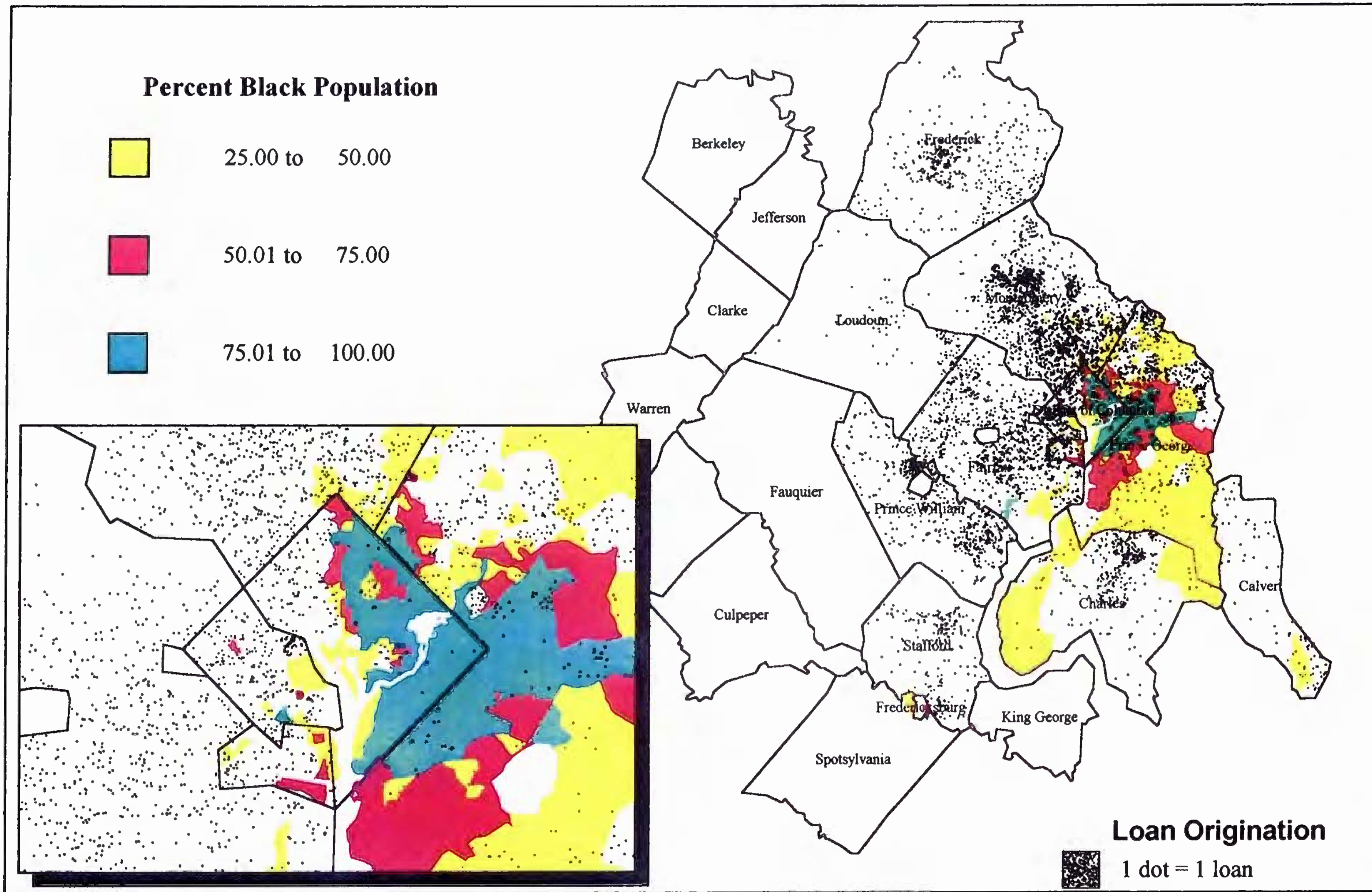
Inland Mortgage Corp.

