

# Human Relations Commission Announces \$909,752.12 Award In Precedent-Setting Predatory Lending Case

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PHILADELPHIA (Dec. 20) – The Pennsylvania Human Relations Commission (PHRC or Commission) announced today an order that awarded a combined \$909,752.14 in a predatory lending case from the Philadelphia area.

On October 25<sup>th</sup>, at the Commission's monthly meeting in Wilkes Barre, the Commissioners of the PHRC approved the decision that ordered McGlawn & McGlawn, a licensed mortgage broker in the Philadelphia area and Reginald McGlawn to pay 10 Pennsylvania homeowners \$885,349.15. An additional \$25,000 civil penalty was also assessed against McGlawn & McGlawn and Mr. McGlawn.

The Commission's decision follows a public hearing focused on two consolidated complaints filed by Lucrecia Taylor and Lynn Poindexter against McGlawn & McGlawn, the licensed mortgage broker. Ms. Taylor and Ms. Poindexter alleged that McGlawn & McGlawn targeted them for predatory loans because of their race, African American and/or racial composition of their neighborhood, African American in violation of the PA Human Relations Act. Both Ms. Taylor and Ms. Poindexter filed their complaints on behalf of themselves and all other similarly situated persons. As a result, the case was investigated on a pattern and practice basis.

The Commission pursued the case based upon a claim of reverse redlining. In contrast to redlining, which is the practice of denying the extension of credit to specific geographic areas due to the race of its residents; reverse redlining is the practice of extending credit on unfair terms to those same communities. Courts have held that reverse redlining is a violation of the federal Fair Housing Act.

PHRC Assistant Chief Counsel Charles L. Nier III in the Commission's Philadelphia Regional Office, who represented the state's interest in the case, explained how the Commission proceeded.

"In order to establish a claim of reverse redlining, a complainant must establish that the respondent's lending practices or loan terms were unfair and/or predatory and that the respondent intentionally targeted on the basis of race or that their policies and practices had a disparate impact on the basis of race," Nier said. "While this theory has been successfully applied to mortgage lenders," Nier explained, "the application of this theory to a mortgage broker appears to be a case of first impression in the Commonwealth and the United States."

Following a public hearing before a Commissioner Hearing Panel, the Commission determined that each of the 10 homeowners was subject to a wide range of predatory lending practices utilized by McGlawn & McGlawn and Mr. McGlawn.

These predatory lending practices included: unreasonable mortgage broker fees, undisclosed fees, high interest rates, high points and padded closing costs, falsification of information on documents, failure to disclose information, yield spread premiums, prepayment penalties, balloon payments, sale of insurance, mandatory arbitration clauses, and high pressure sales tactics.

Furthermore, the Commission concluded that McGlawn & McGlawn and Mr. McGlawn's entire marketing package was based upon race and it utilized African American media outlets, including: radio, newspapers, and television, to intentionally target African Americans and their neighborhoods for predatory mortgage loans. The Commission decision explained that "[t]hese individuals had a tremendous amount of trust and faith in McGlawn & McGlawn because it was an African American company. That faith was not rewarded by McGlawn & McGlawn but rather was used to further their own interests through predatory and unfair loans."

The Commission rejected the defenses raised by McGlawn & McGlawn and Mr. McGlawn finding them "totally without any merit whatsoever." The Commission found Mr. McGlawn's demeanor to indicate a "callous indifference to McGlawn & McGlawn's obligations as a mortgage broker" and concluded that his testimony "was so lacking in veracity or credibility, that, at times, it defied logic and common sense."

During the press conference, PHRC Chairperson Stephen A. Glassman discussed the significance of the decision.

"The Commission considers the issue of race-based predatory lending to be of significant concern both in the Commonwealth of Pennsylvania and across the country," Mr. Glassman said. "The right to equal access to housing without regard to race is a fundamental right within the Commonwealth that is protected by the Pennsylvania Human Relations Act. This decision by the Commission reflects the Commission's commitment to continuing its aggressive enforcement of the rights protected by the PHRA.

"The decision also serves as a reminder that individuals who are victimized by those who seek to undermine the protection found in the PHRA have access to an administrative process that will fully investigate and appropriately prosecute where violations of the PHRA are found to have occurred," Mr. Glassman added.

"HUD applauds the Commission's commitment to addressing these types of unfair lending practices," said Carolyn Peoples, HUD Assistant Secretary for Fair Housing and Equal Opportunity. "No one should be targeted for loans that carry excessive fees and higher interest rates simply because of their race or where they live."

"One of the fundamental elements of civil rights law is the opportunity to obtain housing whether you are Black, White, Hispanic, Muslim, have a disability, or are a female, single head of a household," said PHRC Executive Director Homer C. Floyd. "These complainants had their lives turned upside down by dishonest business practices and were clearly taken advantage of because of their race.

"Today. Right here, right now, the Pennsylvania Human Relations Commission is sending a message. If you are currently being targeted or think you have been targeted because of your race, color, familial status, religion, ancestry, disability, age, sex or national origin, the Commission wants to hear from you. Our mission is to eliminate predatory lending practices in Pennsylvania."

FOR A COMPLETE COPY OF THE COMMISSION'S DECISION, GO TO [WWW.PHRC.STATE.PA.US](http://WWW.PHRC.STATE.PA.US) AND CLICK ON THE LEGAL BUTTON. CLICK ON PUBLIC HEARING OPINIONS. SELECT BY YEAR. THE CASE IS LISTED AS *TAYLOR et al. v. McGLAWN & McGLAWN* UNDER 2004.