

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	Case No.
)	
v.)	
)	
EAGLE BANK AND TRUST COMPANY)	
OF MISSOURI)	
)	
Defendant.)	
_____)	

COMPLAINT

The United States of America alleges:

1. This action is brought by the United States to enforce the provisions of the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f.

2. This Court has jurisdiction of this action pursuant to 28 U.S.C. § 1345, 42 U.S.C. § 3614, and 15 U.S.C. § 1691e(h). Venue is appropriate pursuant to 28 U.S.C. § 1391.

3. Defendant Eagle Bank and Trust Company of Missouri (“Eagle” or “Bank”) is a wholly-owned subsidiary of Jefferson County Bancshares, Inc., a financial holding company headquartered in Jefferson County, Missouri. The Bank’s principal place of business is in Jefferson County, Missouri. Eagle offers the traditional services of a financial depository and lending institution, including the receipt of monetary deposits and the financing of residential housing and commercial loans primarily in the St. Louis, Missouri metropolitan area. As of

June, 2015, Eagle had assets totaling over \$901 million. Eagle is subject to the regulatory authority of the Federal Deposit Insurance Corporation (“FDIC”).

4. Eagle has twelve full-service branches and five partial-service branches in the St. Louis, Missouri metropolitan area. Eagle’s full-service branches offer deposit products and services and loan products, including home-mortgage lending. The five partial-service branches, which offer only deposit services, are located within retirement communities and are open only to residents of those retirement communities. Eagle also operates an additional full-service branch in Perry County, Illinois, approximately 100 miles from the City of St. Louis.

5. Eagle’s mortgage lending activities in the St. Louis metropolitan area are almost exclusively confined to the Missouri portion of the St. Louis Metropolitan Statistical Area (MSA). The Missouri portion of the St. Louis MSA is comprised of Crawford, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties as well as the City of St. Louis.

6. Eagle is subject to the federal laws governing fair lending, including the Fair Housing Act and the Equal Credit Opportunity Act and their respective implementing regulations, the fair housing regulations of the Department of Housing and Urban Development, 24 C.F.R. § 100.1, *et seq.*, and Regulation B of the Consumer Financial Protection Bureau, 12 C.F.R. § 1002.1, *et seq.* The Fair Housing Act and the Equal Credit Opportunity Act prohibit financial institutions from, *inter alia*, discriminating on the basis of race and color in their home-mortgage lending practices.

7. In March, 2012, the Metropolitan St. Louis Equal Housing Opportunity Council sent a letter to the FDIC outlining fair lending concerns regarding Eagle Bank. In May, 2012, the FDIC initiated a consumer compliance and Community Reinvestment Act (“CRA”) examination of Eagle. During the course of its examination, the FDIC analyzed lending data

from 2006 to 2011 related to Eagle's mortgage loan applications and originations. Based on the information gathered during its examination, the FDIC concluded that there was reason to believe that Eagle engaged in a pattern or practice of discrimination in violation of the Equal Credit Opportunity Act and the Fair Housing Act. Specifically, the FDIC determined that there was reason to believe that Eagle engaged in redlining in violation of Section 701(a) of the Equal Credit Opportunity Act and the Fair Housing Act, 42 U.S.C. § 3605(a).

8. Pursuant to 15 U.S.C. § 1691e(g), the FDIC referred the matter to the Attorney General for appropriate enforcement action on March 28, 2013, following its determination as described in paragraph 7.

9. On May 1, 2013, the Department of Justice informed the defendant that it had initiated an investigation into potential lending discrimination by the Bank, including whether Eagle had discriminated on the basis of race in providing lending services to predominantly African-American communities in the St. Louis metropolitan area.

10. According to the 2000 Census, the Missouri portion of the St. Louis MSA had a total population of approximately 2.03 million persons, of whom 76% were non-Hispanic white (approximately 1.53 million) and 19% were African-American (approximately 378,000). The MSA's African-American population is mostly concentrated in the northern part of the City of St. Louis and the neighboring northeastern portion of St. Louis County.

11. In operating and expanding the scope of its business over time, defendant has acted to meet the credit needs for residential real estate-related loans in predominantly white residential census tracts (with a population greater than 50% white) in the Missouri portion of the St. Louis MSA, and has avoided serving the similar credit needs of majority-black census tracts.