1992 HMDA (Washington D.C.) 1990 Census



American Home Funding

1993 HMDA (Washington D.C.) 1990 Census

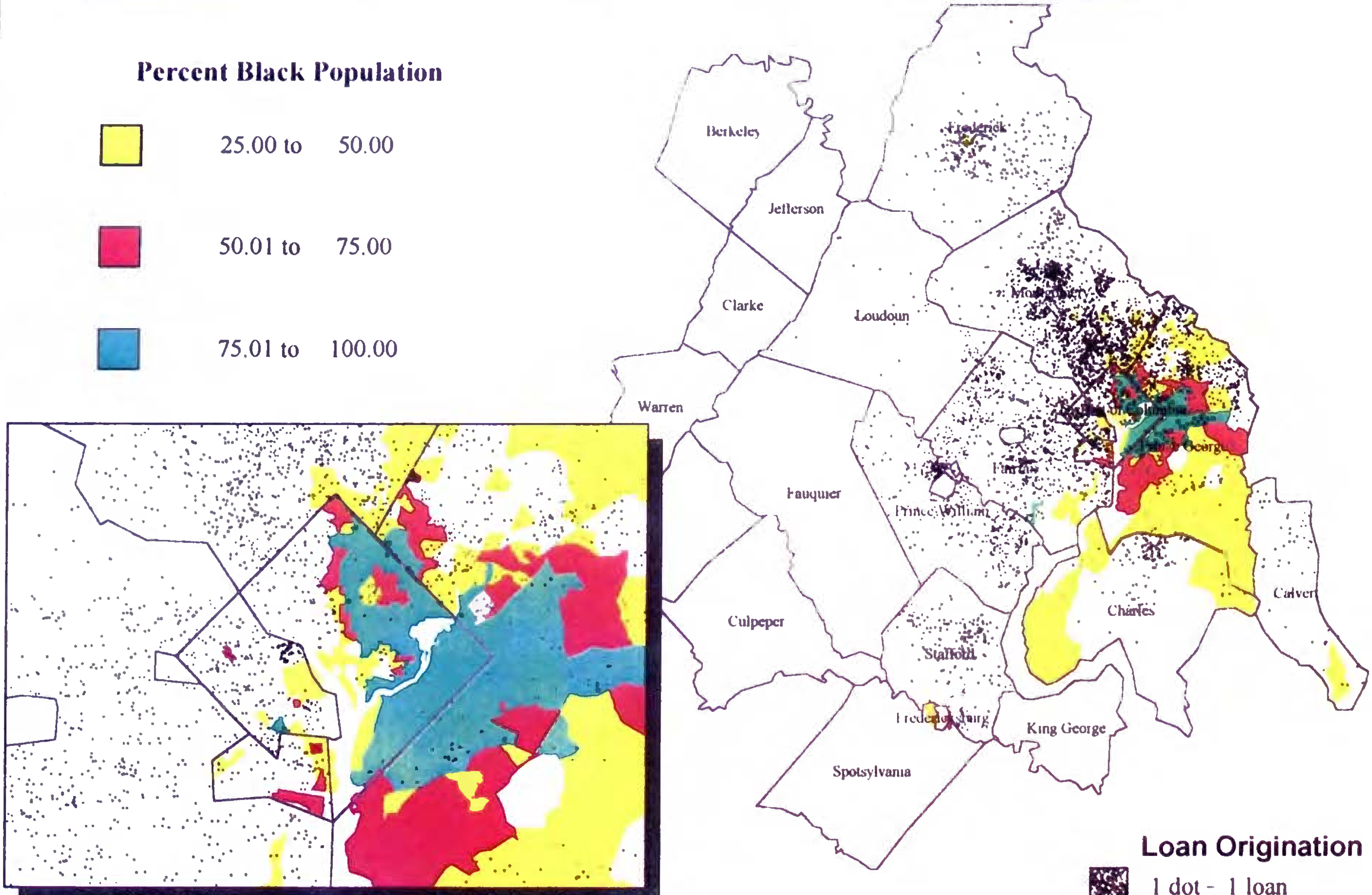


American Home Funding

1992 HMDA (Washington D.C.) 1990 Census

Percent Black Population

(yellow)	25.00 to 50.00
(red)	50.01 to 75.00
(blue)	75.01 to 100.00

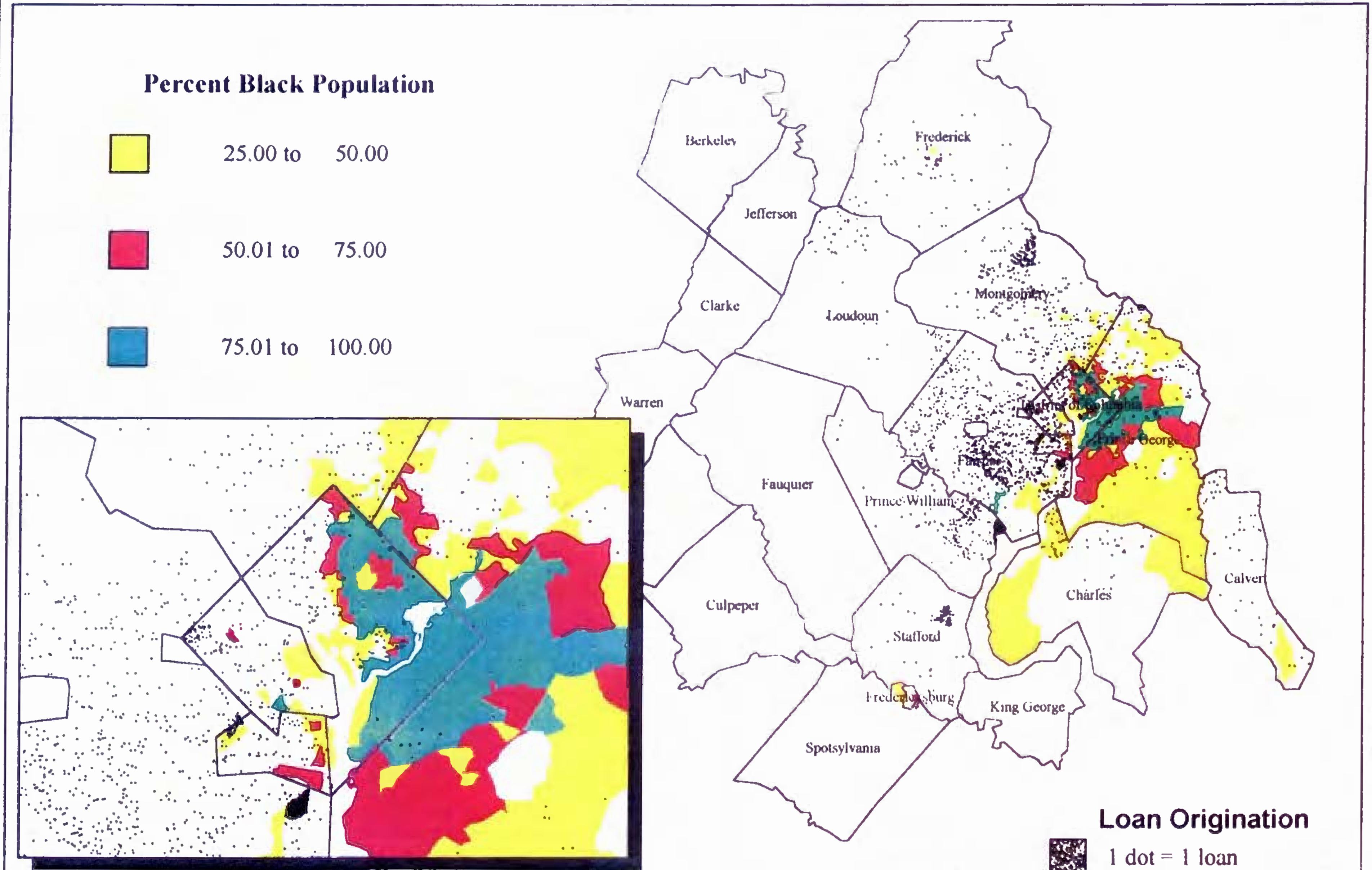


Loan Origination

1 dot - 1 loan

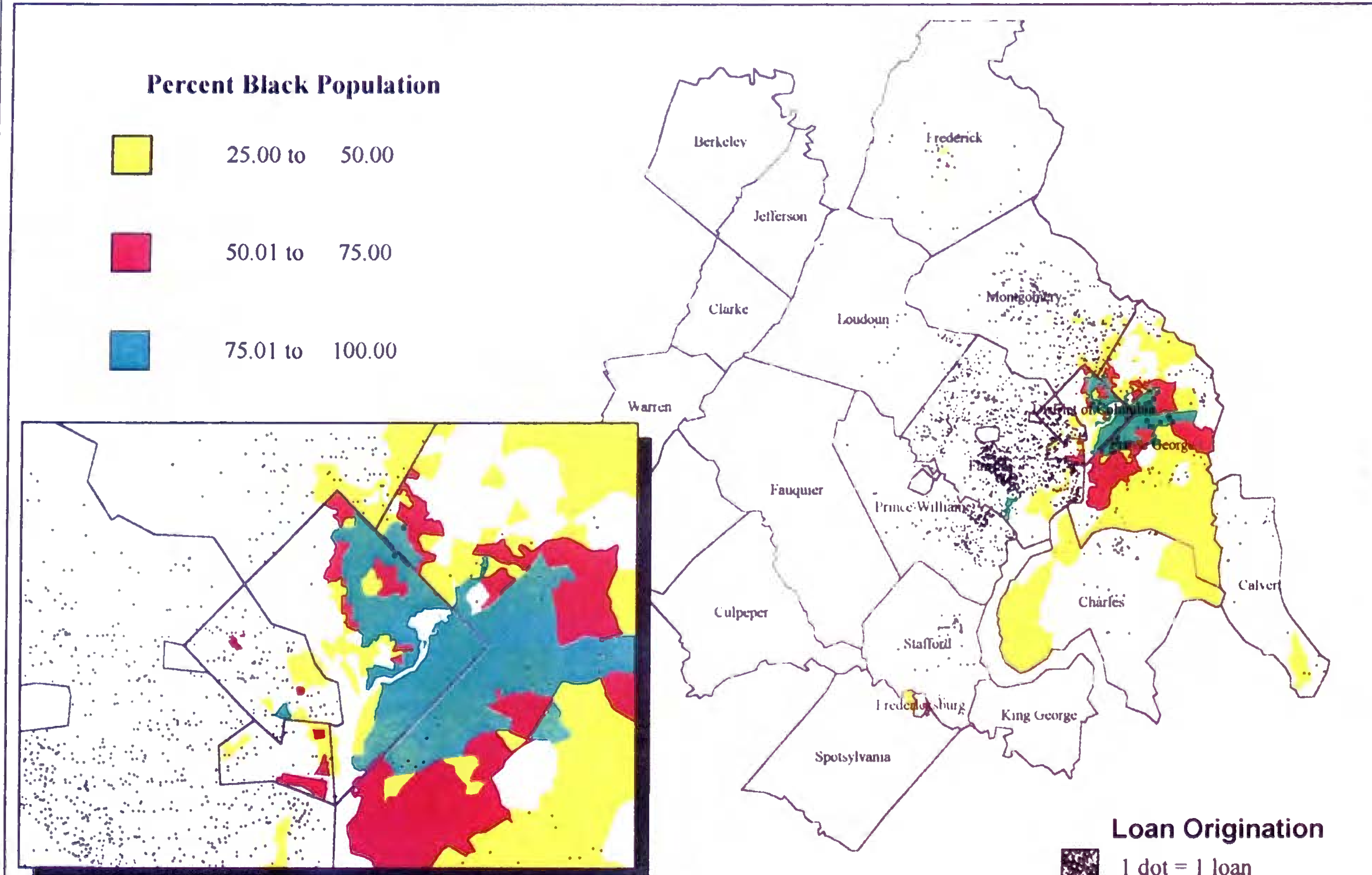
PHH U.S. Mortgage Corp.

