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The CFPB's reprimand of Trident Mortgage for redlining is bolstered by employee emails

Article

The news: The Consumer Financial Protection Bureau (CFPB) used troubling internal employee emails at Trident Mortgage to nail down proof of redlining, per American Banker.

What happened? Last month, **Trident Mortgage paid $24 million to settle charges it faced after a CFPB probe revealed that it avoided initiating home loans** in the metropolitan areas of Philadelphia, Pennsylvania, Camden, New Jersey, and Wilmington, Delaware. The regulator requested copies of employee emails, which it used as **proof of intent** for avoiding the loans. That proof included:

- Photos of a senior loan officer standing with junior loan officers in front of a Confederate flag.
- Loan officer emails passed around with the text, "Proud to be White."
- Mortgage officers sending racist images and racial slurs while referencing certain Philadelphia neighborhoods.

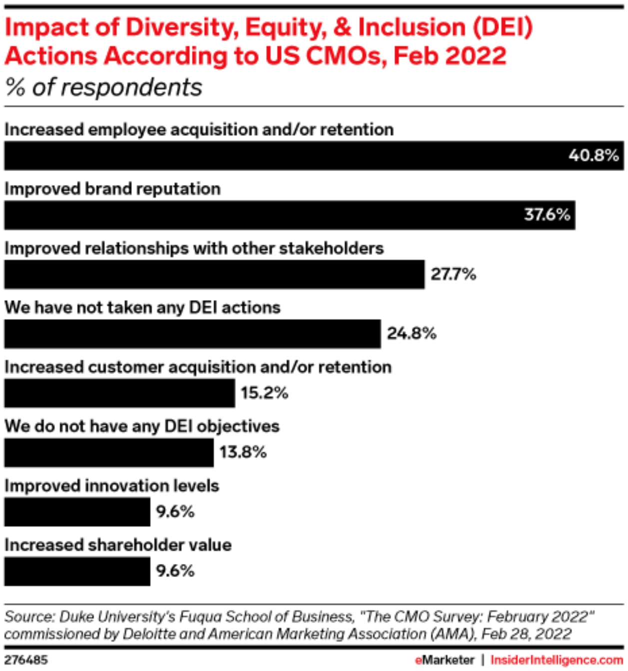
The CFPB found that Trident extended significantly fewer loans than its competitors between 2015 and 2019, originating 12% of home loans in mostly-minority populated areas compared to 21.5% by competitors in the same areas. And the emails reviewed by the CFPB led the agency to identify motive and intent behind the disproportionate lending.

As part of the settlement, Trident will hire a third-party credit needs assessment consultant in the next month. Trident denied that any discrimination had occurred.

Where's the training and awareness? Mortgage providers typically use software to ensure compliance with fair lending practices, as well as internal auditing and quality reviews to identify violations. But it's nearly impossible to regulate each individual employee's biases.

That leads to questions around diversity training and awareness, and how that could be lacking at a major mortgage lender.

- Diversity, equity, and inclusion (DE&I) has grown to become a major focus of banks and financial institutions, with many large banks such as **Bank of America**, **JPMorgan**, and **Citi** hiring DE&I executives and instituting DE&I arms within Human Resources.
- The **American Bankers Association** offers resources to help firms develop their DE&I leadership and proficiencies.
- Affinity banks are taking the industry by storm. Banks like **Guava**, **Totem**, **Daylight**, and **Seis** are creating communities for black business owners, Native Americans, members of the LGBTQ+ community, and the Spanish-speaking population to share financial experiences and knowledge.



Employee communications: The CFPB's use of employees' internal emails as evidence in the probe brings to mind another trend that is growing within the banking industry. Increasingly, bankers and asset managers are turning to personal devices and services like WhatsApp and Facebook Messenger for job-related communications.

While these platforms provide ease and convenience, operating outside of firm controls opens the door for employees to push the limits of what's right and what's wrong. As a result, regulators are stepping in.

- Over the past year, the Securities and Exchange Commission (SEC) fined 10 banks a total of $2 billion for missing business-related communications as a result of them occurring on non-business related platforms. These banks included **JPMorgan**, **Barclays**, and **Goldman Sachs**.

Banks will need to step up their supervision of employee communications to ensure they occur within the proper parameters and are not setting off business-related red flags. Financial institutions will also need to ensure that fear of regulatory examination doesn't lead to employees taking their communications under the radar.

The big takeaway: Discoveries like the messages between employees at Trident will harm the reputations of the firms that employ them. And with calls for equality and inclusion only getting louder, it's going to be hard for offending companies to recover.

- When it comes to attracting and keeping customers, financial institutions need to be aware of what standards customers hold their financial services providers to, and realize that many other competitors may make these customers feel more included.
- Firms must also re-examine some of the new ways of working that evolved during the pandemic. They must set expectations for employees to work within the firm's systems, but also make doing so easy and accessible. At the same time, it should be clear that employees that don't comply will face consequences.

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