

**IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF OHIO**

UNITED STATES OF AMERICA,
Plaintiff,

v.

THE HUNTINGTON MORTGAGE COMPANY,
Defendant.

SETTLEMENT AGREEMENT

1. The parties, acting by and through their counsel, enter into and file this Settlement Agreement simultaneously with the filing by the United States of its Complaint against The Huntington Mortgage Company ("Huntington") alleging violations of the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f. The Complaint alleges that Huntington engaged in practices that resulted in discrimination on the basis of race in its pricing of certain residential first mortgage loans in the Cleveland, Ohio metropolitan area.
2. More specifically, the United States alleges that, during the period October 1991 through September 1993, Huntington charged 117 African-American customers of its Cleveland office prices for residential first Mortgage loans that were higher than the average price charged white borrowers in the Cleveland market without regard to risk or other race-neutral factors. These higher prices were in the form of higher "overages" paid by African-American borrowers. [\(1\)](#)
3. The parties agree that certain African-American customers for residential first, mortgage loans were charged prices in excess of the average price charged white borrowers in the Cleveland market during the relevant time period. The United States' evidence consists of a mathematical comparison of overages charged whites and African Americans in the Cleveland market. Huntington contests that any violation of law has occurred.
4. The parties have agreed that, in order to avoid protracted and costly litigation, this controversy should be resolved voluntarily. The parties have also agreed that there should be no evidentiary hearing, trial, or other adjudication on the merits, and that entry of this Settlement Agreement is not to be construed as an admission by Huntington of the validity of any of the claims asserted in this action.

I. General Undertaking by Huntington

5. Huntington agrees that it will not engage in any act or practice that discriminates on the basis of race in the pricing of residential first-mortgage loans; and that it will not impose on the basis of race different terms or conditions for the availability of residential first mortgage loans, all as prohibited by the provisions of 42 U.S.C. §§ 3604 & 3605 (Fair Housing Act); 15 U.S.C. § 1691 (a)(1) (Equal Credit Opportunity Act); 12 C.F.R. § 202 (Regulation B). The parties agree that this undertaking by Huntington, and every other undertaking by Huntington contained in this Settlement Agreement, shall be enforceable by order of this Court upon application therefor by the United States.

II. Specific Undertakings by Huntington

6. The United States recognizes that Huntington has developed and implemented new procedures and standards for pricing residential first mortgage loans system-wide, including comprehensive monitoring. The parties agree that, while these changes have been voluntarily implemented by Huntington, the specific items described in paragraphs 7 and 8 below shall constitute specific undertakings by Huntington.
7. In order to ensure uniform pricing without regard to race or other prohibited bases, Huntington has capped overages on all loan products at 1 percent of the loan amount, absent unusual circumstances and only then with the specific approval of the Huntington compliance officer (see below)
8. Huntington and its parent bank, The Huntington National Bank, have also implemented a monitoring and compliance system to ensure uniform application of pricing criteria by Huntington's loan originators. This system includes:
 - A. Restructuring of the management of Huntington to ensure full and complete monitoring of the loan origination process and a complete revision of the Huntington Retail Origination Procedures Manual;
 2. Appointment of senior-level managers at Huntington and Huntington Bancshares Incorporated, the parent holding company of The Huntington National Bank, to serve as compliance officers along with subsidiary positions;
 3. Implementation of a comprehensive system to permit the detailed and ongoing monitoring of mortgage origination and pricing practices;
 4. Development and implementation of a new program for monitoring overages to ensure that flexible pricing does not result in disparate treatment, including regular analyses of overages by race and other prohibited bases; and
 5. Development and implementation of a new, mandatory training program for all personnel with customer contact.
9. In light of Huntington's good-faith self-assessment and voluntary implementation of meaningful remedial measures, the United States believes that extensive affirmative procedural practices are unnecessary to insure compliance with the provisions of this Settlement Agreement.