1993 HMDA (Washington D.C.) 1990 Census



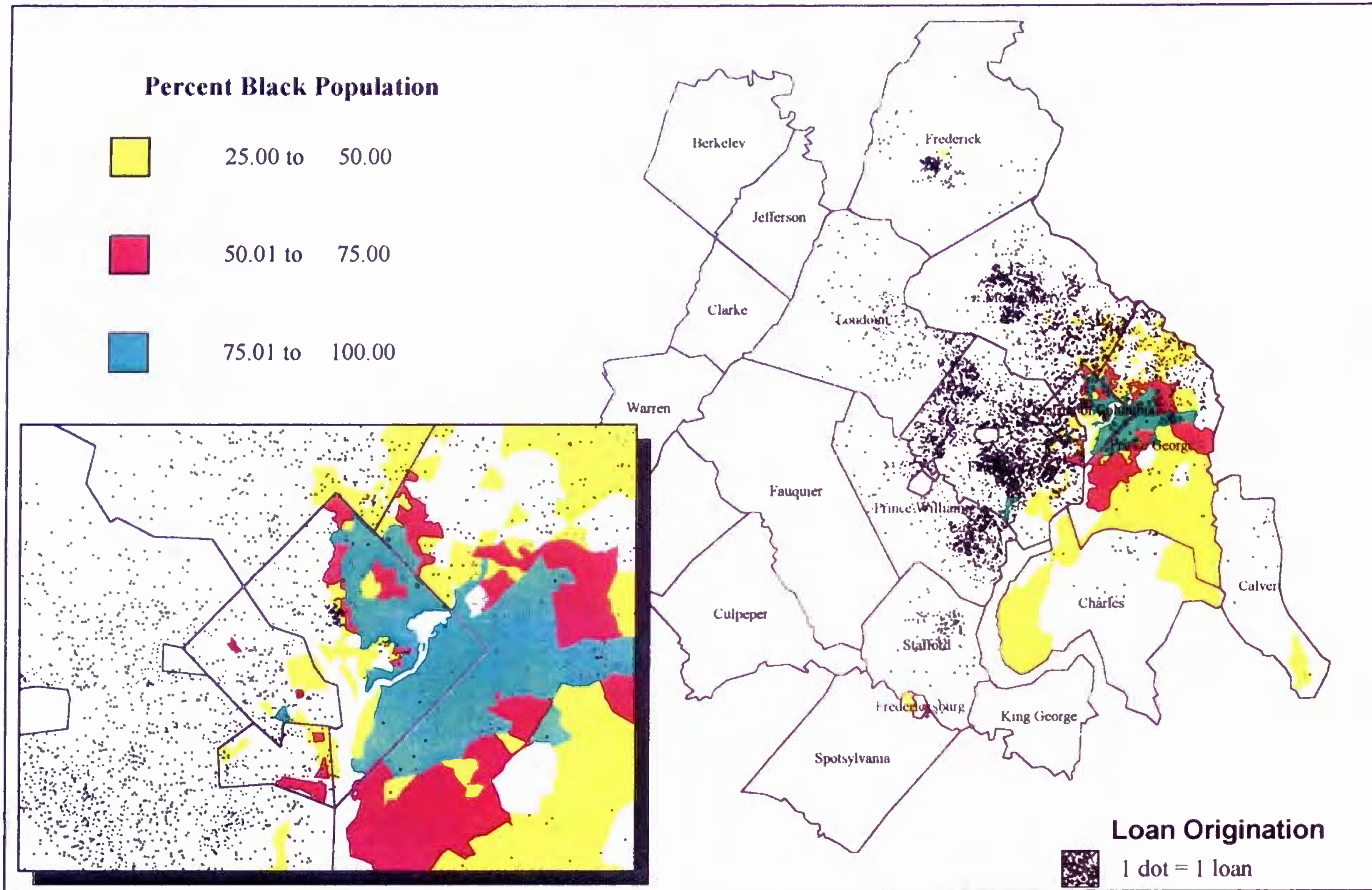
PHH U.S. Mortgage Corp.

