COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
PENNSYLVANIA HUMAN RELATIONS COMMISSION

LUCRECIA L. TAYLOR, LYNN POINDEXTER,
Individually and on behalf of all others similarly situated, Complainants

v.

McGLAWN & McGLAWN and REGINALD McGLAWN, Respondents

PHRC CASE Nos. 200027668 &200201787

FINDINGS OF FACT
CONCLUSIONS OF LAW
OPINION
RECOMMENDATION OF HEARING PANEL
FINAL ORDER

FINDINGS OF FACT*

1. On or about April 2, 2001, Lucrecia Taylor (hereinafter, "Complainant Taylor"), an African American female, filed a verified complaint with the Commission against Respondent at Docket No. H-8373. (C.E.10)
2. Complainant Taylor alleged that Respondent McGlawn & McGlawn unlawfully discriminated against her in the terms and conditions of a real estate related transaction and loan of money because of her race, African American and racial composition of her neighborhood, African American. (C.E. 10)
3. On or about August 12, 2002, Lynn Poindexter (hereinafter, "Complainant Poindexter"), an African American female, filed a verified complaint against Respondent McGlawn & McGlawn with the Commission at Docket No. 200201787. (C.E. 28)
4. Complainant Poindexter alleged that Respondent McGlawn & McGlawn unlawfully discriminated against her in the terms and conditions of a real estate related transaction and loan of money because of her race, African American and racial composition of her neighborhood, African American. (C.E. 28)
5. Respondent McGlawn & McGlawn is a licensed mortgage broker and is engaged in real estate related transactions. (Adm. 1)

* The foregoing "Findings of Facts" are hereby incorporated as if fully set forth. To the extent that the Opinion that follows recites facts in addition to those here listed, such facts shall be considered to be additional Findings of Facts. The following abbreviations will be utilized throughout these Findings of Facts for reference purposes:

N.T. V1 -	Notes of Testimony from July 30, 2003 Hearing
N.T. V2 -	Notes of Testimony from July 31, 2003 Hearing
N.T. V3 -	Notes of Testimony from August 5, 2003 Hearing
C.E. -	Complainant Exhibit
Adm. -	Admissions
PHD -	Public Hearing Deposition of Lynn Poindexter

6. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Complainant Taylor that resulted in an unfair and predatory loan. (N.T. V1 109-55)
7. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Complainant Poindexter that resulted in an unfair and predatory loan. (PHD 1-25)
8. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Hawthorne Brunson that resulted in an unfair and predatory loan. (N.T. V1 155-191)
9. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Venice Jackson that resulted in an unfair and predatory loan. (N.T. V1 193-258)
10. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Jacqueline Slaughter that resulted in an unfair and predatory loan. (N.T. V1 277-308)
11. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Emma Jacobs that resulted in an unfair and predatory loan. (N.T. V1 308-325)
12. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Yvonne Hawkins that resulted in an unfair and predatory loan. (N.T. V2 8-39)
13. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Regina Miles that resulted in an unfair and predatory loan. (N.T. V2 41-72)
14. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Alfred Watts that resulted in an unfair and predatory loan. (N.T. V2 78-114)
15. Respondent McGlawn & McGlawn engaged in predatory brokering activities on behalf of Sophie Norwood that resulted in an unfair and predatory loan. (N.T. V2 208-230)
16. According to 2000 census data, there are significant patterns of racial segregation in Philadelphia County. (Adm. 3)
17. African American resident of Philadelphia County are concentrated in census tracts encompassing predominantly African American neighborhoods. (Adm. 4)
18. These African American neighborhoods have historically been redlined by mainstream financial institutions. (N.T. V2 146-151)
19. Residents of these African American neighborhoods are forced to turn to the sub-prime market and paying more for credit. (N.T. V2 152-155)
20. Radcliffe Davis, Human Relations Representative, reviewed approximately one hundred mortgage loan applications and files prepared by Respondent McGlawn & McGlawn. (N.T. V1 257- 58)
21. From the one hundred applications and files, sixty-six indicated the applicant's race. (N.T. V1 257-58)
22. Out of the sixty-six applicants who indicated race, sixty-five indicated their race as African American. (N.T. V 257-58)
23. All of the individuals testifying at the public hearing regarding their dealings with Respondent McGlawn & McGlawn were African American. (N.T. V1, V2, V3)

