

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

THE CONNECTICUT FAIR HOUSING CENTER, INC.

Plaintiff,

-against-

LIBERTY BANK,

Defendant.

Case No.: 18-cv-1654

October 4, 2018

**COMPLAINT**

1. The Connecticut Fair Housing Center, Inc. (the “Center”) brings this action against Liberty Bank (“Liberty Bank” or “Liberty”), to remedy discrimination in mortgage lending. Liberty Bank has violated the Fair Housing Act (“FHA”), 42 U.S.C. § 3601 *et seq.* by engaging in a pattern or practice of

- unlawful redlining to restrict residential mortgage lending from communities where most residents are individuals of racial and ethnic minorities,
- discriminating against African-American and Latinx residential mortgage applicants in the application process by denying applications at significantly higher rates than white applicants, and
- making statements that would discourage a prospective applicant from a protected class from applying for credit.

2. For the purposes of this Complaint, “mortgage loans” are all loans that Liberty Bank was required to report under the Home Mortgage Disclosure Act, 12 U.S.C. §§ 2801 – 2810 (“HMDA”) from 2010 to 2016, and “mortgage lending” is the provision of such loans.

3. The foregoing HMDA data publicly were released on September 28, 2017.

4. For the purposes of this Complaint, “lending” is lending for the purposes of acquiring, refinancing, or improving 1-4 family owner-occupied dwellings.

5. Liberty Bank is the eighth-largest conventional home purchase lender and eleventh-largest refiner in Connecticut.

6. Among the top nineteen mortgage lenders in the state, Liberty Bank has the widest racial lending disparities in refinance denials for African-American and Latinx applicants compared with white applicants, and it fails to provide refinance loans to communities of color at a rate that outstrips its peers at a statistically significant level.

7. On average, Liberty Bank annually accepted 26 conventional home purchase applications, 20 government insured home purchase applications, and 28 refinance applications from African American and Latinx borrowers.

8. Because it denies African American and Latinx applications more often than its peers, on average annually it only originated 18, 9, and 13 such loans to those borrowers – a mere 40 per year out of a total of 1,197 originations per year.

9. In other words, only 3.34% of Liberty Bank's total originations from 2010-2016 were to African American and Latinx applicants.

10. Liberty Bank is a state-chartered depository lender regulated, in part, under the Community Reinvestment Act of 1977, 12 U.S.C. § 2901 *et seq.* ("CRA").

11. Liberty Bank has 57 bank branches operating in four "assessment areas" as defined by the CRA.

12. From 2010–2016, 85.9% of applicants for conventional loans from Liberty Bank were White, while 1.9% were African-American and 3.1% were Latinx.

13. During that same period, 1.5% of applicants were African-American and 1.3% of applicants were Latinx while 92.5% of applicants for refinancing were White.

14. The FHA prohibits creditors from discriminating based on race, color, and national origin in their mortgage lending practices. Creditors may not discriminate against individuals in these protected classes in any aspect of a credit transaction or in making available residential mortgage loans, and creditors may not make statements or engage in acts or practices that would discourage on a prohibited basis a prospective applicant from applying for credit. *See, e.g., 42 U.S.C. 3605 et seq.*

15. Liberty Bank has met the credit needs of majority-white neighborhoods in Connecticut while avoiding lending in majority-non-white neighborhoods. It has engaged in unlawful redlining of majority-non-white neighborhoods by (1) maintaining gerrymandered CRA assessment areas that cut-off the Hartford-East Hartford racially-diverse center of the state and (2) generating significantly fewer applications for credit from majority-non-white neighborhoods than its competitors. Liberty Bank also denies home loans to qualified African-American and Latinx home loan applicants at a substantially higher rate than similarly situated white applicants than has its peers. Finally, Liberty Bank has made statements that are likely to have the effect of discouraging prospective non-white applicants from applying for credit.

#### **JURISDICTION AND VENUE**

16. This Court has subject-matter jurisdiction under 28 U.S.C. § 1331.

17. Venue is proper in this judicial district under 28 U.S.C. §§ 1391(b) and (c) because Liberty Bank is a Connecticut state-chartered bank that conducts business and has its principal place of business in this district.

#### **PARTIES**

18. The Center is a statewide, non-profit corporation organized to ensure equal housing opportunity for everyone in Connecticut and to affirmatively further the cause of fair

housing. The Center investigates violations of the federal and state fair housing statutes. The Center identifies barriers to fair housing in Connecticut and works to eliminate them.

19. The Center has a principal place of business in Hartford, Connecticut.

20. Defendant Liberty Bank is a state-chartered mutual bank with its principal place of business in Middletown, Connecticut. It conducts minimal lending, if any, outside the state of Connecticut.

### **FACTUAL BACKGROUND**

#### **I. Liberty Bank has engaged in redlining by avoiding lending in majority-non-white areas in Connecticut.**

21. Liberty Bank has engaged in unlawful redlining.

22. Redlining is the practice of denying services, either directly or by selectively raising prices, to residents of certain areas based on the racial or ethnic makeup of those areas. In some historical instances, a red marker was used by lending institutions to delineate such areas. In other instances, a color scale from green to red was used. These scales were invariably based on the racial, ethnic, and religious makeup of the area. This is a pervasive component of residential lending that enforced pre-existing segregation of communities and persists today.

23. Connecticut is one of the most highly segregated states in the country.

24. Out of the 169 towns in Connecticut, two-thirds of the state's Latinx live in just 13 towns, and two-thirds of African-Americans live in just 10 towns.

25. Liberty Bank is based in Middletown, Connecticut and has been expanding outside of the greater Middletown region since 2010.

26. Prior to 2010, Liberty Bank had almost no presence in majority-non-white and urban centers.

27. In 2010, Liberty Bank expanded by merger into Bristol, Plainville, New Britain, Newington, and Wethersfield.

28. In 2013, it expanded, again in part by merger, into New Haven. In 2015, through another merger, it expanded into the Naugatuck Valley.

29. Despite Liberty Bank's merger into Bristol, Plainville, New Britain, Newington, and Wethersfield in 2010, from 2010–2014 it originated almost no loans in those areas, except in the predominantly white census tracts of Plainville, Farmington, and West Hartford.

30. Under the CRA, Liberty Bank can draw its own assessment areas, subject to the technical requirements of 12 C.F.R. § 228.41.

31. One of the principal purposes of the CRA is to ensure that lending institutions such as Liberty Bank are meeting the credit needs of low- and moderate-income communities.

