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IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF INDIANA

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UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 CENTIER BANK,)
)
 Defendant.)

CIVIL ACTION NO.

2:06CV344 RL

COMPLAINT

The United States of America alleges:

1. This action is brought by the United States to enforce the provisions of Title VIII of the Civil Rights Act of 1968, the Fair Housing Act, as amended by the Fair Housing Amendments Act of 1988, 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. §1691(h). Venue is appropriate pursuant to 28 U.S.C. §1391.

3. Defendant Centier Bank ("Centier" or "Bank") is an Indiana-chartered full service bank headquartered in Whiting, Indiana, and doing business primarily in the State of Indiana. The Bank is a subsidiary of First Bancshares, Inc., a bank holding company incorporated in 1979 under the laws of the State of Indiana.

4. Centier offers the traditional services of a financial depository and lending institution, including the receipt of

monetary deposits; the financing of residential housing, commercial, and consumer loans; and other types of credit transactions. Centier currently has total assets of approximately \$1.5 billion and, as of June 30, 2004, over \$1.1 billion in deposits. The Bank is one of the largest residential and small business lenders in the Gary, Indiana, metropolitan area. Centier is subject to the regulatory authority of the Federal Deposit Insurance Corporation ("FDIC").

5. The Bank is subject to the federal laws governing fair lending including the Fair Housing Act, the Equal Credit Opportunity Act, and the Community Reinvestment Act, 12 U.S.C. §§2901-2906, and the regulations promulgated under each of those statutes. The Fair Housing Act and the Equal Credit Opportunity Act prohibit financial institutions from discriminating on the basis of, inter alia, race, color, or national origin in their lending practices.

6. Centier Bank, which took that name in 1991, originated in 1895 as the Bank of Whiting and has been owned and managed by the same family since that time. By October 2004, Centier had grown to a network of thirty-eight branch offices located throughout Lake, Porter, La Porte, and Marshall counties in Indiana.

7. The Gary Primary Metropolitan Statistical Area (hereinafter "Gary PMSA"), as defined by the United States

Census, encompassed the counties of Lake and Porter until 2004, when Jasper and Newton counties were added to the PMSA. For purposes of consistency, all references in this complaint to the Gary PMSA are to the former two-county definition.

8. Residential housing data for the Gary PMSA show significant historical patterns of racial and ethnic segregation. According to both 1980 and 1990 Census data, the Gary PMSA was the most segregated metropolitan area in the nation for African-Americans, and it remained the second-most segregated PMSA for African-Americans in 2000. According to the 2000 Census, nearly 90% of the Gary PMSA's African-American residents, lived in the cities of Gary, Hammond, and East Chicago. In contrast, only 1.1% of the metropolitan area's African-American population lived in Porter County. In 2000, over 89% of the Gary PMSA's Hispanic residents lived in Lake County, with 59.3% of the area's total Hispanic population concentrated in the cities of Gary, Hammond, and East Chicago.

9. According to the 2000 Census, 48 of the Gary PMSA's 136 census tracts, 35%, have populations made up of a majority of minority residents. All of these majority-minority census tracts are located in Lake County, and 46 of the 48 are located in Gary, East Chicago, and Hammond. Those three cities are home to nearly 35% of the PMSA's total population, over 218,000 people, of whom 148,000 are African-American or Hispanic. In the 1990 census, 46

of the PMSA's 121 census tracts, 38%, had populations made up of a majority of minority residents. See Maps attached as Exhibits 1 and 2.

10. In operating and expanding the scope of its business over time, Centier has acted to meet the credit needs, particularly with respect to residential and small business credit, of predominantly white residential census tracts (census tracts with a population greater than 50% non-Hispanic white) throughout the Gary PMSA and beyond, and has avoided serving the similar credit needs of majority-minority census tracts.

11. Over time, Centier has expanded its lending operations, particularly for the extension of credit for residential real estate-related transactions and small business purposes, to substantial portions of the Gary metropolitan area. In addition to enlarging the geographic scope of the area within which it extends such credit, a major component of the Bank's expansion has been the construction or acquisition of additional branch offices, which are designed both to better serve existing customers and to attract new customers for Centier's services and products.

12. Centier has engaged in a race- and national origin-based pattern of locating or acquiring branch offices and determining what services to provide at each. It has located or acquired branch offices and chosen to provide varying levels of

banking and lending services at them in a manner designed to serve fully the banking and credit needs of the residents of and small businesses located in majority white census tracts, but not those of residents of or businesses located in majority-minority census tracts.