12. Defendant has engaged in a race-based pattern of locating branch offices. It has located branch offices in a manner designed to serve the banking and credit needs of the residents of majority-white census tracts, but not those of residents of majority-black census tracts.

13. Since 1988, Eagle has opened eleven full-service branches in majority-white census tracts in the St. Louis MSA, and none in majority-black census tracts. At present, all twelve of Eagle's full-service branches in the St. Louis area are located in majority-white census tracts. *See* Map attached as Exhibit A.

14. Of the 17 bank offices (12 full-service, and 5 limited-service facilities in senior living residences), 14 are in census tracts ("CTs") with a minority population of less than 10 percent; one limited-service facility is in a CT with a minority population of 10 to less than 20 percent; and one full-service and one limited-service facility are in CTs with a minority population of 20 to less than 50 percent.

15. The unlawful consideration of race in the business practices of defendant is also evident from the assessment areas that defendant has established and maintained pursuant to the Community Reinvestment Act ("CRA"). Pursuant to statutory direction, the Board of Governors of the Federal Reserve System has promulgated regulations to implement the CRA, 12 C.F.R. § 228 ("Reg. BB"). Under Reg. BB, as amended in 1997, a bank's assessment area ordinarily will consist of one or more metropolitan areas or contiguous political subdivisions, 12 C.F.R. § 228.41(c), unless that area would be extremely large, of unusual configuration, or divided by significant geographic barriers, 12 C.F.R. § 228.41(d). Reg. BB further provides that if a bank's assessment area does not include entire political jurisdictions, its assessment area may not reflect illegal discrimination. 12 C.F.R. § 228.41(e).

16. Before 2013, Eagle had delineated a CRA assessment area within the St. Louis MSA that included Jefferson County, and the southern part of St. Louis County and St. Louis City, south of Interstate Highway 64. The assessment area excluded the northern part of the City of St. Louis as well as the northern part of St. Louis County. Eagle's assessment area excluded the majority-black census tracts in the City of St. Louis and County of St. Louis. *See* Map attached as Exhibit B. Specifically, Eagle's CRA assessment area excluded 50 of the 61 majority-black census tracts within the City of St. Louis, and all of the 27 majority-black census tracts in St. Louis County. In 2013, after the FDIC informed Eagle that it was investigating possible redlining, Eagle modified its CRA assessment area to include the entire City of St. Louis and all of St. Louis and Jefferson Counties.

17. Eagle took no affirmative steps to market its mortgage lending services to black borrowers or in majority-black census tracts between 2006 and 2011.

18. The policies and practices of defendant, described herein, have served majority-white communities to a significantly greater extent than majority-black communities, as further demonstrated by defendant's actual residential lending activity over time.

19. Statistical analyses of the defendant's residential real estate-related loan applications and originations for each year from 2006 to 2012, show that the defendant served the credit needs of the residents of majority-white census tracts in the Missouri portion of the St. Louis MSA to a significantly greater extent than it served the residential real estate-related credit needs of the residents of majority-black census tracts. During that time, there were statistically significant disparities with respect the defendant's residential real estate lending activity when compared with similar lenders. Those disparities remained significant throughout the analyzed seven-year period.

20. From 2006 to 2012, Eagle generated 4,571 single-family (defined by the Home Mortgage Disclosure Act (“HMDA”) as dwellings with 1-4 units) residential loan applications in the St. Louis MSA that were required to be reported to its regulator pursuant to HMDA, 28 U.S.C. §§ 2801-2810. Only 86 applications, or 1.9%, were related to residential property located in majority-black census tracts. See Map of Applications, attached as Exhibit C, which illustrates the locations of the residential properties to be secured by these loan applications. During that same time period, comparable lenders in the St. Louis MSA generated 11.1% of their residential real estate-related loan applications related to residential property located in majority-black census tracts – over five times the rate of Eagle applications. These results show a statistically significant failure by Eagle to provide loan services and draw applications from majority-black tracts on an equal basis with majority-white census tracts.

21. From 2006 to 2012, the defendant originated 3,970 residential mortgage loans in the St. Louis MSA that were required to be reported to its regulator pursuant to HMDA. Only 71 loans, or 1.8 %, were secured by residential property located in majority-black census tracts. In contrast, 8.4 % of residential loans originated by Eagle’s peer group lenders in the St. Louis MSA were secured by residential property located in majority-black tracts. These percentage figures are more than four times that of Eagle, and show a statistically significant failure by the defendant to provide loan services and draw applications from majority-black tracts.

