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Justice Settles ‘Redlining’ Suit Against Old Kent Bank

Yesterday, the Department of Justice settled a suit against Old Kent Financial Corporation and Old Kent Bank for alleged Fair Lending violations by “redlining” in its residential real estate and commercial lending in Michigan between 1996 and 2000. Old Kent has since been acquired by Fifth Third Bank, who was not named in the complaint. Under the settlement agreement, which must still be approved by the court, the bank will invest \$3 million in a special financing program over the next three years, invest \$200,000 in financial education, and open three new branches in Detroit.

The case, which was brought under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act, is significant as the first discrimination case brought by the Justice Department that focuses on commercial lending.

According to the complaint filed by the Justice Department, by March 2000, Old Kent had opened 53 branches in the Detroit metropolitan area, but none in the city of Detroit. In regard to the bank’s lending activity, the complaint alleged that, between 1996 and 2000, it originated only 2.2% of its small business, home improvement and refinance loans in majority African American census tracts. It alleged that Old Kent told African American business owners in the city of Detroit that it would not make business loans in that area, and denied applications from African American areas without explanation. The complaint also noted that the bank’s CRA assessment area excluded the city of Detroit.

This action demonstrates the continuing interest by Assistant Attorney General for Civil Rights, Alexander Acosta in attacking redlining based on evidence drawn from lending and branch distribution. The more detailed HMDA data release in 2005 may provide a basis for still further actions. The agency’s expansion of redlining principles to include commercial lending, however, breaks entirely new ground.

These issues will be closely considered at CBA’s Fair Lending Conference, September 29 - October 1, 2004, Crystal Gateway Marriott, Arlington, VA. You will find registration and program information about the conference at CBA’s web site at <http://www.cbanet.org/conferences/conference.html>.

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