

Based on HUD's investigation of the allegations contained in the aforementioned complaint and Determination of Reasonable Cause, Respondent is hereby charged with violating the Act as follows:

A. Legal Authority

1. It is unlawful to discriminate against any person in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection therewith, because of national origin. 42 U.S.C. § 3604(b); 24 C.F.R. §§ 100.50(b)(2); 100.65(a).
2. It is unlawful for any person or entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in the terms or conditions of such a transaction, because of national origin. 42 U.S.C. § 3605; 24 C.F.R. §§ 100.110(b); 100.120(a); 100.130(a), (b)(2).
3. A "residential real estate-related transaction" includes the making or purchasing of loans or providing other financial assistance for purchasing, constructing, improving, repairing, or maintaining a dwelling or secured by residential real estate. 42 U.S.C. § 3605(b); 24 C.F.R. § 100.115.

B. Parties

4. Complainant Principal Deputy Assistant Secretary is authorized to file a complaint of discrimination under the Act on behalf of the Secretary of HUD. 42 U.S.C. § 3610 (a); 24 C.F.R. § 103.204(a); Memorandum from HUD Sec'y Maria L. Fudge on Amended Consol. Delegation of Auth. for the Off. of Fair Hous. and Equal Opportunity to Acting Assistant Sec'y for Fair Hous. and Equal Opportunity Jeanine Worden (Sept. 13, 2021).
5. Respondent Willow Bend Mortgage, LLC, is a mortgage lender incorporated in Texas and headquartered in Plano, Texas.

C. Factual Allegations

6. Respondent is a mortgage lender that originates approximately 96% of its mortgage loans in Texas. In establishing its mortgage loan prices, Willow Bend's President, Kevin Hughes, in his sole discretion, includes a variable margin based on the loan product and the property's location, generally which MSA¹ it is in.
7. The variable margin set by President Hughes is a profit maximizing loan markup that is not based on borrower credit characteristics or other risk factors; rather, using a third-party mortgage pricing engine, Mr. Hughes monitors his competitors' mortgage pricing

¹ MSA is a geographic entity delineated by the Office of Management and Budget for use by federal statistical agencies. MSAs consist of the county or counties (or equivalent entities) associated with at least one urban area of at least 50,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties.

in different locations, generally MSAs, and attempts to competitively set Respondent's margin to maximize profit, in part by ensuring his rates are set at or below the rates of a certain percentage of his competitors.

8. Borrowers pay this margin through higher loan interest rates, points, fees, or a combination. As a result of these practices, similarly qualified borrowers applying for the same mortgage product would be charged different prices, just because their properties are in different MSAs, a reason wholly unrelated to any objective borrower credit characteristics or other risk factors.
9. This practice manifests in loan officer compensation fees that vary based on geography, which in turn contribute to higher mortgage loan costs and higher Annual Percentage Rates ("APRs")² in certain areas and to certain groups.
10. In 2019, 2020, and 2021, Respondent charged Hispanic borrowers significantly higher APRs than it charged similarly qualified White ("White") borrowers for fixed-rate, first lien mortgage loans and for fixed-rate, non-cash-out refinance mortgage loans.
11. In addition, in 2020 and 2021, Respondent charged significantly higher loan officer compensation to borrowers seeking mortgages in majority-Hispanic areas than they charged for loans made to similarly qualified borrowers in areas without a majority-Hispanic population. These disparities could not be explained by differences in labor costs in different areas as compensation varied based on the location of the mortgaged property, not the loan officer's branch location.
12. Respondent's practice of charging higher loan officer compensation in majority Hispanic areas coupled with data indicating that the overwhelming majority of Willow Bend's originations to Hispanic borrowers in Texas came from mortgage loans in those areas predictably resulted in charging Hispanic borrowers in Texas higher loan officer compensation than White borrowers.
13. Based on the Department's analysis of Respondent's lending practices, Respondent's rate spread³ increased in tandem with the share of Hispanic population. In addition, the odds of Respondent originating a higher-priced⁴ loan were more than three times higher in overwhelmingly Hispanic areas than in non-majority Hispanic areas.