32. Liberty Bank drew a CRA assessment area boundary that is gerrymandered to avoid Hartford, East Hartford, and Manchester.

33. Hartford is 84%, East Hartford 61%, and Manchester 37.5% non-white.

34. Liberty Bank's CRA assessment area does not conform to metropolitan boundaries, unlike most depository lenders. Instead, it bisects Hartford County, avoiding most of the majority-non-white neighborhoods contained within it. Similarly, it avoids including the northern portions of Hartford and Tolland Counties even though they are part of the Hartford Metropolitan Statistical Areas.

35. Finally, except for the town of Shelton, it excludes all of Fairfield County, even though it originates a substantial number of loans there.

36. Overall, it originates 28% of its conventional purchase loans and 18% of its refinance loans outside of its 2012 CRA assessment areas.

37. It originated approximately 16.6% of its home purchase loans and 12.6% of its refinance loans outside of its 2016 CRA assessment areas.

38. Because of its CRA delineation, Liberty Bank avoids CRA scrutiny of its banking and lending activities in the racially diverse towns of Danbury, Stamford, Norwalk, Bridgeport, Bloomfield, Windsor, Hartford, East Hartford, and Manchester.

39. All these towns and cities are no more than 62% white. These communities contain 49.3% of the African American, non-Hispanic and 41.8% of the Latinx residents of Connecticut.

40. Approximately 394,000 African American and Latinx residents are excluded from the CRA assessment areas of Liberty Bank.

41. By avoiding Hartford, East Hartford, and Manchester at the northern end of its CRA area, Liberty Bank excludes 18.6% of Connecticut's African-American residents and 15.3% of Connecticut's Latinx residents from its CRA assessment area.

42. Avoiding the additional contiguous towns of Bloomfield, Windsor, South Windsor, and Vernon, Liberty Bank effectively excludes 25.6% of Connecticut's African-Americans and 16.6% of Connecticut's Latinx from its CRA assessment areas.

43. Liberty Bank excludes these areas even though approximately one-third of Bloomfield, nearly all of Hartford, two-thirds of East Hartford, and one-quarter of Manchester are within 5 miles of one of its branches.

44. Liberty Bank's CRA assessment boundaries only contain five census tracts where the non-white population exceeds 75%. Hartford alone includes 42 such tracts.

45. To test for redlining, and failure to lend in certain protected groups, the Center used a statistical measure called a shortfall. Essentially, the measure assumes that the number of

loans is constant across the region and then estimates what the distribution of loans would be if they were made solely according to the income of loan applicants rather than some other factor like composition of neighborhood or race of applicant. This allows a comparison between expected lending patterns and actual lending patterns for a single mortgage lender, and tests whether differences in origination volume are a result of applicant characteristics or variables such as discrimination against a protected class. The shortfall for one lender can be compared to other lenders in the marketplace to determine if the lender is failing to originate loans on a basis prohibited by the Fair Housing Act. Liberty Bank's shortfalls were estimated both across the Hartford Metro Region (Hartford, Tolland, and Middlesex Counties) and within Liberty Bank's CRA boundaries.

46. Attached as Exhibit One to this complaint is a map of Liberty Bank's residential mortgage originations to white, non-Hispanic applicants from 2010 through 2016.

47. Attached as Exhibit Two is a map of Liberty Bank's residential mortgage originations to African American and Latinx applicants from 2010 through 2016.

48. Attached as Exhibit Three is a map that combines Exhibits One and Two.

49. These maps demonstrate the scope of Liberty Bank's redlining.

**A. Liberty Bank generates a disproportionately low number of mortgage loans within its CRA assessment areas from non-white applicants.**

50. Within its CRA region, from 2010-2016 Liberty Bank only made 55 conventional home purchase and 53 refinance loans in census tracts whose populations were 50 to 74.9% non-white.

51. This loan total was 39 and 132 less than the number of loans expected, respectively.

52. The average home loan made by Liberty Bank from 2010-2016 was approximately \$237,000.

53. Based on this average, the shortfall resulted in approximately \$40.5 million less home loans than would be expected to those census tracts.

54. From 2010-2016, Liberty Bank made three conventional purchase loans and two refinance loans in tracts that were more than 75% non-white.

55. In those tracts, ten conventional home purchase loans and 22 refinance loans were expected, reducing expected home loans in those areas by \$7.5 million.

56. In contrast, Liberty Bank originated 123 conventional home purchase loans and 619 refinance loans more than expected in census tracts with less than 15% non-white residents..

57. Based on total lending within its 2012 CRA assessment area, Liberty Bank made significantly more loans in census tracts that were predominantly white than would be expected, and it did so at a much greater rate than its competitors.

58. Liberty's largest refinance shortfalls occur in census tracts that are racially diverse (those with 15 to 49.9% non-white residents) - a shortfall of 466 loans.

59. These expected home loans would have resulted in an additional \$116.5 million of lending, based on Liberty Bank's average home loan balance.

60. Conversely, the whitest census tracts, with less than 7.5% non-white residents, had the largest refinance loan surpluses, 363 more than expected, a surplus rate of 29%, while tracts with 7.5 to 14.9% non-white residents had a surplus of 256 refinances, a rate of about 18%.

**B. Liberty Bank generates insufficient loan applications within the Hartford Metro Region from non-white applicants.**

61. Liberty Bank's lending activity in the Hartford Metro Region generally has an even greater lending shortfall to diverse and majority-non-white census tracts. Relatively few of

Liberty Bank's loans are made in diverse census tracts (tracts with 30 to 49% racial minorities) and even fewer are made in majority-non-white tracts.

62. Of the 2,916 conventional home purchase loans made by Liberty Bank, 294 (a little over 10%) were in diverse census tracts and only 126 were in majority-non-white census tracts.

63. Most of the loans made by Liberty are refinance loans—of these 4,919 loans, only 6.9% were made in diverse census tracts and a mere 1.7% were in majority-non-white census tracts.

64. Liberty Bank has large shortfalls in conventional home purchase loans in majority-non-white census tracts and large loan surpluses in census tracts with the smallest percentages of racial minorities.

65. If Liberty Bank's conventional purchase loans were distributed among homeowners based on income alone, 177 more loans would have been made in majority-non-white tracts.

66. Conversely, loan surpluses are largest in tracts with the smallest percentages of minorities (i.e. tracts with 0 to 7.4% of the total population).