1992 HMDA (Washington D.C.) 1990 Census



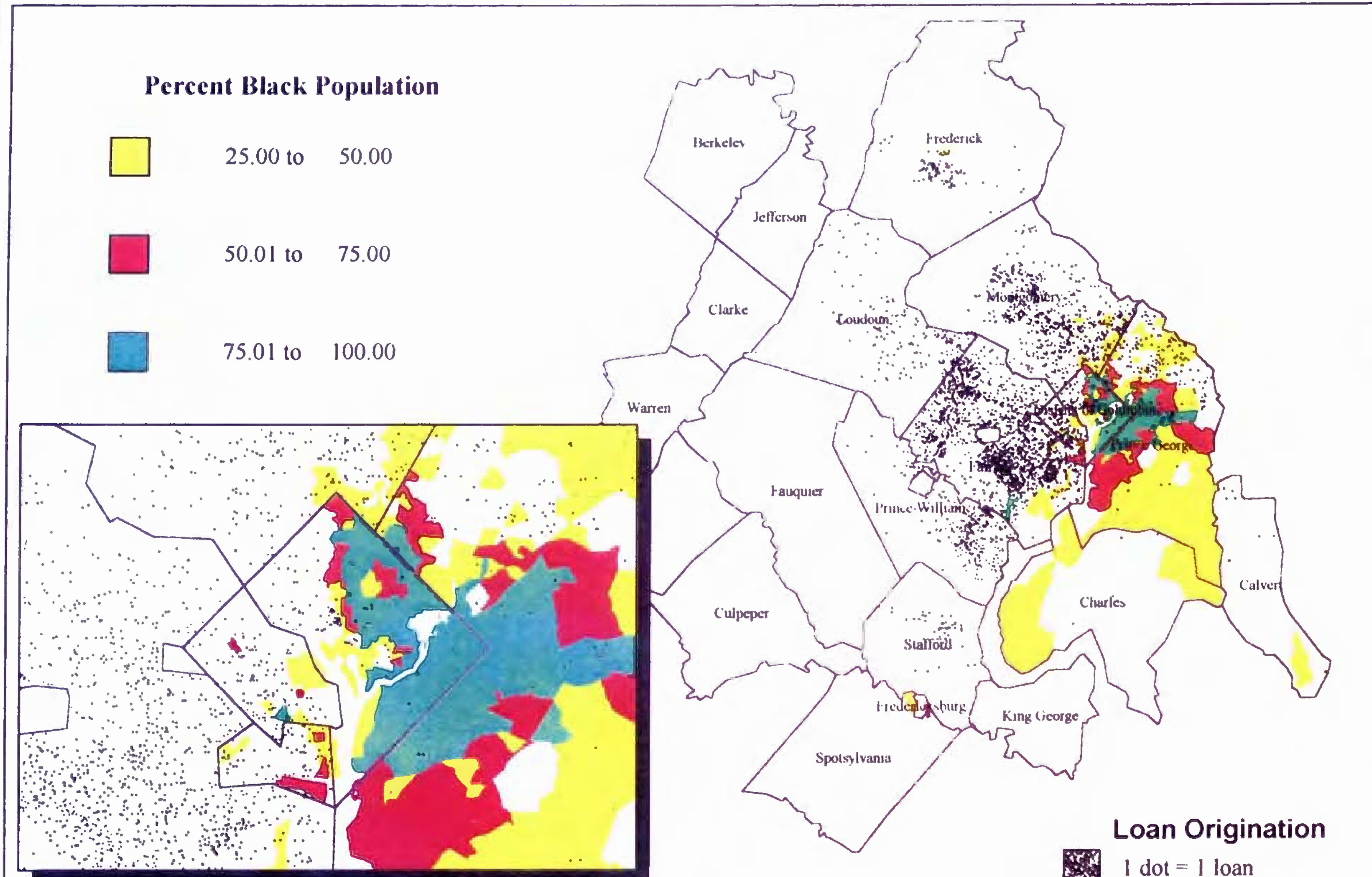
Ryland Mortgage Company

1993 HMDA (Washington D.C.) 1990 Census



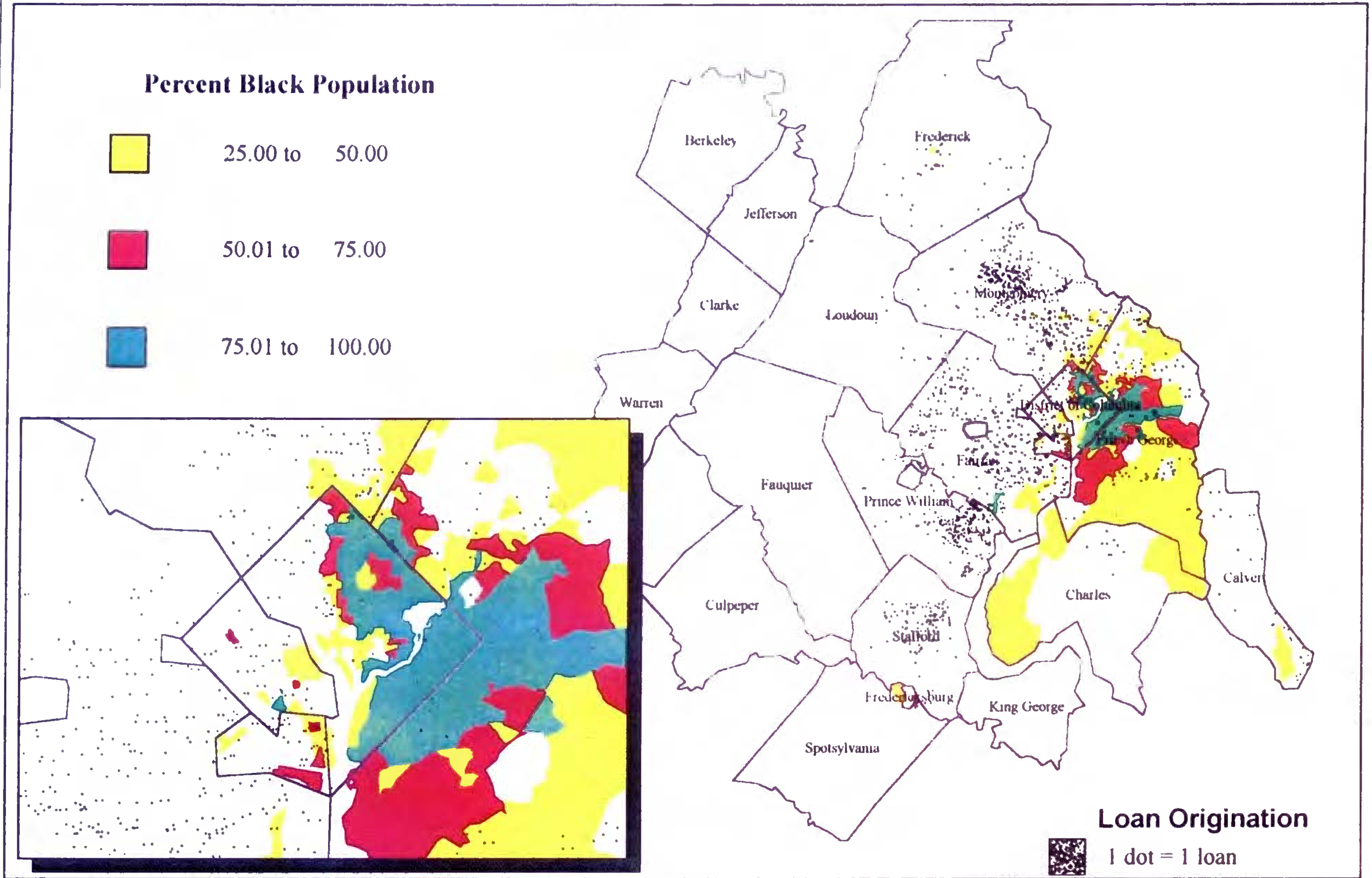
Ryland Mortgage Company

1992 HMDA (Washington D.C.) 1990 Census



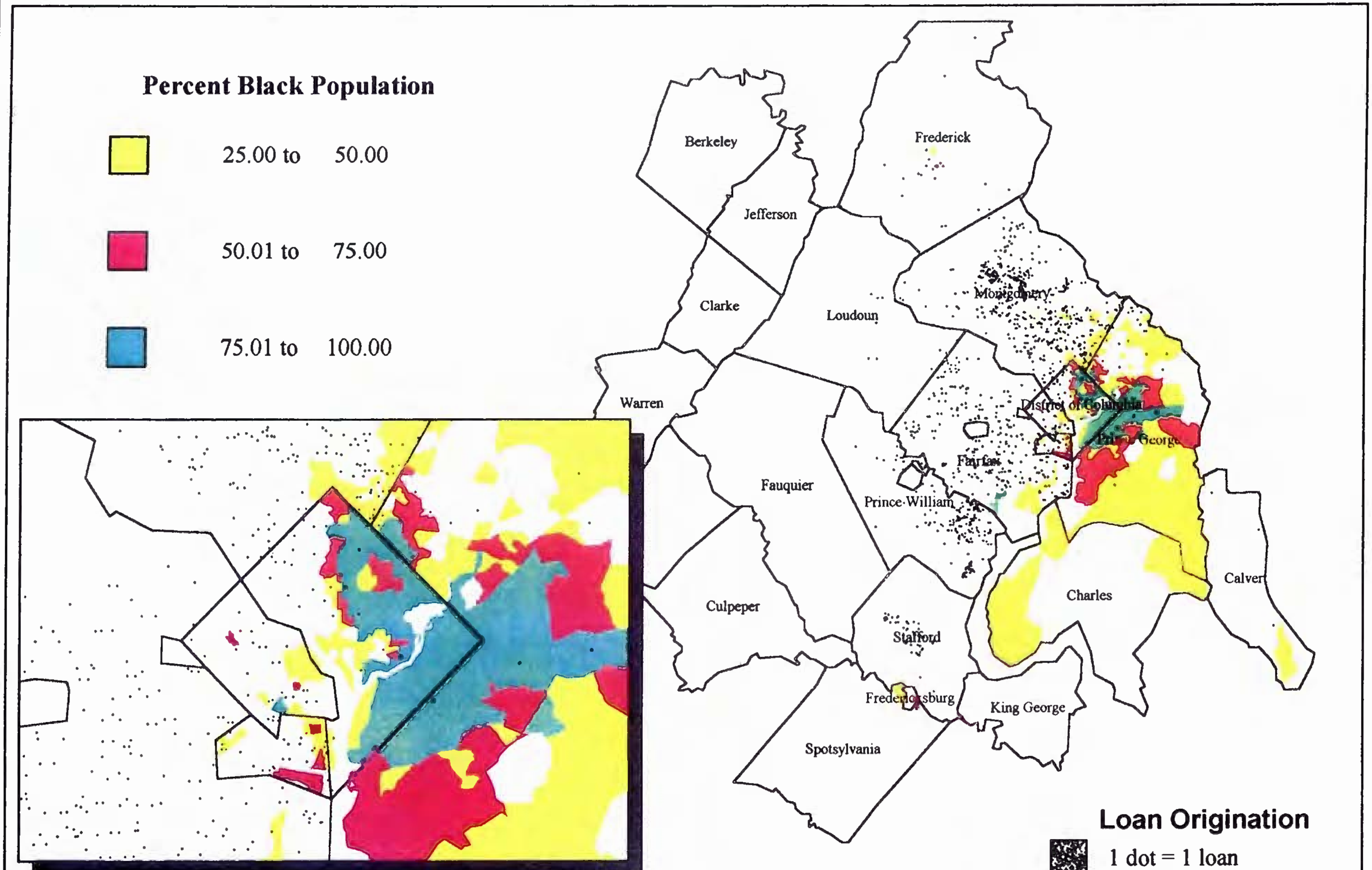
Huntington Mortgage Corp.

1993 HMDA (Washington D.C.) 1990 Census



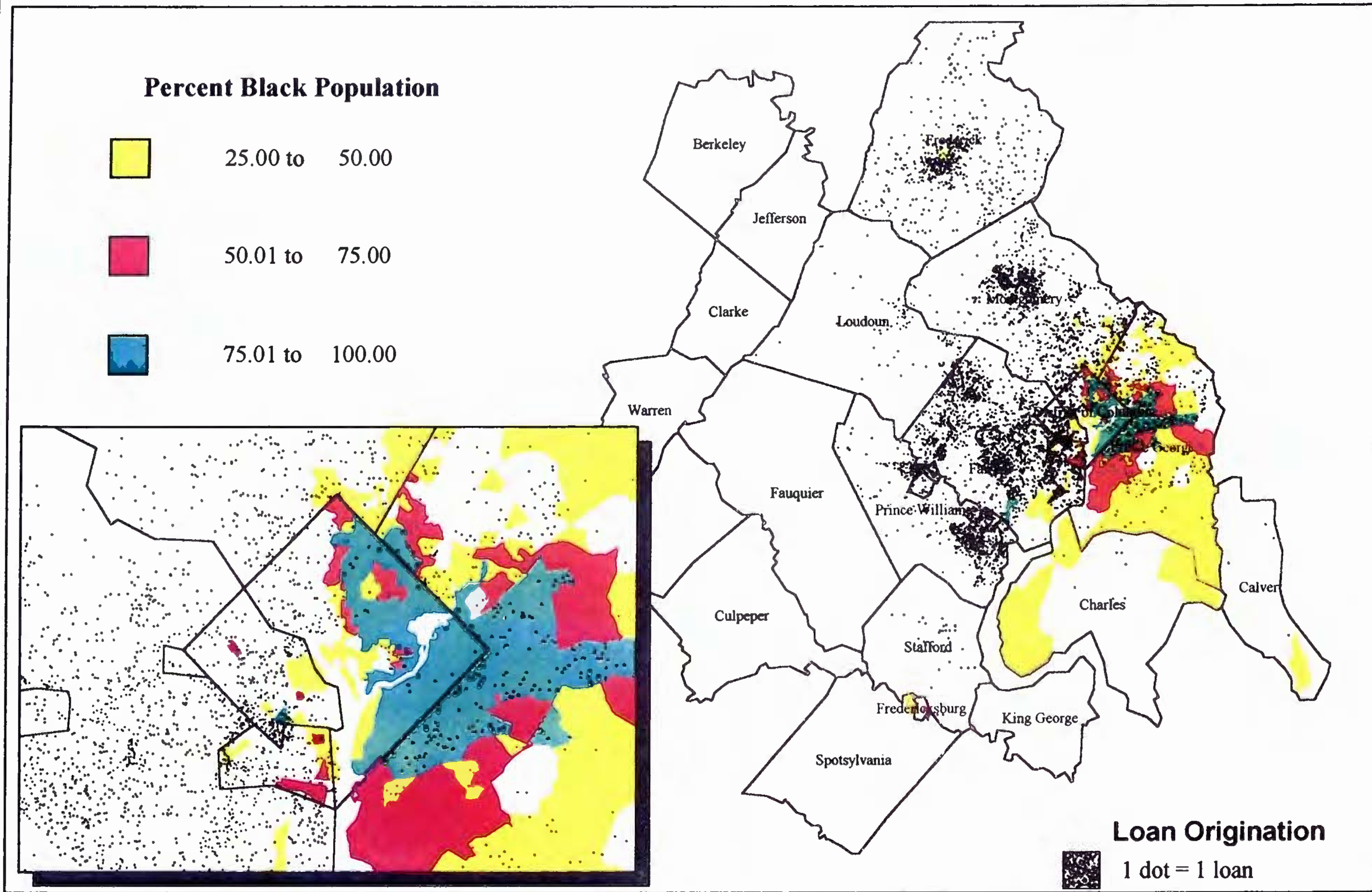
Huntington Mortgage Corp.

