

## JUSTICE NEWS

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**Justice Department Reaches Settlement with Nixon State Bank to Resolve Allegations of Lending Discrimination***Settlement Provides Compensation to Hispanic Borrowers of Unsecured Consumer Loans*

WASHINGTON – The Justice Department announced today that Nixon State Bank of Nixon, Texas, will establish uniform pricing policies, conduct employee training, and pay nearly \$100,000 as part of a settlement to resolve allegations that it engaged in a pattern or practice of discrimination on the basis of national origin.

The settlement, which is subject to court approval, was filed in conjunction with the Justice Department's complaint in the U.S. District Court for the Western District of Texas. The complaint alleges that Nixon charged higher prices on unsecured consumer loans made to Hispanic borrowers through the bank's branch offices in violation of the Equal Credit Opportunity Act (ECOA).

"Fair and equal access to credit is critical and lenders have a responsibility to have protocols in place that ensure all of their lending programs comply with the law and don't discriminate," said Thomas E. Perez, Assistant Attorney General in charge of the Justice Department's Civil Rights Division. "The Civil Rights Division is committed to fair lending enforcement that stops abuses across the entire spectrum of credit markets. We are pleased that this settlement will compensate the victims of this discriminatory conduct and we commend Nixon for working cooperatively with the Justice Department in reaching an appropriate resolution of this case."

"Any form of discrimination is intolerable, including in the lending of money," stated U.S. Attorney John E. Murphy. "The rates consumers pay for credit should be based solely upon factors directly related to their creditworthiness without any reference to their race or ethnicity."

"The FDIC is committed to ensuring its supervised banks comply with fair lending laws, including the Equal Credit Opportunity Act," said Mark Pearce, Director of the Federal Deposit Insurance Corporation's (FDIC) Division of Depositor and Consumer Protection. "This particular matter highlights the dangers of discretionary pricing in loan products. We appreciate the collaboration with the Department of Justice to address this matter."

Prior to mid-2009, Nixon did not have a written loan pricing guideline for its unsecured consumer loans. Instead, the bank's loan officers were granted broad discretion in handling all aspects of the unsecured consumer loan transaction. The Justice Department's complaint alleges that this policy had a disparate impact on Hispanic borrowers.

Nixon began to develop uniform pricing policies in late 2009, which included implementation of a uniform rate matrix to price unsecured consumer loans. As part of the settlement, Nixon will further revise these and other pricing policies to ensure that the price charged for its loans is set in a non-discriminatory manner consistent with the requirements of ECOA. The settlement also requires the bank to pay nearly \$100,000 to Hispanic victims of discrimination, monitor its loans for potential disparities based on national origin, and provide equal credit opportunity training to its employees. The agreement also prohibits the bank from discriminating on the basis of national origin in any aspect of a credit transaction.

The lawsuit originated from a 2010 referral by the FDIC to the Justice Department's Civil Rights Division. Nixon is a member of the FDIC.

The Civil Rights Division, the U.S. Attorney's Office for the Western District of Texas, and the FDIC are members of the Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit [www.StopFraud.gov](http://www.StopFraud.gov).

A copy of the complaint, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department's website at [www.justice.gov/fairhousing](http://www.justice.gov/fairhousing).

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Civil Rights Division