67. Liberty Bank refinance shortfalls to diverse and majority-non-white tracts are even larger than home purchase shortfalls.

68. Specifically, 232 more loans should have been made in racially diverse tracts and 403 more in majority-non-white census tracts.

69. At the same time, there is a very large loan surplus of 479 in the whitest census tracts, those with less than 7.5% non-white residents.

70. The foregoing shortfalls are the most uneven lending rates among the 19 largest lenders in the state.

**C. Liberty Bank's inactivity is greater than the inactivity of its competitors in the same areas at a statistically significant level.**

71. Liberty Bank makes significantly fewer than expected loans than nearly all its peers in majority-non-white census tracts, even when controlling for underwriting criteria like income and whether the borrower will live in the property.

72. Based on expected lending activity, Liberty Bank should have originated 22.1 times more refinance loans than it did in census tracts that are between 75% and 100% non-white population, based on the shortfall calculation. Such a shortfall is nearly 2.5 times that of the lender with the next highest rate of such refinance shortfalls.

73. Liberty Bank also has large refinance shortfalls in census tracts with 50 to 74% non-white population. In these areas there is a shortfall of over three loans to every actual loan made by Liberty Bank, a ratio twice the rate of the lenders with the next highest shortfall ratios.

74. Liberty Bank's shortfall ratios were also high in diverse census tracts (30 to 49% non-white population), about double that of lenders with comparable residential lending.

75. Conversely, there were disproportionately large Liberty Bank refinance surpluses in the least racially diverse census tracts, with 0 to 7.4% non-white population, about three times the surplus of the next-worst residential mortgage lender in these tracts.

76. Because Liberty Bank is a depository lender with smaller deposit shares than some of its lending competitors, Liberty Bank's lending activity was also ranked against lenders with similar deposit shares and mortgage origination rates to it in the counties in which it operates branches. Here again its purchase and refinance shortfalls ranked the worst among those institutions.

77. In census tracts with a non-white population greater than 50%, Liberty Bank should have originated approximately 5 times as many refinance loans and approximately 2.5 times as many conventional loans from 2010-2016 as it did. In other words, Liberty Bank should have originated 442 more loans, or, based on its average loan amount, lent \$104.75 million more in these census tracts.

78. In short, Liberty Bank had the highest lending shortfalls among (1) the 19 largest lenders in Connecticut, (2) 10 other lenders with similar deposit shares in the counties that Liberty Bank maintains branches, and (3) among both of those two groups combined.

**D. Liberty Bank locates an insufficient number of bank branches in majority-non-white and racially diverse (30-49.9% non-white population) census tracts relative to its leading competitors.**

79. Liberty Bank over-concentrates its bank branches in white census tracts.

80. There were only two Liberty Bank branch in tracts having 75% or more minorities and three in tracts 50 to 74% non-white population—about half that of other leading lenders.

81. Compared to the other lenders, Liberty has, by far, the smallest percentage shares in tracts with 75% or more non-white population, less than half that of the lender with the next smallest shares of branches in these tracts.

82. Sixteen percent of Liberty Bank's branches are in census tracts that are almost exclusively white census tracts (those with 0-7.4% non-white population), five percent more than the two lenders with the next highest shares of branches in these areas.

83. Liberty Bank's branch location practices cannot be explained by the concentration of lending, or market saturation, in the regions it serves alone. In Liberty Bank's historic headquarters, Middlesex County, there is the highest per-person concentration of home loans of

any county in Connecticut. The portion of Hartford County excluded by its CRA assessment area, the central and northern part, have much lower levels of lending activity, approximately 10% less than Middlesex County. Liberty Bank has no business justification for refusing to locate branches and originate home loans in the central and northern portions of Hartford County.

84. Liberty's 16 branches make up 28.1% of all depository bank branches that are FDIC insured in Middlesex County. Middlesex County is already saturated with bank branches, with the largest per capita number of FDIC-insured branches in Connecticut at 86.2 per 100,000 households. Liberty Bank drew its CRA border in Hartford County to include areas containing 86.7 branches per 100,000 households, while the excluded central and northern area contains just 82.9 branches per 100,000 households.

**E. Liberty makes fewer loans to racial minorities than its competitors in its home city.**

85. Liberty Bank takes roughly half as many loan applications from racial minorities in Middletown, a diverse city of 47,000 residents, as its competitors do. This is true even though it has 5 branches located in or near Middletown's boundaries.

86. Specifically, of its applications for conventional purchase loans, 7.7% were from African-American and Latinx applicants.

87. For refinance loans, 4.8% were from African-American and Latinx applicants.

88. In comparison, its competitors took 11% and 8.2% of such applications, respectively, from African-American and Latinx applicants in Middletown.

**II. Liberty Bank discriminates against applicants based on race and national origin by denying African-American and Latinx applicants for loans at a substantially higher rate than substantially similar white applicants after controlling for income and other neighborhood features.**

89. The few African-American or Latinx borrowers that apply for a loan with Liberty Bank are denied at much greater rates than similarly situated white applicants.

90. Liberty Bank denies refinance loans for African-American and Latinx borrowers differently depending on the census tract composition that the applicant is in, further indicative of its redlining practices. The more racially diverse the census tract is, the more likely it is that Liberty Bank will deny an African-American or Latinx borrower for a home refinance loan.

91. In majority-non-white tracts (non-white population 50% or more), Liberty Bank denies 62% of loans sought by non-white applicants.

92. In tracts where minorities comprise between 15% and 49.9% of the population, Liberty Bank denies 42.7% of non-white applications.

93. And in the whitest tracts – those between 0 and 14.9% non-white, it denies 29.7% of non-white loan applications.

94. Liberty Bank denies high income African-American and Latinx borrowers for conventional loans at a rate 2.7 times higher than white borrowers at the same income. Overall, Liberty Bank denies African-American and Latinx borrowers at a rate two to three times that of white borrowers.

95. Denial disparities

between white and African-American or Latinx applicants persist within Liberty Bank’s applicant pool as applicant incomes rise. While Graph A and B demonstrate some convergence in denial rates as applicant incomes rise, that convergence ceases as soon as the applicants are above low income.