1992 HMDA (Washington D.C.) 1990 Census



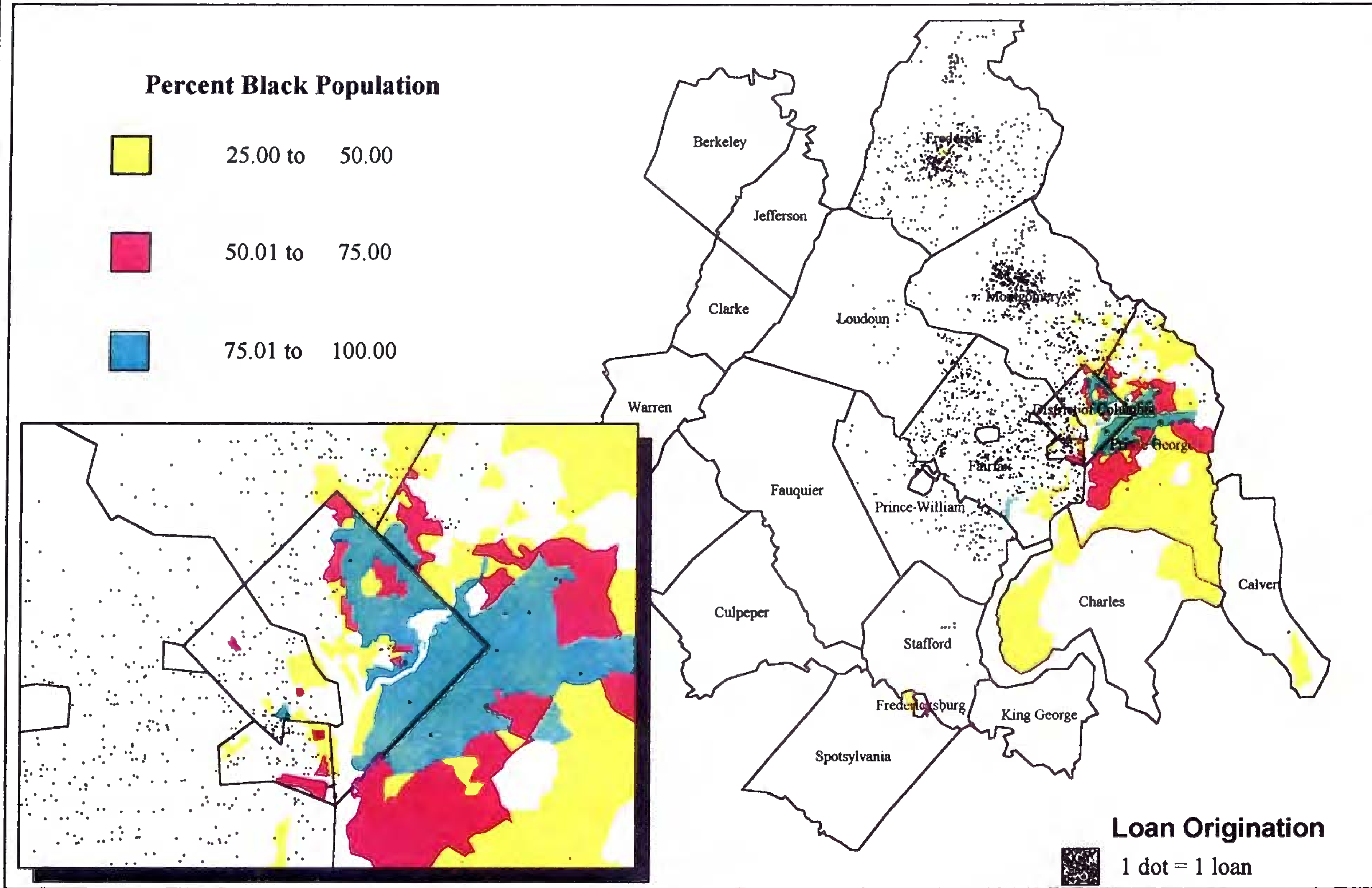
James Madison Mortgage Company

1993 HMDA (Washington D.C.) 1990 Census



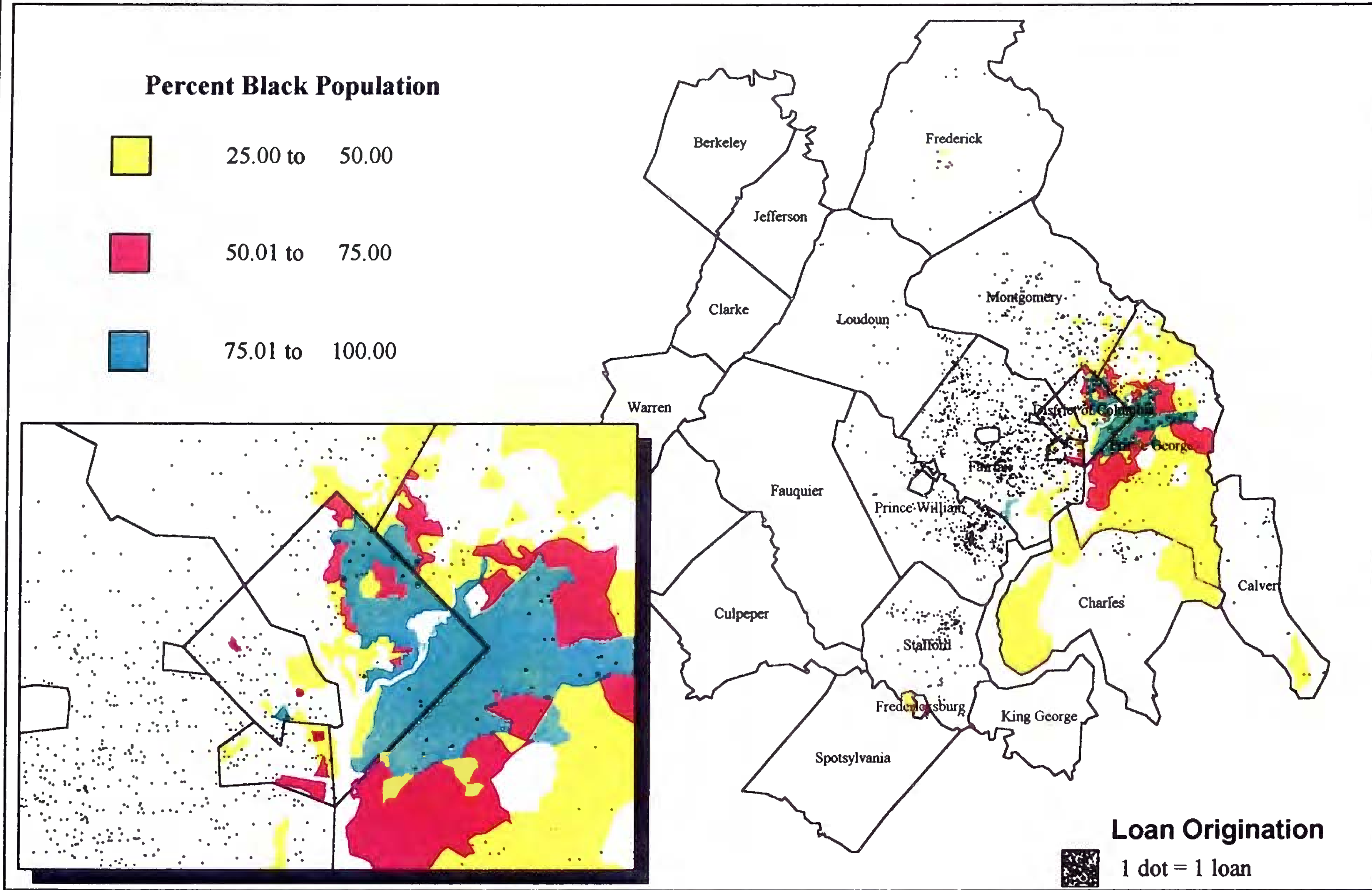
James Madison Mortgage Company

1992 HMDA (Washington D.C.) 1990 Census



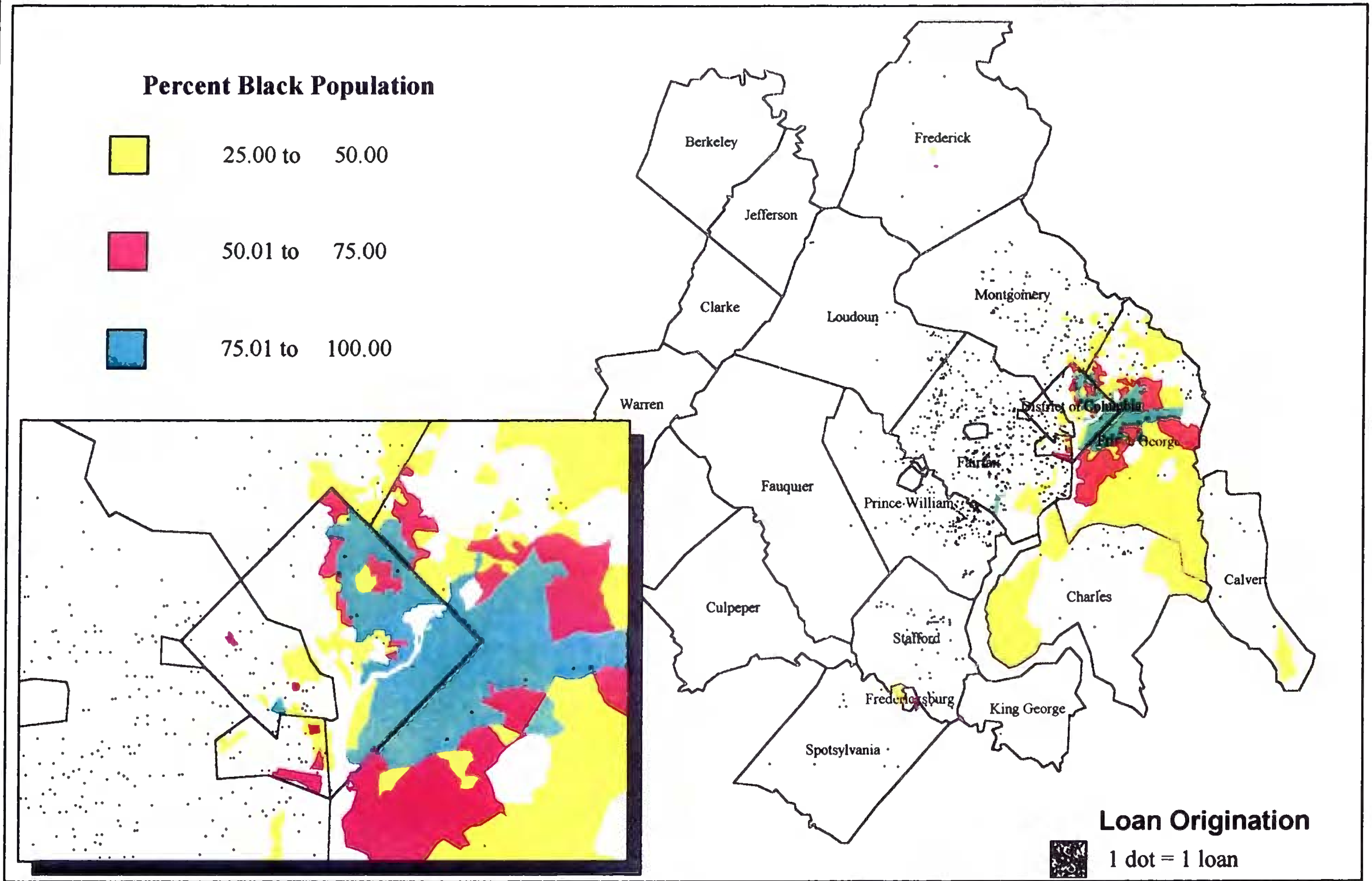