² APR is the cost borrowers pay each year to borrow money, including fees, expressed as a percentage; it is a broader measure of the cost of borrowing money than the interest rate. APR reflects the interest rate, any points, mortgage broker fees, loan officer compensation, and other charges the borrower pays to get the loan.

³ FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL, FFIEC Rate Spread Calculator, <https://www.ffiec.gov/ratespread/newcalchelp.aspx> (last visited Dec. 16, 2024) (The rate spread is "the spread between the Annual Percentage Rate (APR) and a survey-based estimate of APRs currently offered on prime mortgage loans of a comparable type [APOR] . . .").

⁴ A "higher-priced mortgage loan" means a closed-end consumer credit transaction secured by the consumer's principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set," by 1.5 or more percentage points for a loan secured by a first lien. See 12 C.F.R. § 1026.35(a)(1)(i).

14. Respondent collected and maintained borrower mortgage data, including the national origin of each borrower, their APR, the number of higher-priced loans, and the rate spread, which it used to satisfy its reporting obligations pursuant to the Home Mortgage Disclosure Act (“HMDA”), 12 U.S.C. § 2803. In addition, Respondent’s policies state that it will conduct annual fair lending testing that includes a pricing and disparate treatment analysis of borrowers and geographical areas, with results reported to senior management. Thus, Respondent knew or should have known about the disparities described above.
15. Instead of addressing the national origin-based disparities in its loan pricing, Respondent continued to implement its policies and practices and further concentrated its lending activities in majority-Hispanic areas.
16. Respondent’s practices will lead to over 2,000 Hispanic borrowers collectively paying over a million dollars more per year on their loans than similarly qualified White borrowers.

D. Legal Allegations

17. Respondent Willow Bend violated subsection 804(b) of the Act by discriminating in the terms, conditions, or privileges of the sale of a dwelling because of national origin. 42 U.S.C. § 3604(b); 24 C.F.R. §§ 100.50(b)(2); 100.65(a).
18. Respondent Willow Bend violated Section 805 of the Act by discriminating in the terms or conditions of a residential real estate-related transaction because of national origin. 42 U.S.C. § 3605; 24 C.F.R. §§ 100.110(b); 100.120(a); 100.130(a), (b)(2).

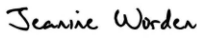
III. CONCLUSION

WHEREFORE, the Secretary of the U.S. Department of Housing and Urban Development, pursuant to 42 U.S.C. § 3610(g)(2)(A) of the Act, hereby charges Respondent with engaging in discriminatory housing practices in violation of 42 U.S.C. §§ 3604(b) and 3605 and requests that an order be issued that:

1. Declares that Respondent’s discriminatory housing practices, as set forth above, violate the Act, 42 U.S.C. §§ 3604(b) and 3605;
2. Enjoins Respondent, its agents, employees, and successors, and all persons in active concert or participation with it from discriminating because of national origin in any aspect of the sale of a dwelling or a residential real estate-related transaction;
3. Mandates Respondent, its agents, employees, successors, and all other persons in active concert or participation with it, take all affirmative steps necessary to remedy the effects of the illegal, discriminatory conduct described herein and to prevent similar occurrences in the future;

4. Requires Respondent's agents and employees to attend, at Respondent's cost, Fair Housing Act training.
5. Awards such damages as will fully compensate any aggrieved persons for any harm caused by Respondent's discriminatory conduct;
6. Awards a civil penalty against Respondent for each separate and distinct discriminatory housing practice that Respondent is found to have committed, pursuant to 42 U.S.C. § 3612(g)(3) and 24 C.F.R. § 180.671.
7. Awards any additional relief as may be appropriate, pursuant to 42 U.S.C. § 3612(g)(3).

Respectfully submitted on this 13th day of January 2025.

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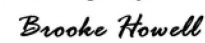
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