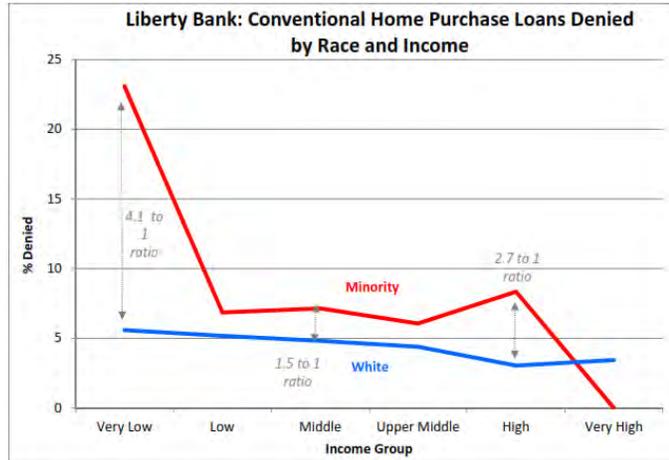
96. Liberty Bank has persistent rates of denial for African-American and Latinx applicants that outstrip its peers.

97. Liberty Bank denies refinance loans for low income, middle

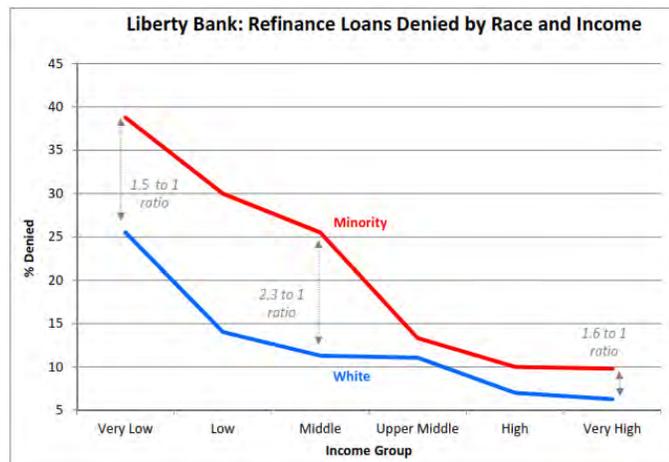
income, and high income African American and Latinx 1.7, 2.7, and 3.2 times as often as it denies similarly situated white applicants, respectively.

98. In contrast, its competitors deny those same applicants at 1.6, 1.7, and 1.9 times the rate of similarly situated white applicants. Liberty Bank denies home purchase loans for non-white applicants at a rate similar to its competitors, in part because it only received applications for such loans from African American and Latinx applicants on average 26 times per year from 2010-2016.

**Graph A**



**Graph B**



**III. Overall lending measures establish that Liberty Bank is failing communities of color.**

99. Across all disparity measures: denials, loan fallouts, government insured home purchase denials, and shortfalls, Liberty Bank ranked the worst among the overall group of 25 lenders.

100. Denial disparities examine whether a bank is denying non-white applicants more often than white applicants. Fallout disparities examine whether a loan applicant is failing to receive a mortgage for reasons other than a denial, and indicate whether a bank is failing to help non-white applicants complete their loan applications. Government insured disparities are particularly problematic because those programs are specifically designed to lend to individuals with lower incomes, less savings, and worse credit – frequently non-white applicants. And as discussed above, shortfall disparities indicate whether banks are failing to lend in communities of color.

101. Liberty Bank's average disparity scores exceeded the average disparity scores across all metrics for every other lender in the sample.

**IV. Testing results.**

102. To investigate Liberty Bank's discriminatory conduct, the Center conducted in-person investigations at several Liberty Bank branches.

103. Testers were qualified for a 30-year fixed rate or adjustable rate mortgage using the Fannie Mae manual underwriting matrix. Testers were at the lower margin of qualification. They were randomly assigned a credit score of 600-700 and income between \$67,000 and \$94,000. If their credit score was less than 680, they were given sufficient reserves under the Fannie Mae guidelines. Front-end debt-to-income ratios were set at 28% and back-end debt-to-income ratios were set at 36%. Control testers were white and were given slightly worse

financial qualifications. Specifically, their credit score was 1 to 6 points less and their income was \$1,000 to \$3,000 less than the protected tester who was a racial non-white.

104. Liberty Bank discriminated against non-white testers by making statements that would discourage African-American and Latinx applicants from applying for loans, providing African-American and Latinx applicants significantly less information about the home-buying process than white applicants, and offering inferior terms to African-American and Latinx applicants than to white applicants.

### **TEST 1**

105. The Center sent an African-American tester to meet with a Liberty Bank loan officer on December 3, 2016. A white tester met with the same loan officer on January 21, 2017.

106. The loan officer suggested a down payment for the white tester of 3% while suggesting a down payment for the African-American tester of 5%.

107. The loan officer made statements in which he indicated that a lower down payment was a positive for the white tester because it allowed the tester to retain funds for things like drapes and furniture but, in the case of the African-American tester, cleaning supplies.

108. The loan officer also suggested that the African-American tester should try for a down payment assistance program, even though the profile she provided to him made her ineligible. The loan officer subsequently acknowledged that she was ineligible.

109. The loan officer provided the African-American tester a verbal cash to close estimate of \$17,000 to \$18,000 for a \$269,000 home. The loan officer provided the white tester a verbal cash to close estimate of \$15,000 for a \$273,000 home.

110. The loan officer asked the white tester once what her credit score was and accepted the score provided, although it was lower than the African-American tester's. The loan

officer asked the African-American tester her credit score once. However, he expressed doubt about the score, stating “since I haven’t pulled your credit and I don’t know – I don’t know what your uh credit scores are,” “[s]ounds like the credit’s fine,” “it doesn’t sound like you have any bills really” and that CHFA [Connecticut Housing Finance Authority] looks at your credit and “they look and see if you pay your bills on time.”

111. This language suggested to the tester that someone else was going to look at her credit and that CHFA was the only loan program available to her.

112. The loan officer did not ask the white tester anything about her debt. The loan officer asked the African-American tester about her debt.

113. The African-American tester’s profile included a small amount of student loans with monthly debt payments that would not disqualify the tester for any programs. However, the loan officer expressed significant concern about the loans, stating that it was “going to have a big bearing,” “that’s too bad,” and “honestly here’s gonna be the issue: the student loans.”

114. The loan officer also told the African-American tester about one client who had 27 credit cards who had problems a year after obtaining a loan. The loan officer did not tell the white tester any negative anecdotes regarding debt.