Source One Mortgage

1993 HMDA (Washington D.C.) 1990 Census



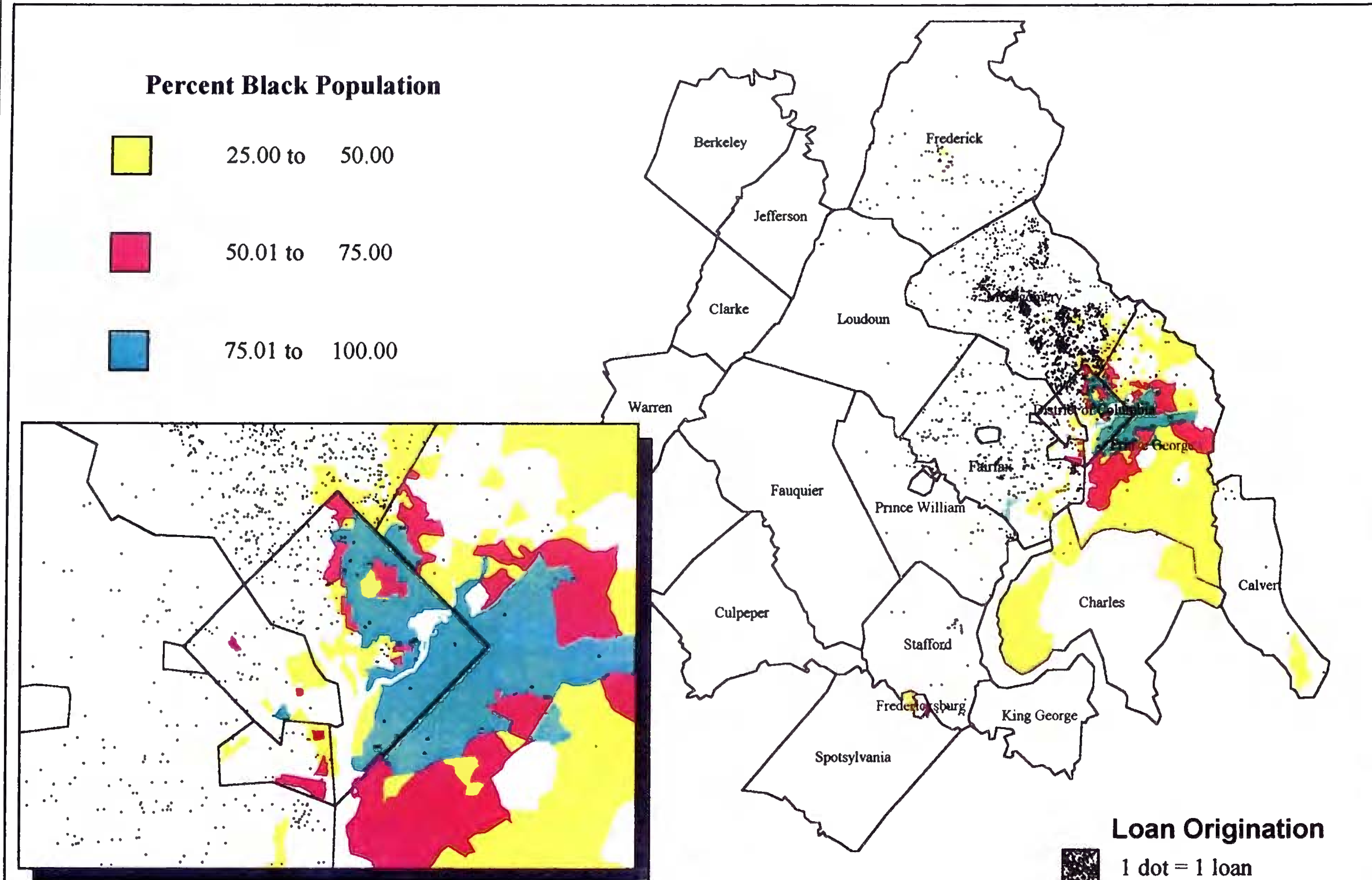
Source One Mortgage

1992 HMDA (Washington D.C.) 1990 Census



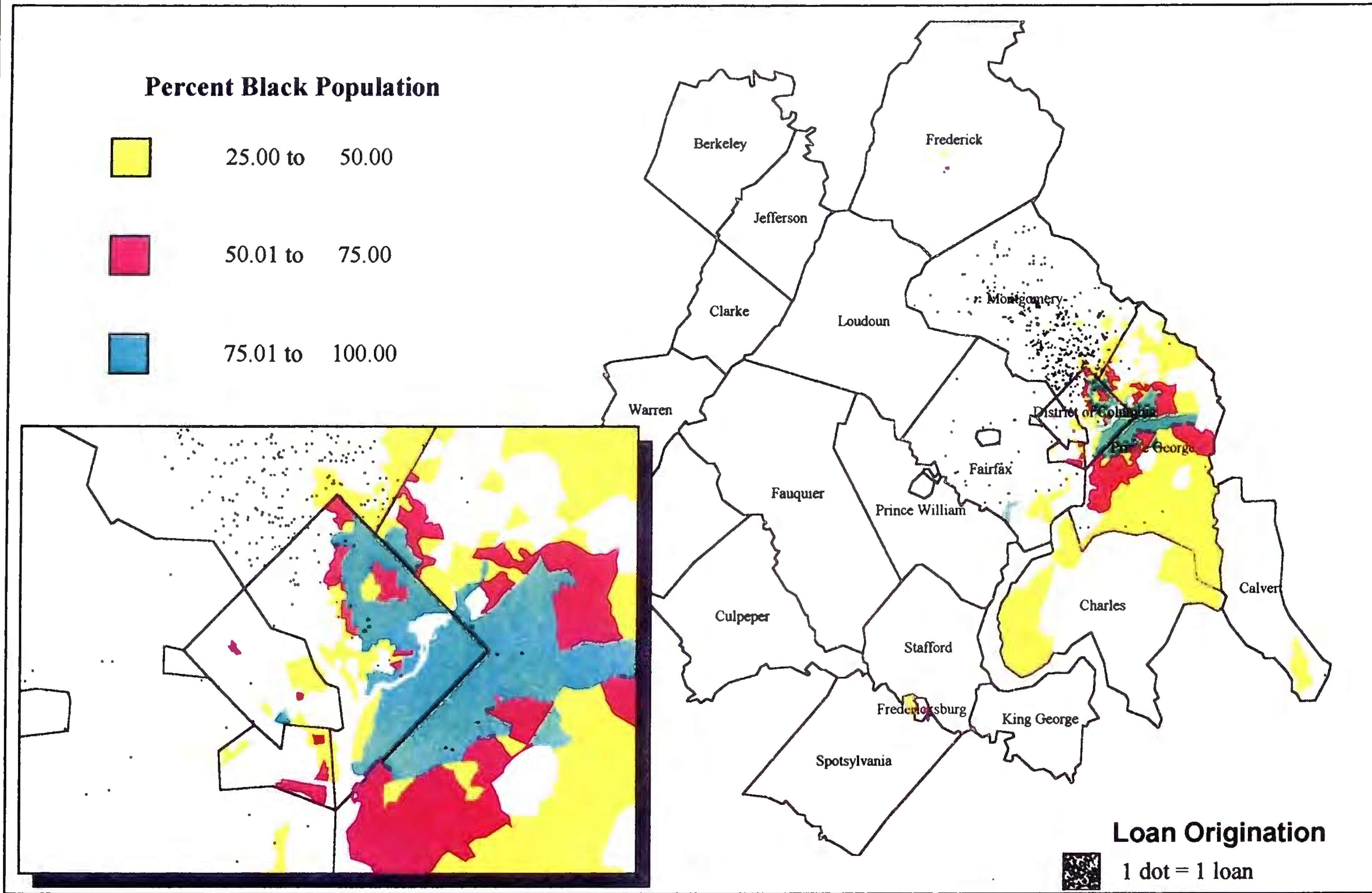
Presidential Savings Bank, FSB

1993 HMDA (Washington D.C.) 1990 Census



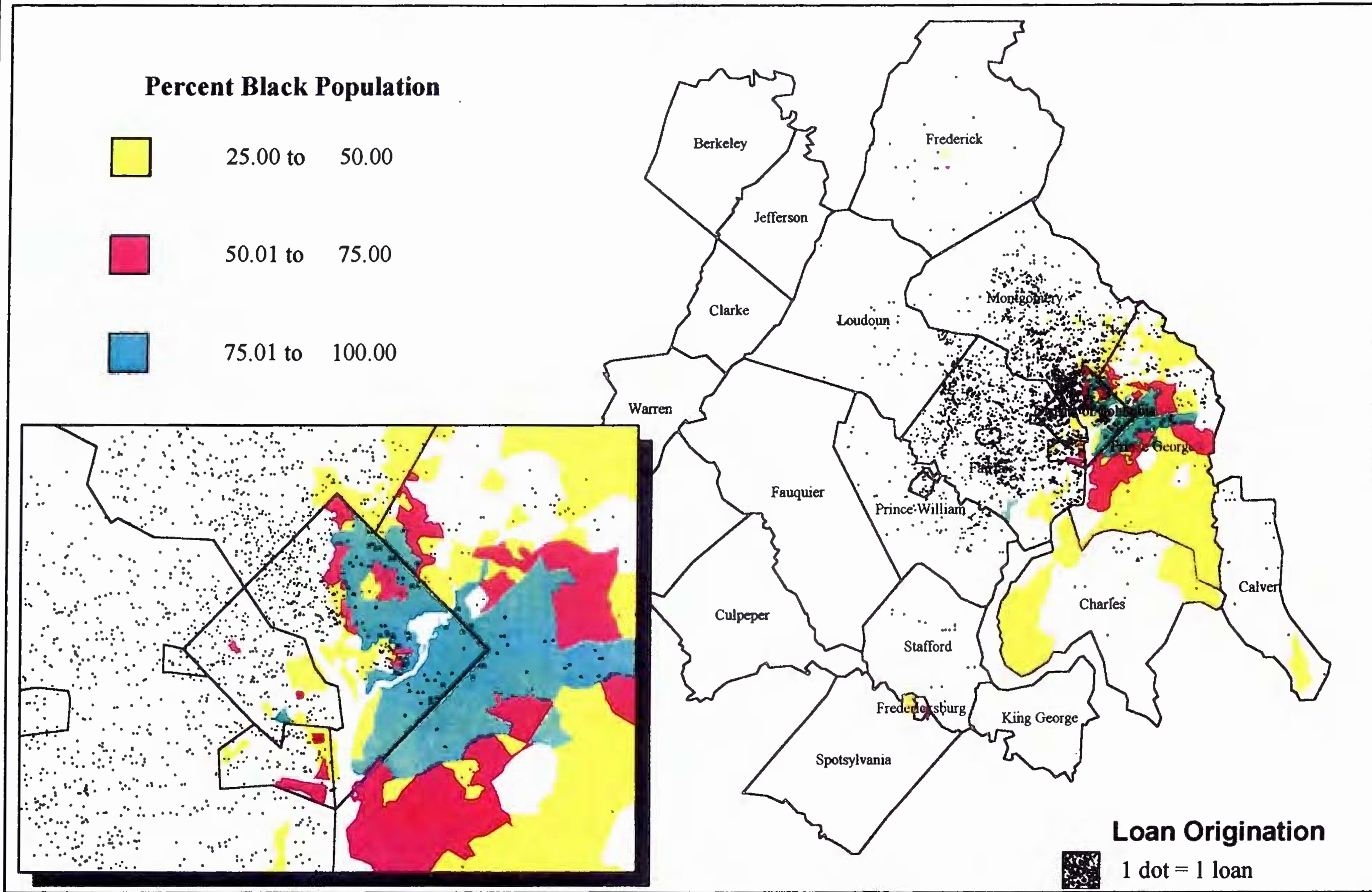
