

Hargraves v. Capitol City Mortgage Corp. (D.D.C.)

In this lawsuit against Capital City Mortgage Corp. and its president and Thomas Nash, private plaintiffs contend that the company targeted minorities for loans that were designed to fail, due to unfair payment terms and income levels of the borrowers that would not sustain the loan payments. In their complaint, the plaintiffs claim that Capital City's lending practices violated several federal laws, including the Fair Housing and the Equal Credit Opportunity Acts by engaging in a pattern or practice of targeting African American communities, a practice known as "reverse redlining," for abusive or predatory lending practices. The defendants filed a motion for summary judgment on the grounds that reverse redlining does not violate either law because they have provided credit to African Americans, and on the same terms that they would provide to whites. The United States filed an [amicus brief](#), which supported the view that lending practices designed to induce minorities into loans destined to fail could violate the fair lending laws.

Our brief argues that by targeting minorities for predatory loans, a lender discriminates in the terms and conditions of home financing, even if it makes all or most of its loans in minority areas. The fact that a lender does business only in minority neighborhoods does not shield its business from scrutiny under federal fair lending laws. In addition, racially targeted loans that are designed to fail make housing unavailable because of race since the borrowers are likely to lose their homes through foreclosure.

The Federal Trade Commission has filed a separate action charging the same defendants with violating a number of federal consumer protection laws. *FTC v. Capital City Mortgage Corp.*, No. 98-237 (JHG/AK) (D.D.C. filed Jan. 29, 1998). Both matters are still pending.