115. Both testers provided the loan officer with information about similar homes in Plantsville, a part of Southington. The loan officer told the white tester she picked out a nice house and did not express concerns about the taxes. The taxes for the house the African-American tester provided were substantially the same. The loan officer expressed concerns about the landscaping, told the African-American tester he was concerned that the house was being “flipped,” and told the African-American tester that the taxes seemed like they were artificially

low. He hypothesized that a veteran or elderly person lived in the home and that taxes would shoot up once the African-American tester purchased it.

116. The loan officer made two efforts to steer the African-American tester to Bristol.

117. Bristol is a more diverse municipality (17.8% non-white) whose residents have a lower socioeconomic status than Southington (7.5% non-white). It also has higher taxes and a school system considered worse than Southington.

118. He first suggested a discount loan program that he knew the African-American tester was ineligible for. He later suggested to the African-American tester that taxes were lower in Bristol – even though the taxes were not lower. The loan officer made no effort to steer the white tester to any other municipality.

119. The loan officer used several derogatory phrases in front of the African-American tester. Seconds after meeting the African-American tester, he asked “how many of them are you?” The loan officer did not ask the white tester any questions about family size. The loan officer also referred twice to the African-American tester’s husband as her “hubby” although he only referred to the white tester’s spouse as “husband.”

120. When the African-American tester started to take notes, the loan officer told her she was not allowed to take notes until he told her to write things down. The loan officer permitted the white tester to take notes at will.

121. The loan officer assumed that the African-American tester’s spouse was paid hourly, rather than on salary, and that thus they might have “increases coming up or decreases or however it works.” This statement implied a lack of income security. He made no similar statement to the white tester, nor did he ask the white tester how she and her spouse were paid.

122. Both testers told the loan officer their down payment was coming from their savings. He accepted the white tester's statement, but he told the African-American tester she would need to show three months' bank statements for checking and savings "or wherever the money's coming from."

123. He asked the African-American tester how she paid her rent but did not ask the white tester how she paid her rent. After the African-American tester answered, simply, "check," the loan officer continued to tell her "[t]hey may ask you for 12 months' cancelled checks. If that's a problem we can figure something else out." The loan officer tell the white tester that she would need to prove she paid rent for 12 months.

## **TEST 2**

124. The Center sent a Latina tester to the branch located at 1099 Silas Deane Highway in Wethersfield on September 29, 2016 to get copies of Liberty Bank's advertising materials for its mortgages. The Center sent a white tester for the same purpose on February 16, 2017.

125. The Latina tester requested advertising materials in Spanish and English. The tester spoke with a mild Spanish accent, but otherwise communicated in clear English with the employees. Employee 1 directed questions to Employee 2. Employee 2 stated that the tester would have to see the outreach person, who also speaks Spanish. As the tester was leaving, Employee 2 asked whether the tester would like to leave her name and email for the outreach person.

126. The Latina tester was told that there were no materials she could take with her.

127. The White tester entered the branch and asked for written materials. In response, she was told that what the branch ordinarily does is make a referral to a mortgage originator to

set up an appointment. The tester stated she just came to get some information and the employee directed her to a packet of mortgage solutions.

128. The employee asked whether the tester banked at Liberty Bank. Upon being told no, the employee asked for the tester's name and number for the loan officer. She provided the loan officer's business card. The employee also asked the tester where she banked and whether she was happy with the services there. When the tester said she was happy, the employee provided some information about Liberty's free checking account.

### **TEST 3**

129. The Center sent a white tester to the branch located at 171 Silas Deanne Highway in Wethersfield on February 2, 2017 to get copies of Liberty Bank's advertising materials for its mortgages. The Center sent a Latina tester for the same purpose on April 6, 2017.

130. The White tester entered the branch and asked for materials about loan products. She was immediately given the loan officer's card and taken over to the brochures, where she was given several Liberty-specific mortgage brochures about loan products.

131. The White tester was told that she would be advised to open a checking account if she was applying for a mortgage.

132. The White tester was told that the loan officer would also be available after banking hours.

133. The Latina tester entered the branch and asked for materials about loan products. Employee 1 said "we don't really have anything for you," but was cut off by Employee 2 who said he had a first-time homebuyer brochure if she wanted to take a look at it. The brochure was for a special CHFA program and was not specific to Liberty Bank.

134. The tester asked again whether there were other materials and was told that was it. The brochure was a CHFA brochure for first-time homebuyers with information about down payment assistance.

135. The tester was advised to call the loan officer for more information.

#### **TEST 4**

136. On May 18, 2017, the Center sent a white tester to get copies of Liberty Bank's advertising materials for its mortgages at the branch located at 534 Main Street in Cromwell. The Center sent an African-American tester to do the same on June 9, 2017. Both testers met with the same teller.

137. The African-American tester was given an additional brochure on affordable mortgage programs that the white tester was not given. The African-American tester was also told that they did not do mortgages at that branch.

138. The white tester was asked if he had an account at the bank, while the African-American tester was not. The white tester was offered a phone call from the loan officer, while the African-American tester was only offered an email.

#### **TEST 5**

139. On May 18, 2017, the Center sent a white tester to get copies of Liberty Bank's advertising materials for its mortgages at the branch located at 64 Oak Street in Glastonbury. The Center sent an African-American tester to do the same on June 9, 2017. Both testers were brought directly to meet with the same loan officer by the teller.

140. The white tester was given a sheet with rate and fee information and was told that the bank would help them through the process.

141. The loan officer accepted the white tester's credit score as given and told the white tester he was sure he had purchased a home before and understood the process.

142. The African-American tester was given the Uniform Residential Loan Application in blank to fill out on his own, a daunting 4-page document that, upon information and belief, is typically prepared by Liberty Bank and automatically populated, in part, from a credit report.

143. In response to the African-American tester's credit score, the loan officer suggested running a credit check.

144. The African-American tester was also directed towards Liberty Bank's online mortgage application tools.

#### **TEST 6**

145. On May 15, 2017, the Center sent an African-American tester to meet with a Liberty Bank loan officer in 55 High Street in Middletown. On June 15, 2017, the Center sent a white tester to meet with the same loan officer at 55 High Street in Middletown.

146. The white tester was given a lower monthly payment estimate of \$1,667 compared with \$2,023 for the African-American tester.

147. The house that the African-American tester suggested (\$229,000) was cheaper and had lower taxes than the house that the white tester suggested (\$234,000).

148. For the white tester, the loan officer also estimated a lower monthly payment of \$1,700 for a generic house costing \$250,000 than for the \$229,000 house that the African-American tester suggested.