Presidential Savings Bank, FSB

1992 HMDA (Washington D.C.) 1990 Census



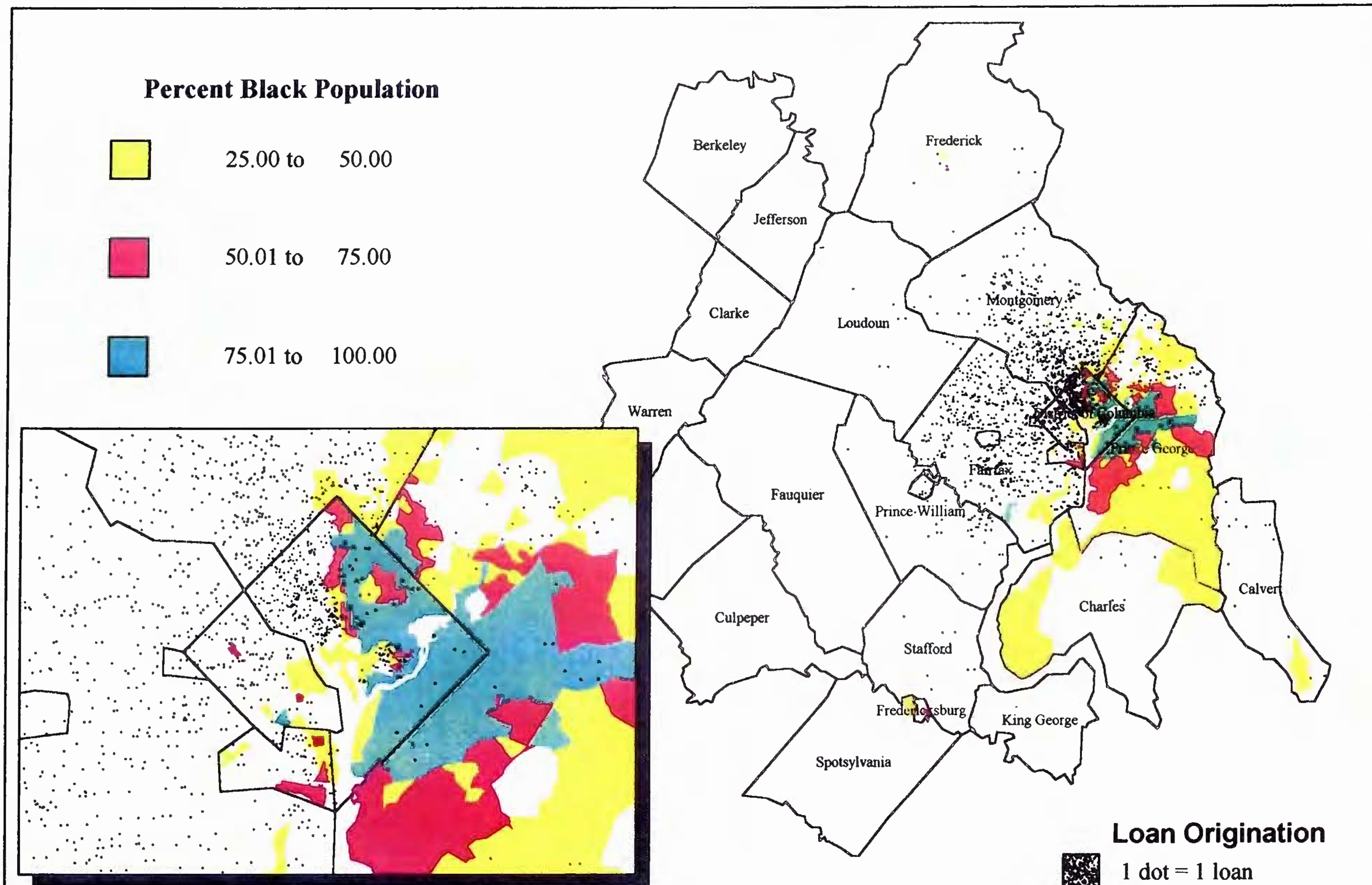
Citibank FSB

1993 HMDA (Washington D.C.) 1990 Census



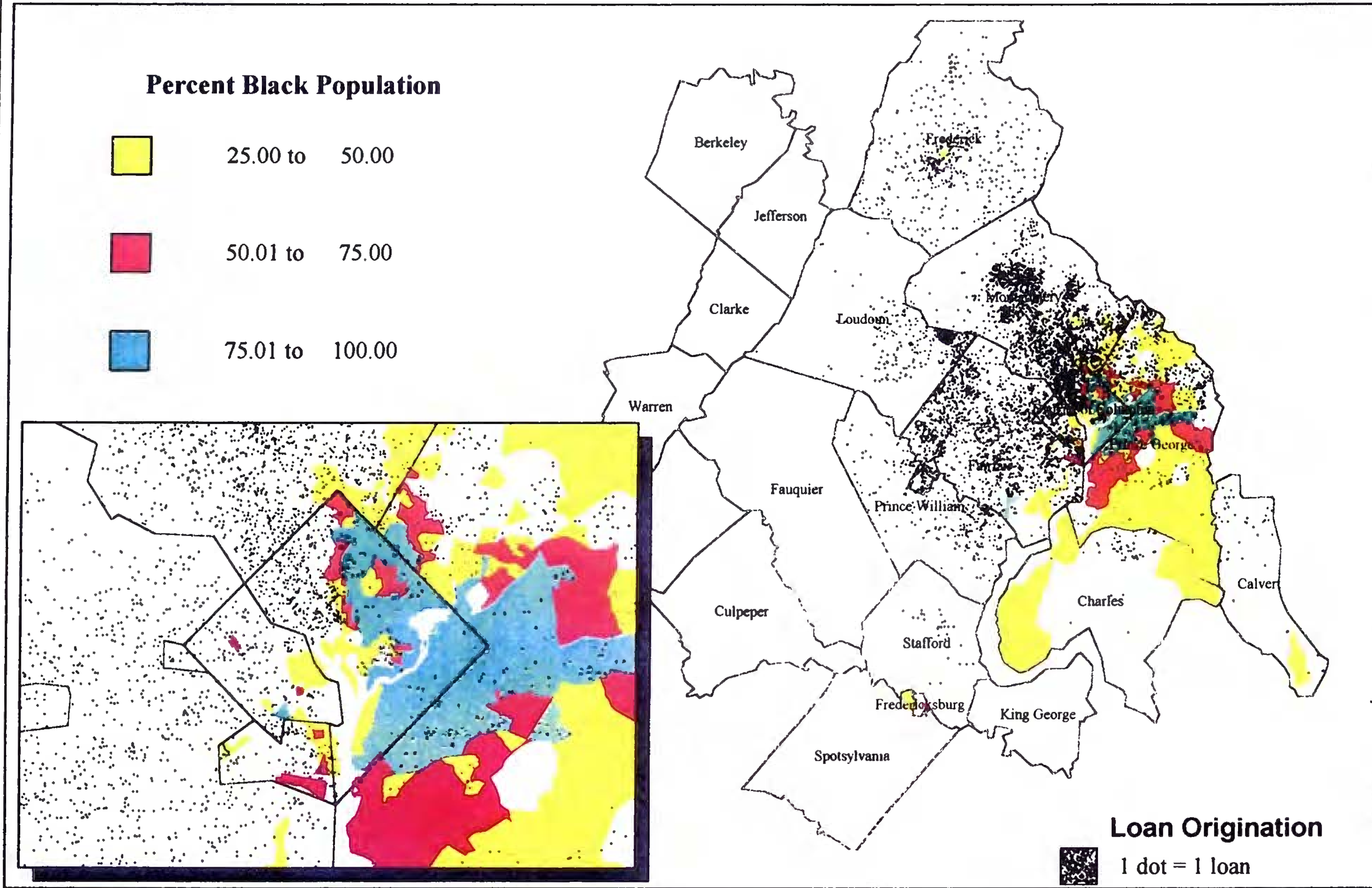
Citibank FSB

1992 HMDA (Washington D.C.) 1990 Census



BFSaul/Chevy Chase