24. There were eleven real estate properties involved in the matter before the Commission. (N.T. V2 201)
25. Ira Goldstein, Director of Public Policy and Program Assessment with the Reinvestment Fund prepared a document mapping the location of the properties in conjunction with the racial composition of the area. (N.T. V2 201-03)
26. The document revealed that nine of the eleven properties were in neighborhoods that were more than 90% African American. (N.T. V2 202, C.E. 62)
27. The remaining two properties were in areas that were 50% - 75% African American. (C.E. 62)
28. Respondent Reginald McGlawn testified at the public hearing that the majority of McGlawn & McGlawn's customers are African American. (N.T. V3 125)
29. Respondent McGlawn & McGlawn engaged in an aggressive marketing plan that specifically targeted African Americans and African American neighborhoods. (Adm. 5)
30. In newspaper advertisements and on its web site, Respondent McGlawn & McGlawn proclaims itself to be one of the first African American financial companies in the Philadelphia area specializing in sub-prime mortgage loans, refinancing and insurance products. (Adm. 6; C.E.-73)
31. Respondent McGlawn & McGlawn's web site states that they are "…one of the first African American owned and operated Mortgage and Insurance Financial Services in Philadelphia and the surrounding area." (C.E. 73)
32. Anthony McGlawn testified that Respondent McGlawn & McGlawn advertised on African American radio stations and in African American newspapers. (N.T. V3 210-11)
33. Hawthorne Brunson testified that he had not only read a newspaper advertisement regarding Respondent McGlawn & McGlawn, but he also heard an infomercial on an African American talk radio. (N.T. V1 160-61)
34. Jacquline Slaughter testified that Respondent McGlawn & McGlawn specifically targeted African American police officers by holding financial seminars for such officers. (N.T. V1 303)
35. Complainant Taylor suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V1 141-145)
36. Complainant Poindexter suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (PHD 17-19)
37. Hawthorne Brunson suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V1 174-182)
38. Venice Jackson suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V1 229-232)
39. Jacqueline Slaughter suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V1 301-306)

40. Yvonne Hawkins suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V2 30-33)
41. Alfred Watts suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V2 102-106)
42. Regina Miles suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V2 66-68)
43. Sophie Norwood suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V2 219-224)
44. Emma Jacobs suffered actual damages as well as embarrassment and humiliation because of the unlawful discriminatory actions of Respondent McGlawn & McGlawn. (N.T. V1 319-320)

CONCLUSIONS OF LAW

1. The Pennsylvania Human Relations Commission (hereinafter, "PHRC" or "Commission") has jurisdiction over the parties under the Pennsylvania Human Relations Act (hereinafter "PHRA").
2. The Pennsylvania Human Relations Commission has jurisdiction over the subject matter of the complaints under the PHRA.
3. All parties have complied with the procedural prerequisites of a public hearing.
4. The Complainants and Respondents are persons within the meaning of Section 5(a) of the PHRA.
5. The instant complaint satisfies the requirements set forth in Section 9 of the PHRA.
6. Section 5(h)(8)(i) of the PHRA specifically prohibits any person from discriminating against persons in the terms and conditions of a real estate related transaction because of their race.
7. Section 5(h)(4) of the Act specifically prohibits any person from discriminating against persons in the terms and conditions of any loan of money because of their race.
8. Respondent McGlawn & McGlawn is a licensed mortgage broker and is engaged in real estate related transactions.
9. The Complainants and the others similarly situated have established by a preponderance of the evidence that the Respondents unlawfully discriminated against them because of their race, African American.
10. The Commission has broad discretion in fashioning a remedy once it concludes that a Respondent has engaged in unlawful practice under the PHRA.
11. The Commission may issue a cease and desist order and it may order such affirmative action as in its judgment may effectuate the purposes of the PHRA.

OPINION

On or about April 2, 2001, Lucrecia L. Taylor, on behalf of herself and all other similarly situated persons (hereinafter "Complainant Taylor") filed a verified complaint with the Pennsylvania Human Relations Commission at Case No. 200027668. Complainant Taylor alleged that Respondent McGlawn and McGlawn unlawfully discriminated against her in the terms and conditions of a real estate transaction and loan of money because of her race, African American, and the racial composition of her neighborhood, African American.

By letter dated May 10, 2002, Commission staff notified Complainant Taylor and Respondent McGlawn and McGlawn that there was a finding of probable cause. Subsequent to that finding of probable cause, Commission staff attempted to resolve the matter in dispute by conference, conciliation and persuasion but were unable to do so. The parties were then notified that a public hearing had been approved.

On or about August 12, 2002, Lynn Poindexter filed a verified complaint with the Commission at Docket No. 200201787. Complainant Poindexter alleged that Respondent McGlawn and McGlawn unlawfully discriminated against her in the terms and conditions of a real estate related transaction and loan of money because of her race, African American and her neighborhood, African American. By letter dated April 28, 2003, Commission staff notified the parties that there was a finding of probable cause. Subsequent to that finding, Commission staff attempted to resolve the dispute by conference, conciliation and persuasion but was unable to do so. Thereafter, Commission staff notified the parties that a public hearing had been approved.

On or about June 10, 2003, Charles L. Nier, PHRC attorney, filed a Confirmation of Intention to Seek Relief For Persons Other Than The Named Complainants pursuant to 16 Pa. Code 42.36. Furthermore, on July 11, 2003 Attorney Nier filed a Motion for Consolidation of Public Hearings in the instant cases. Commissioner and Panel Chairperson Sylvia A. Waters issued an Interlocutory Order that granted Attorney Nier's Motion to Consolidate the complaints for public hearing.