149. The loan officer also told the white tester he could discuss their needs after business hours. The loan officer did not make the same offer to the African-American tester.

150. A loan officer helped a White tester pre-fill her mortgage application form out (the Uniform Residential Loan Application). He did not provide the same service to an African-American tester, even though she was more qualified for a home than the White tester.

151. The loan officer also gave the White tester a copy of the notes he took for himself. He did not give the African-American tester a copy of his notes.

**V. The Center is an aggrieved person whose injury falls within the zone of interests protected by the Fair Housing Act.**

152. The Center's mission is to ensure that all people have equal access to housing opportunities in Connecticut. To carry out this mission, the Center provides investigative and legal services to Connecticut residents who believe they have been the victims of housing discrimination. The Center also provides education and outreach on fair housing and fair lending issues throughout Connecticut. In addition, the Center is actively engaged in efforts with the state and federal legislatures and regulators to promote compliance with federal fair housing laws. The Center has been engaged in combating entrenched segregated housing patterns in Connecticut and promoting a more integrated state since 1994.

153. One of the Center's initiatives is to promote fair lending. As part of this initiative, the Center commissioned a report on lending patterns in Connecticut. When the report identified one or more lenders that were engaged in discriminatory lending, the Center was forced to divert substantial staff and budget resources to the investigation of those behaviors. Investigation specific to Liberty Bank included (a) statistical analysis of Liberty Bank's lending patterns, (b) organization of a series of matched-pair tests, and (c) investigation of marketing and advertising trends.

154. If the Center had not been required to divert staff time and budget resources to the investigation of Liberty Bank, the Center would have been able to (a) engage in additional

education and outreach to the community on fair lending issues and (b) focus its resources on alternative fair lending issues, such as the Center's efforts to combat predatory lending.

155. The Center's interest in promoting fair lending is within the zone of interests protected by the FHA. Specifically, the Center has a noneconomic interest in encouraging fair lending that was impaired when the Center was required to devote resources to identify and counteract the discriminatory lending patterns of Liberty Bank. The Center, because of its substantial diversion of resources, is an aggrieved person within the meaning of the FHA.

**LIBERTY BANK'S VIOLATIONS OF THE FAIR HOUSING ACT**  
**42 U.S.C. § 3605(a)**

156. The Center repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

157. Liberty Bank's redlining of the majority-non-white metropolitan regions of Connecticut constitutes unlawful discrimination in making available residential real estate-related transactions based on race or national origin, in violation of Section 805 of the Fair Housing Act, 42 U.S.C. § 3605(a).

158. Liberty Banks's redlining constitutes unlawful discrimination against African-Americans and Latinx based on race or national origin, and unlawful discrimination against residents of the majority-non-white metropolitan regions of Connecticut based on the racial composition of those neighborhoods.

159. The Center is an "aggrieved person" under the Fair Housing Act, 42 U.S.C. § 3605(b).

160. Liberty Bank has discriminated in making available residential real estate-related transactions by redlining the majority-non-white metropolitan regions of Connecticut, delineating its CRA boundaries to disqualify properties in those regions from eligibility for

certain of its loan products regardless of borrower creditworthiness, refusing to solicit mortgage business from those regions, locating its branches so as to avoid those regions and other areas with substantial African-American and Latinx populations, and refusing to market its products and services in the those metropolitan regions and to African-American and Latinx applicants in Connecticut.

161. Liberty Bank has redlined the majority-non-white metropolitan regions of Connecticut in continuing violation of the Fair Housing Act by maintaining and enforcing its discriminatory practices, as described herein, continuously from at least 2010 to the present.

162. Liberty Bank's redlining is motivated by a discriminatory intent and results in disparate treatment of African-American and Latinx applicants in Connecticut based on race or national origin.

163. Liberty Bank has discriminated in making available residential real estate-related transactions by denying similarly situated middle- and high- income African-American and Latinx home loan applicants for mortgages at greater rates than their white counterparts.

164. Liberty Bank has discriminated in making available residential real estate-related transactions by making statements that (1) tended to discourage African-American and Latinx applications from applying for loans, (2) provided African-American and Latinx applicants significantly less information about the home-buying process than white applicants, and (3) offered inferior terms to African-American and Latinx applicants than to white applicants.

**WHEREFORE**, the Connecticut Fair Housing Center requests that the Court enter an order that:

1. Declares that the conduct of Liberty Bank violates the Fair Housing Act;
2. Enjoins Liberty Bank, its agents, employees, and successors, and all other persons in active concert or participation with it, from:
  - a) Discriminating because of race or national origin in any aspect of their lending business practices;
  - b) Failing or refusing to take such affirmative steps as may be necessary to restore, as nearly as practicable, the victims of Liberty Bank's unlawful practices to the position they would be in but for the discriminatory conduct;
  - c) Failing or refusing to take such affirmative steps as may be necessary to prevent the recurrence of any discriminatory conduct in the future and to eliminate, to the extent practicable, the effects of Liberty Bank's unlawful practices, and providing policies and procedures to ensure all segments of Liberty Bank's market areas are served without regard to prohibited characteristics; and
3. Awards monetary damages to the Connecticut Fair Housing Center because of Liberty Bank's discriminatory policies and practices for the injuries it caused;
4. Grant such other and further relief as the Court deems just and proper.

**THE PLAINTIFF  
CONNECTICUT FAIR HOUSING CENTER**

/s/ David Lavery

Jeffrey Gentes (ct28561)  
Greg Kirschner (ct26888)  
David Lavery (ct29971)  
Connecticut Fair Housing Center  
60 Popieluszko Court  
Hartford, CT 06106  
Tel.: 860-560-8948  
Fax: 860-247-4236  
dlavery@ctfairhousing.org  
jgentes@ctfairhousing.org  
greg@ctfairhousing.org