1993 HMDA (Washington D.C.) 1990 Census

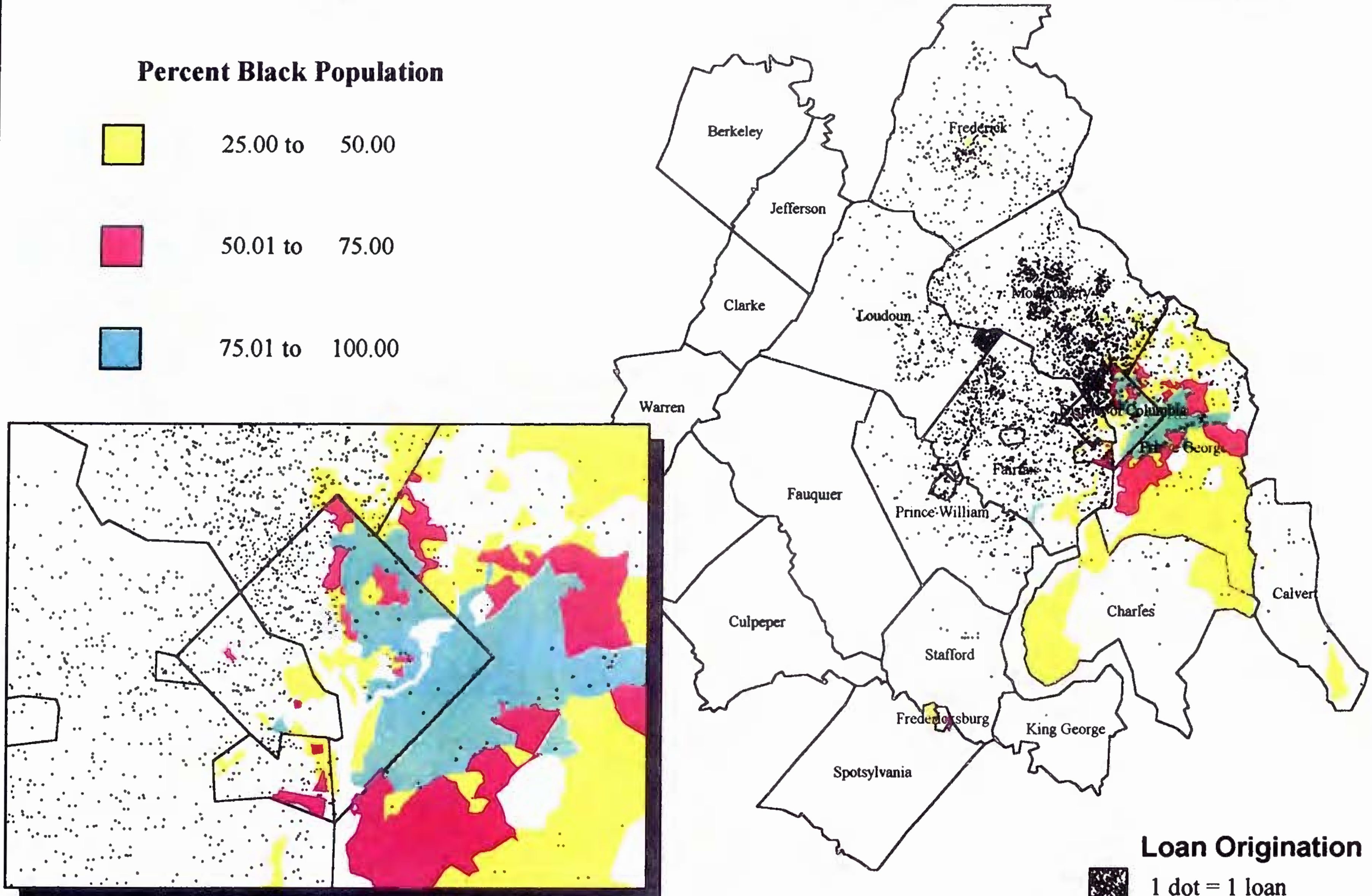


BFSaul/Chevy Chase

1992 HMDA (Washington D.C.) 1990 Census

Percent Black Population

Yellow	25.00 to 50.00
Red	50.01 to 75.00
Blue	75.01 to 100.00



Loan Origination

1 dot = 1 loan

Margaretten & Co.

1993 HMDA (Washington D.C.) 1990 Census