22. The totality of defendant’s policies and practices described herein constitutes the redlining of majority-black areas of the St. Louis MSA for defendant’s home lending business. Defendant’s policies and practices are intended to deny and discourage, or have the effect of denying or discouraging, an equal opportunity to the residents of the majority-black neighborhoods of the St. Louis MSA, on account of the racial composition of those

neighborhoods, to obtain residential real estate-related loans. These policies and practices are not justified by business necessity or legitimate business considerations.

COUNT I
(Discrimination on the Basis of Race or Color)

23. Defendant's actions as alleged herein constitute:

a. Discrimination on the basis of race or color in making available, or in the terms or conditions of residential real estate-related transactions, in violation of the Fair Housing Act, 42 U.S.C. § 3605(a);

b. The making unavailable or denial of dwellings to persons because of race or color in violation of the Fair Housing Act, 42 U.S.C. § 3604(a);

c. Discrimination on the basis of race or color in the terms, conditions, or privileges of the provision of services or facilities in connection with the sale or rental of dwellings, in violation of the Fair Housing Act, 42 U.S.C. § 3604(b); and

d. Discrimination against applicants with respect to credit transactions, on the basis of race or color, in violation of the Equal Credit Opportunity Act, 15 U.S.C. § 1691(a)(1).

COUNT II
(Pattern or Practice of Discrimination)

24. Defendant's policies and practices as alleged herein constitute:

a. A pattern or practice of resistance to the full enjoyment of rights secured by the Fair Housing Act, 42 U.S.C. §§ 3601 *et seq.*, and the Equal Credit Opportunity Act, 15 U.S.C. § 1691e(h); and

b. A denial of rights granted by the Fair Housing Act to a group of persons that raises an issue of general public importance.

25. Persons who have been victims of defendant's discriminatory policies and practices are aggrieved persons as defined in 42 U.S.C. § 3602(i) and as described in the Equal Credit Opportunity Act, 15 U.S.C. § 1691(e)(i), and have suffered damages as a result of defendant's conduct in violation of both the Fair Housing and the Equal Credit Opportunity Acts, as described herein.

26. The discriminatory policies and practices of defendant have been intentional and willful, and implemented with reckless disregard for the rights of African-American borrowers or potential borrowers.

WHEREFORE, the United States prays that the Court enter an ORDER that:

(1) Declares that the policies and practices of defendant constitute a violation of the Fair Housing Act and the Equal Credit Opportunity Act;

(2) Enjoins defendant, its agents, employees, and successors, and all other persons in active concert or participation with defendant, from:

(A) Discriminating on account of race or color 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 defendant'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 defendant's unlawful practices, and providing policies and procedures to ensure all segments of defendant's market areas are served without regard to prohibited characteristics;

(3) Awards monetary damages to all the victims of defendant's discriminatory policies and practices for the injuries caused by defendant, pursuant to 42 U.S.C. § 3614(d)(1)(B) and 15 U.S.C. § 1691e(h); and

(4) Assesses a civil penalty against defendant in an amount authorized by 42 U.S.C. § 3614(d)(1)(C), in order to vindicate the public interest.

The United States further prays for such additional relief as the interests of justice may require.

Dated: September 29, 2015

Respectfully submitted,

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Exhibit A

**St. Louis, Missouri MSA
Eagle Bank AA South of I-64
Percent Black Population by Census Tract**

Legend

- ▲ Eagle Limited Service Branches
- ▲ Eagle Bank Branches
- ══ Interstate 64
- ▭ State Boundary
- ▭ Area Outside MSA
- ▭ Broader Assessment Area
- ▭ Counties

BLACKNH% by 2010 Census Tract

0.000 - 35.00	35.01 - 50.00	50.01 - 65.00	65.01 - 100.0
(Light Yellow)	(Yellow)	(Orange)	(Red)