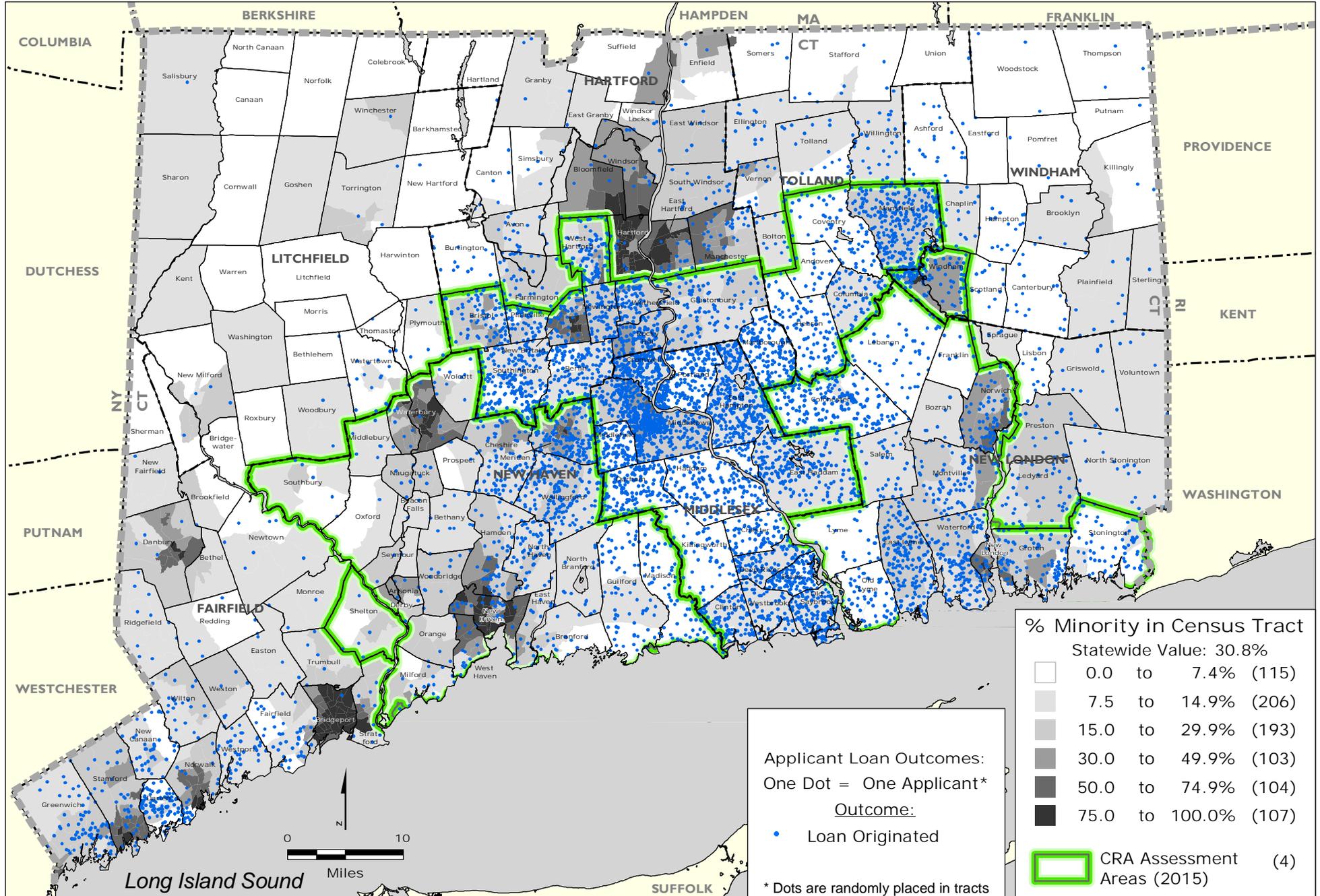
/s/ Stuart T. Rossman

Stuart T. Rossman (pro hac vice pending) (MA BBO# 430640)  
Jeremiah Battle (pro hac vice pending)  
7 Winthrop Square, 4<sup>th</sup> Floor  
Boston, MA 02110  
Tel.: 617-542-8010  
Fax: 617-542-8028  
srossman@nclc.org  
jbattle@nclc.org

Exhibit A

CONNECTICUT:  
Liberty Bank CRA Areas, Loans to White Applicants, 2010-2016  
and Percentage Minority by Census Tract, 2011-2015

Only first-lien mortgage applications for owner-occupied and 1-4 family unit homes are used for the calculation of the count. Mortgages purchased by institutions and home improvements were not included in the calculation.