13. By the end of the year 2001, Centier had 27 branch offices in the Gary metropolitan area. Not one of those 27 branches was located either in a majority-minority census tract or anywhere in the cities of Gary, East Chicago, or Hammond. See Map attached as Exhibit 3. Those 27 branches provided Centier's full range of banking and credit services to each community in which they were located.

14. In late 2002, under pressure from its federal regulator, the FDIC, Centier opened two branches in majority-minority census tracts. At that time, the Bank opened a "bricks and mortar" branch in the Miller area of Gary and an in-store super-market branch in East Chicago. Between that time and November 2005, Centier has opened nine additional branches, all in majority white census tracts, including an in-store supermarket branch opened in 2003 in the City of Hammond. See Map attached as Exhibit 4. Of all the communities in which Centier has branches, only East Chicago and Hammond are served by only an in-store supermarket branch without a "bricks and mortar" branch as well.

15. The only Centier branches located in the cities of Gary, East Chicago, and Hammond are the two in-store supermarket branches and the Gary branch. None of those three branches provides on-site the full range of banking and lending services Centier offers. In addition, the two other Centier branches located closest to Gary, one in Hobart and one in Merrillville, are also in-store supermarket branches. See Map attached as Exhibit 5.

16. The unlawful consideration of race and national origin in Centier's business practices is also evident from its customer solicitation efforts, including its advertising and marketing practices. For example, the Bank has for years directed its radio advertising to stations that target "general audiences", although minority format radio stations exist in the Gary PMSA market. The Bank also consistently has directed its print media advertising to daily newspapers of general circulation and to neighborhood and suburban periodicals serving largely non-minority neighborhoods and suburbs in the Gary PMSA.

17. The unlawful consideration of race and national origin in the business practices of the Bank is also evident from the community service, or assessment area, boundaries that Centier established and maintained pursuant to the Community Reinvestment Act ("CRA") in the past. Pursuant to statutory direction, the Federal Reserve Board has promulgated regulations to implement

the CRA, 12 C.F.R. §228 ("Reg BB"). Under Reg BB, as amended in 1997, a large bank's assessment area must generally consist of one or more metropolitan areas or contiguous political subdivisions, §228.41(b), unless that area would be extremely large, of unusual configuration, or divided by significant geographic barriers, §228.41(d). Reg BB further provides that, if a large bank's assessment area does not include entire political jurisdictions, its assessment area may not reflect illegal discrimination. §228.41(e). Centier's assessment area historically did not include entire political subdivisions, such as the whole of the cities of Gary, East Chicago, or Hammond. The inclusion of those entire jurisdictions would not have created an assessment area which would have been extremely large, of unusual configuration, or divided by significant geographic barriers, the only exceptions specifically permitted by Reg BB.

18. Instead of defining its assessment area in accordance with Reg BB, Centier long circumscribed its lending area in the Gary PMSA to exclude most majority-minority neighborhoods, including having two geographically separate assessment areas for many years. Until late 1999, Centier's CRA assessment area included only three majority-minority census tracts from Gary, East Chicago, and Hammond, despite the fact that a large number of minority tracts were adjacent to the non-minority tracts included in the assessment area. See Map attached as Exhibit 6.

That year, the FDIC informed the Bank that its assessment area violated the CRA and its regulations. Not until then, and until Centier's Chairman had asked the FDIC whether the inclusion of Gary, East Chicago, and Hammond in its assessment area would require the opening of branches there, did Centier expand its assessment area to include all of Lake County.

19. The policies and practices of Centier described in ¶¶10-18 above have achieved the Bank's objective of serving white communities and not minority communities, as further demonstrated by the Bank's actual residential and CRA small business lending activity over time.

20. Statistical analyses of Centier's residential real estate-related loan applications and originations for 2000-2004 show that each year Centier has served the credit needs of the residents of predominantly white census tracts of the Gary PMSA to a significantly greater extent than it has served the residential real estate-related credit needs of the residents of predominantly minority neighborhoods.

21. From 2000-2004, Centier generated 9,031 single-family residential loan applications in the Gary metropolitan area that were required to be reported to its regulator pursuant to the Home Mortgage Disclosure Act ("HMDA"), 28 U.S.C. §§2801-2810. Only 437, or 4.8%, were secured by residential property located in majority-minority census tracts. See Maps attached as Exhibit

7. Of the 7,360 single-family (defined by HMDA as dwellings with 1-4 units) residential loans Centier originated in the Gary metropolitan area during those five years, only 248, or 3.4%, were secured by residential property located in majority-minority census tracts. According to the 2000 Census, 35% of the Gary PMSA's census tracts had a majority of minority residents and over 26% of the area's 1-4 unit residential housing stock is located in those census tracts.

