

Class Action Lawsuits Expose Racial Discrimination in Auto Lending



NCLC Takes On the Nation's Largest Auto Finance Companies and Secures Over \$100 Million in Settlements

Between 1999 and 2007, NCLC successfully challenged racially discriminatory lending practices as co-counsel in a series of 11 national class action lawsuits brought against the car financing industry under the Equal Credit Opportunity Act.

NCLC and co-counsel took on the nation's largest auto finance companies and banks, asserting that their lending policies had a disparate impact on African-American and Hispanic customers, who were charged much more for credit than whites with similar credit ratings.

Expert analysis revealed that auto dealers were twice as likely to add a "markup" to the loans of African-Americans as to comparable white borrowers, and when

comparable borrowers of either race were marked up, African-Americans paid significantly more. Similar disparities were observed for Hispanic borrowers at the national level. NCLC found statistically significant racial disparities in every state with sufficient data, and in every region of the country.

This powerful evidence convinced the courts that "the plaintiffs have proved their case" that discretionary markups led to unacceptable racially disparate impacts. The auto finance companies settled in all 11 cases, paid over \$100 million in compensation to consumers and non-profit consumer advocacy organizations, agreed to limit discretionary auto dealer markups for at least five years, and created and funded 24 two-year consumer law Brooks Fellowships at legal services offices across the nation.

Expert analysis revealed significant racial disparities at every income level and in every region of the country