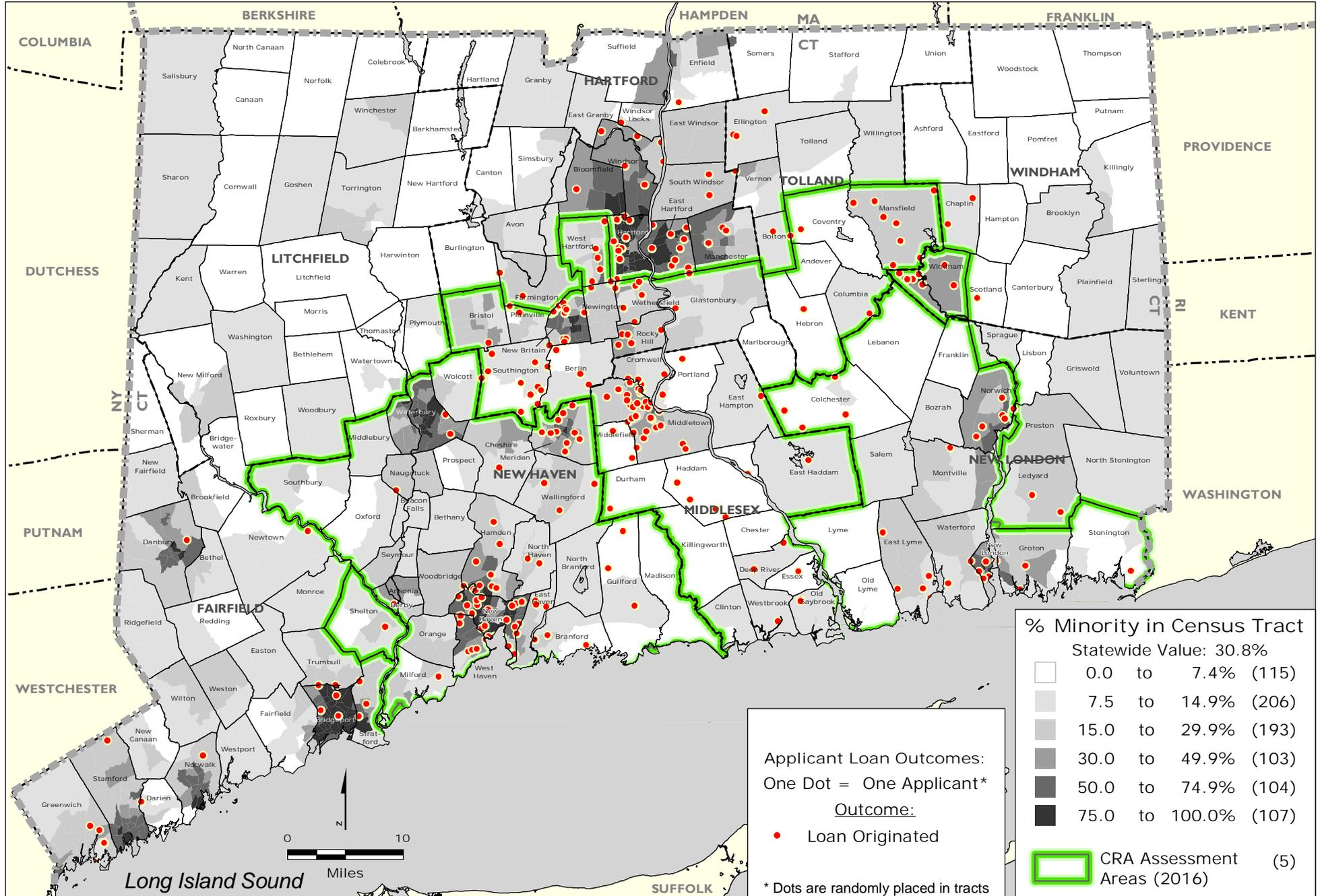


Data Sources: U.S. Census Bureau, American Community Survey; Federal Financial Institutions Examination Council, Community Reinvestment Act; Federal Deposit Insurance Corporation.

Exhibit B

CONNECTICUT:  
 Liberty Bank CRA Areas, Loans to Black or Hispanic Applicants,  
 2010-2016 and Percentage Minority by Census Tract, 2011-2015

Only first-lien mortgage applications for owner-occupied and 1-4 family unit homes are used for the calculation of the count. Mortgages purchased by institutions and home improvements were not included in the calculation.

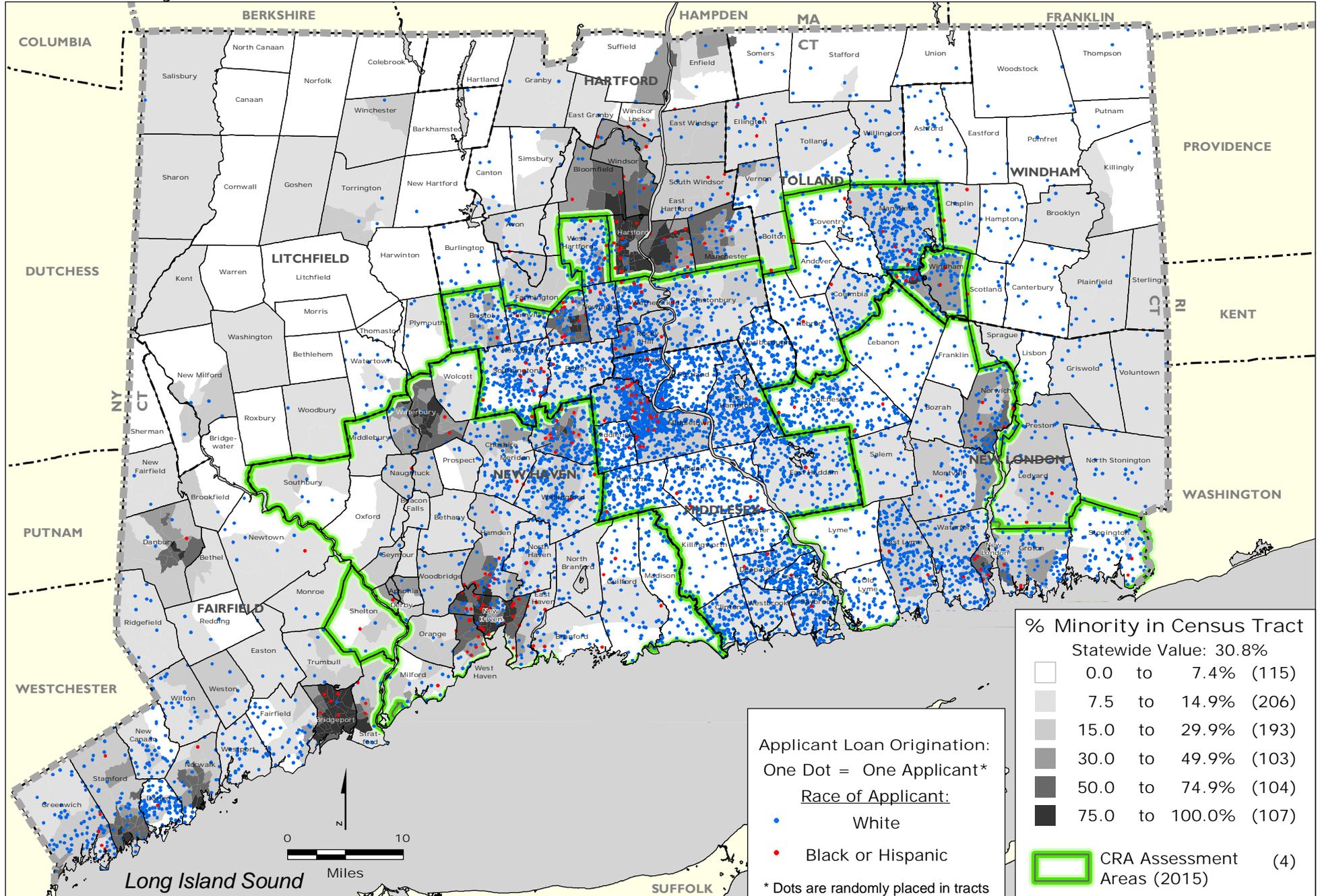


Data Sources: U.S. Census Bureau, American Community Survey; Federal Financial Institutions Examination Council, Community Reinvestment Act; Federal Deposit Insurance Corporation.

CONNECTICUT:

Liberty Bank CRA Areas, Loans to Black or Hispanic and White Applicants, 2010-2016 and Percentage Minority by Census Tract, 2011-2015

Only first-lien mortgage applications for owner-occupied and 1-4 family unit homes are used for the calculation of the count. Mortgages purchased by institutions and home improvements were not included in the calculation.



Data Sources: U.S. Census Bureau, American Community Survey; Federal Financial Institutions Examination Council, Community Reinvestment Act; Federal Deposit Insurance Corporation.

Exhibit C