22. In contrast, during this same time period, the aggregate of all Gary PMSA lending institutions reported that 16% of their residential real estate-related loan applications in the Gary PMSA were secured by residential property located in majority-minority census tracts. Similarly, during this time period, the aggregate of all lenders with branch offices in the Gary PMSA reported that 15.2% of their residential real estate-related loan applications in the Gary PMSA were secured by residential property located in majority-minority census tracts. For both groups of lenders, the percentage of HMDA loan applications from majority-minority census tracts was more than three times higher than Centier's.

23. The geographic distribution of the dollar amounts of residential real estate-related loans funded by Centier also demonstrates the consistent racial and national origin division in its residential lending activities. From 2000 through 2004,

Centier funded more than \$740 million in single-family residential loans in the Gary PMSA. Only 1.65%, less than \$12.3 million in such loans, went to majority-minority census tracts during this five year period.

24. The Bank's CRA small business loan originations for 2000-2004 show the same discriminatory pattern. During this time period, Centier has been one of the Gary area's largest CRA small business lenders; measured by dollar volume of loans, Centier has been the area's largest CRA small business lender during this time period. Of the 2,808 CRA small business loans Centier originated in the Gary PMSA from 2000 through 2004, 2,688 (95.7%) were made to businesses located in majority white census tracts, and only 120 (4.3%) to businesses in majority-minority tracts. See Maps attached as Exhibit 8. Measured by dollar volume, Centier originated more than \$360 million in CRA small business loans during this five year period, but less than \$21 million, 5.6%, went to businesses located in majority-minority census tracts. At present, approximately 20% of the Gary metropolitan area's businesses are located in majority-minority census tracts.

25. In contrast, during this time period, the aggregate of all Gary PMSA lending institutions reported that 11.6% of their CRA small business loans in the Gary PMSA were made to businesses located in majority-minority census tracts. This percentage figure is more than two and a half times that of Centier.

26. The totality of Centier's policies and practices described herein constitute the redlining of majority-minority neighborhoods of the Gary PMSA for the defendant's lending business. The Bank's policies and practices are intended to deny and discourage, and have the effect of denying or discouraging, an equal opportunity to residents of and businesses located in minority neighborhoods, on account of the racial and/or national origin composition of those neighborhoods, to obtain residential real estate-related and/or small business credit. These policies and practices are not justified by business necessity or legitimate business considerations.

27. The defendant's actions as alleged herein constitute:

a. Discrimination on the basis of race, color, and national origin in making available 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, color, and national origin, in violation of the Fair Housing Act, 42 U.S.C. §3604(a);

c. Discrimination on the basis of race, color, and national origin 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, color, and national origin, in violation of the Equal Credit Opportunity Act, 15 U.S.C. §1691(a)(1).

28. The 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.

29. Persons who have been victims of the 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 the defendant's conduct in violation of both the Fair Housing and the Equal Credit Opportunity Acts, as described herein.

30. The discriminatory policies and practices of the defendant were, and are, intentional and willful, and have been implemented with reckless disregard for the rights of residents of minority neighborhoods.

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

(1) Declares that the policies and practices of the defendant constitute a violation of the Fair Housing Act, 42 U.S.C. §§3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§1691-1691f;

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

(A) Discriminating on account of race, color, or national origin in any aspect of their business practices;

(B) Failing or refusing to take such affirmative steps as may be necessary to restore, as nearly as practicable, the victims of the 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 the defendant's unlawful practices, and providing policies and procedures to ensure all segments of its assessment area are served without regard to prohibited

characteristics;

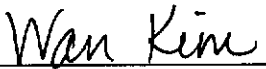
(3) Awards monetary damages to all the victims of the defendant's discriminatory policies and practices for the injuries caused by the defendant, pursuant to 42 U.S.C. §3614(d)(1)(B) and 15 U.S.C. §1691e(h);

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


(5) Assesses a civil penalty against the 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.

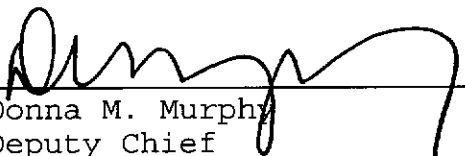
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