Area of Interest

Prepared by:
U.S. Department of Justice
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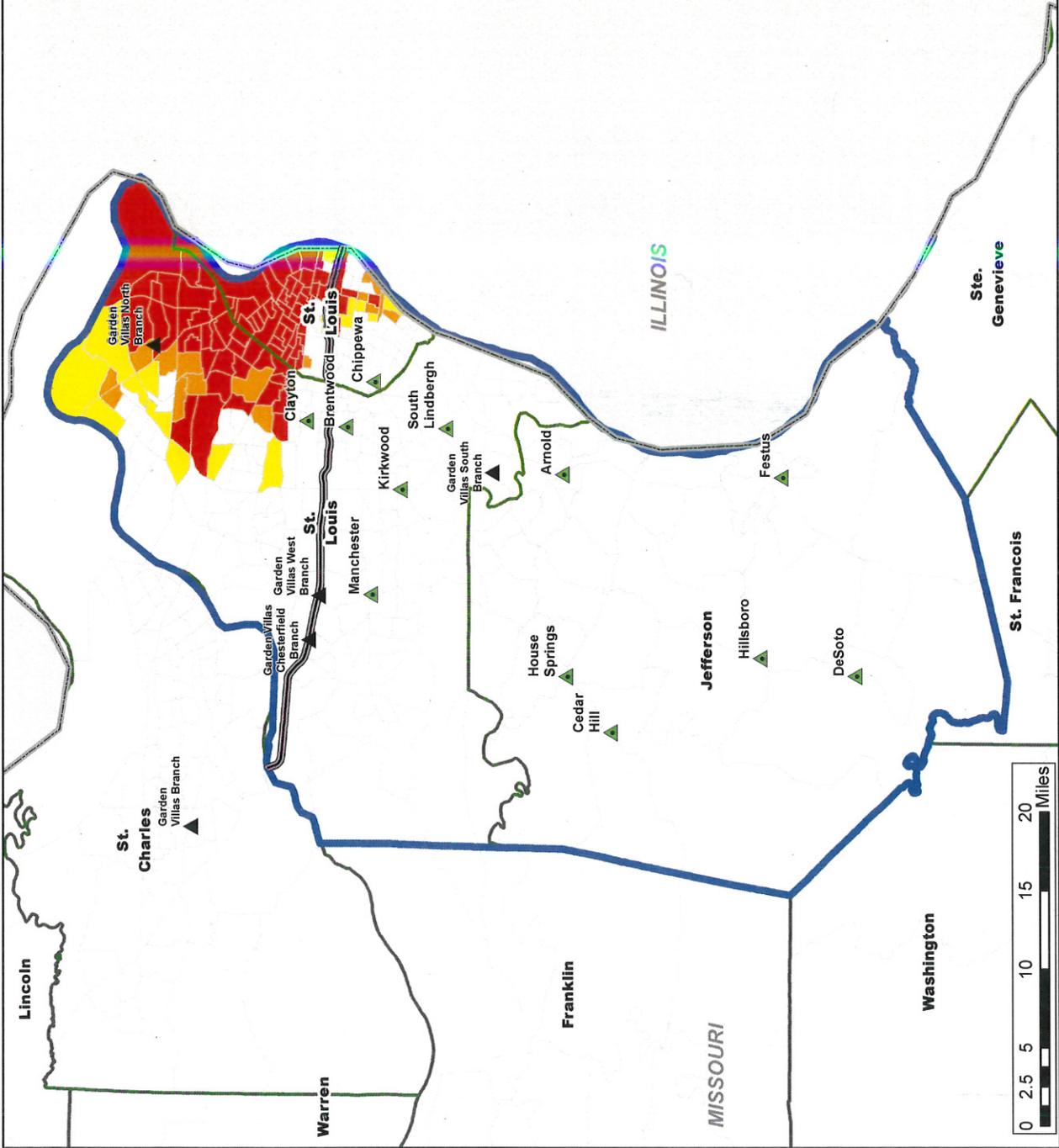


Exhibit B

Exhibit C

Eagle Bank Case
Broader Assessment Area (AA)
St Louis, MO MSA
Loan Applications EAGLE BANK ONLY (2006 thru 2012)

Legend

- One Dot = 1 Application
- ▲ Eagle Limited Service Branches
- ▲ Eagle Bank Branches
- Interstate 64
- State Boundary
- Area Outside MSA
- Broader AA
- Counties

BLACKNH% by 2010 Census Tract

0.000 - 35.00
35.01 - 50.00
50.01 - 65.00
65.01 - 100.0

4,884 Applications