III. Recordkeeping and Reporting Requirements

10. For a period of three years from the date of filing of this Settlement Agreement, Huntington agrees to retain all loan application files submitted for residential first mortgage loans and all documents and notices relevant to any pricing decisions in the Cleveland market. Upon reasonable notice, Huntington shall make available for inspection and copying by the United States during the three-year term of this Settlement Agreement individual residential first mortgage loan application files and related records, including any analyses of overages conducted by Huntington.
11. Huntington will report its compliance with this Settlement Agreement to the Civil Rights Division of the United States Department of Justice annually during the three-year term of this Settlement Agreement. ⁽²⁾ This reporting shall consist of:
 - A. A general report on Huntington's performance in the Cleveland metropolitan area in its processing and pricing of applications for residential first mortgage credit submitted by African Americans that addresses, at a minimum, Huntington's residential first mortgage pricing and production,

employee recruitment, compliance activities, training, monitoring, and other relevant information; and

2. A statistical analysis similar to those internally prepared by Huntington and previously provided to the Justice Department of overage amounts broken down by race for the relevant period in the Cleveland metropolitan area. Huntington shall prepare additional statistical analysis of the performance of Huntington in the Cleveland metropolitan area at the request of the United States if the United States deems them necessary to measure compliance with the terms of this Settlement Agreement. If the parties are unable to reach agreement on the nature of any follow-up analyses to be conducted, the matter may be submitted to the Court for resolution. All reports will be submitted to the United States within 90 days after the last business day of each calendar year.

IV. Compensatory Payments

12. Based on a file review and follow-up analysis conducted by the Department of justice with the full Cooperation and assistance of Huntington, the United States has identified 117 applications submitted by African Americans that were charged prices for residential first mortgage loans greater than the average price charged white borrowers in the Cleveland market between October 1991 through September 1993 (the "aggrieved persons"). Each such African-American borrower who paid a price higher than the average price charged white borrowers will be deemed to have been aggrieved and will be entitled to compensation pursuant to the terms of this Settlement Agreement; provided, however, that any African-American borrower who paid a higher price as part of a scheme to defraud Huntington or as part of a scheme to induce Huntington to extend credit based on the submission of blatantly false documents in violation of federal law shall be excluded from the aggrieved persons entitled to receive funds under this Settlement Agreement.
13. Within 30 days after the date of filing of this Settlement Agreement, Huntington shall set aside four hundred twenty thousand dollars (\$420,000.00) to compensate aggrieved persons as defined above (Compensation Fund). This fund is to be administered and distributed by Huntington to aggrieved persons whom the United States determines to be eligible for compensation, subject to the terms of this Settlement Agreement.
14. The Compensation Fund will not be distributed in a pro rata manner, but rather, the amount of compensation paid to each aggrieved person will be in proportion to the amount paid by them in excess of the average price charged white borrowers during the relevant time period. Each aggrieved person shall execute a release in the form attached as Exhibit I in exchange for receipt of funds.

V. Retention of Jurisdiction

15. This Settlement Agreement may be modified by written agreement of the parties.
16. This Court will retain jurisdiction of this action for three years from the filing of this Settlement Agreement for purposes of enforcing this Settlement Agreement. The parties will endeavor in good faith to resolve informally any differences regarding interpretation and compliance with this Settlement Agreement prior to bringing such matters to the Court for resolution.
17. The United States shall have the right to stay termination of this Settlement Agreement for good cause shown. In order to stay termination, the United States must file and serve a written objection to termination, which shall be grounded upon a violation or breach by defendants of some provision of this Settlement Agreement, no later than 30 days prior to the expiration of the Settlement Agreement. If an objection is filed, the Court shall hold a hearing on the motion to stay termination.
18. Each party to this litigation will bear its own costs and attorneys' fees.

APPROVED this _____ day of _____, 1995.

UNITED STATES DISTRICT JUDGE

It is so agreed by the parties.

For the United States:

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1.
An "overage" is an amount of money charged to the borrower for a particular mortgage loan product in excess of a minimum base price set daily by Huntington. Prior to 1994, overages obtained by Huntington were split between Huntington and the originator who obtained the overage. Overages can occur both as a result of individual price quotations by originators and as a result of the timing with which the processing steps in origination occur.

2.
Copies of all notices, correspondence, reports, or documents required to be provided to the United States will be mailed to the following address:

Chief, Housing and Civil Enforcement Section
Civil Rights Division
U.S. Department of Justice
P.O. Box 65998
Washington, DC 20035