



Department of Justice

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JUSTICE DEPARTMENT REACHES SETTLEMENT WITH TWO
PHILADELPHIA CAR DEALERSHIPS REGARDING
ALLEGED RACE DISCRIMINATION IN AUTO LENDING

WASHINGTON - The Justice Department announced today that it has reached separate settlements with two automobile dealerships in the Philadelphia area resolving allegations that the dealerships engaged in a pattern or practice of discriminating against African-American customers by charging them higher interest rates on car loans. These are the first two cases alleging discrimination by a car dealership filed by the Justice Department under the Equal Credit Opportunity Act.

In the two separate complaints, filed in the U.S. District Court for the Eastern District of Pennsylvania, the Justice Department alleges that Pacifico Ford Inc. and Springfield Ford Inc. violated the Equal Credit Opportunity Act (ECOA) by charging systematically higher “markups” on car loan interest rates to African-American customers. In the auto industry, it is common practice for banks and other lenders to set a base interest rate or “buy rate” and then for the auto dealership to “mark up” the interest rate to the final rate on the loan for the car. The complaints allege that Pacifico Ford and Springfield Ford charged African-American customers higher interest rates than similarly situated white customers from at least 1999-2002.

The settlements are in the form of consent orders filed in conjunction with each of the complaints, in federal district court in Philadelphia. Under the consent orders, which are subject to court approval, Pacifico Ford and Springfield Ford are prohibited from discriminating against customers on the basis of race in connection with auto loans.

“Racial discrimination in lending is wrong and will not be tolerated,” said Wan J. Kim, Assistant Attorney General for the Civil Rights Division. “The lawsuits filed today are part of a continuing effort by the Department of Justice to vigorously enforce the Equal Credit Opportunity Act. We commend Springfield Ford and Pacifico Ford for working cooperatively with the Justice Department to reach an appropriate resolution in these cases.”

Under their respective settlement agreements, Pacifico Ford will pay up to \$363,166, and Springfield Ford will pay up to \$94,565, plus interest, to African-American consumers who were

charged higher interest rates. In addition, Pacifico Ford and Springfield Ford have agreed to change the way they set markups to prevent discrimination. The dealerships will follow the same procedures for setting markups for all customers, and only good faith, competitive factors consistent with ECOA will influence that process. Both dealerships will also provide enhanced equal credit opportunity training to its officers and employees who set rates for automobile loans.

Pacifico Ford Inc. is an automobile dealership located at 6701 Essington Avenue in Philadelphia. Springfield Ford Inc. is an automobile dealership located at 50 Baltimore Pike in Springfield, Pa..

These cases resulted from an investigation conducted by the Civil Rights Division of the Department of Justice, in conjunction with the Pennsylvania Attorney General's office. The Pennsylvania Attorney General's office is resolving its related state law claims through separate agreements with the dealerships. A copy of the consent orders between the United States and the dealerships, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department Web site at <http://www.usdoj.gov/crt/housing>.

During this Administration, over 75 percent of the Division's fair lending cases have involved race and national origin discrimination, including monetary relief of over \$25 million on behalf of minority victims.