The public hearing in these matters was held on July 30, 31, and August 5, 2003 at the Philadelphia Regional Office. Sylvia A. Waters, Commissioner and Panel Chairperson, Commissioner Daniel Yun and Commissioner Toni M. Gilhooley comprised the panel presiding over the instant cases. Phillip A. Ayers, Panel Advisor, assisted the panel. Samuel Glanz, Esquire, appeared on behalf of the Respondents. Charles L. Nier, PHRC Assistant Chief Counsel, represented the State's interest in this matter. At the conclusion of the public hearing, Commission Counsel moved to amend the complaints to include Reginald McGlawn as a named Respondent. (N.T. V3 230). Chairperson Waters granted the motion. At the end of the public hearing, each party was advised of their right to file post-hearing briefs in support of their positions. PHRC Counsel filed a post hearing brief. Neither the Respondents nor Respondents' counsel filed a post hearing brief in this matter.

The issue before the Commission is indeed a matter of first impression in the Commonwealth. Specifically the Complainants in the instant case allege that Respondent McGlawn & McGlawn have targeted them for predatory and unfair mortgage loans. Furthermore, the allegations in the

instant case raise the specter of whether "reverse redlining" by a mortgage broker would constitute unlawful discrimination under the PHRA.

Reverse redlining is essentially the practice of extending credit terms to specific geographic areas due to income, race, or ethnicity of its residents. United Companies Lending Corp. v. Sargeant, 20 F. Supp. 2D 192, (D. Mass. 1998). By contrast, redlining is the denial of the extension of credit to those same geographic areas. The practices of redlining and reverse redlining create an atmosphere where unscrupulous lenders may prey on a community, Sargeant at 202. The court in Sargeant explained quite succinctly:

> Redlining and reverse redlining by banks, savings and loans, finance companies, and second mortgage companies impede the self-correcting elements of the market, rendering it unable to prevent consumer injury. This market failure prevents the borrower from taking action reasonable to avoid the financial pitfalls created by predatory lending.

There are a number of cases that support the argument that reverse redlining violates the Fair Housing Act, specifically Sections 3604(a), 3604(b) and 3605(a). Also see Honorable v. Easy Life Real Estate Sys., 100 F. Supp. 2d 885 (N. D. Ill, 2000); Hargraves v. Capital City Mortgage Corp., 140 F. Supp. 2d 7(D.D.C. 2000); and Associates Home Equity Services, Inc. v. Troup, 2001 N. J. Super. LEXIS 318. In Honorable, the court focused on whether reverse redlining and other discriminatory practices would violate the Fair Housing Act. The court went on to cite several examples of unlawful discriminatory practices including: "mortgage redlining", insurance redlining, racial steering, exclusionary zoning decisions and other actions by individuals or governmental limits which directly affect the availability of housing to minorities. Id., citing Southend Neighborhood Improvement Association v. County of St. Clair, 743 F.2d 1207 (7th Cir. 1984). As with the PHRA, the Fair Housing Act is broadly construed. Clearly, reverse redlining would violate the Fair Housing Act.

The PHRA and the Fair Housing Act are similar in that both of the Acts recognize the existence of housing discrimination and the negative impact such discrimination has on a community. The PHRA states that such discrimination threatens the peace, health, safety and general welfare of the Commonwealth and its inhabitants. See 43 P.S. Section 952(a). In addition, the PHRA also provides that its provisions are to be liberally construed. As Commission counsel notes, a review of both Acts shows that the substantive provisions are equivalent to one another.

Next we must review how the aforementioned practices relate to the PHRA. In the matter before the Commission, the allegations relate to a mortgage broker making loans in conjunction with lenders. As noted, Respondent McGlawn & McGlawn do not lend money, so their actions, if proven, would fall under Section 955(h)(8)(i) of the PHRA which provides:

> (i) It shall be unlawful for any person or other entity whose business includes engaging in real estate-related transactions to discriminate against any person in making available such a transaction or in the terms or conditions of such a transaction because of race.

The evidence is undisputed that Respondent McGlawn & McGlawn is a licensed mortgage broker and engaged in real estate-related transactions (Adm.1). Also, the transactions between Respondent McGlawn & McGlawn were real estate-related transactions within the meaning of the PHRA (Adm. 25). Consequently if it were shown that Respondent McGlawn & McGlawn did discriminate in the terms or conditions of a real estate-related transaction, McGlawn & McGlawn would be liable under the PHRA.

Next, it is unlawful for any "person to discriminate in the terms or conditions of any loan of money, whether or not secured by a mortgage, …because of race." See 43 P.S. §955(4) Therefore, if Respondent McGlawn & McGlawn discriminated in the amount of the broker's fee it charged an individual, or any other condition of the loan, it would be a violation of the PHRA since the fee or condition is part of the mortgage loan transaction.

There are three major cases in any discussion of reverse redlining and/or predatory lending: Hargraves v. Capital City Mortgage Corp., 140 F. Supp. (D.D.C 2000); Associates Home Equity Services, Inc. v. Troup, 2001 N.J. Super. LEXIS 318; and Honorable, *supra*. These cases adopted a two-step approach to establishing reverse redlining claims under the Fair Housing Act (Hargraves, *supra*). First, the "plaintiff" must establish that the lending and loan practices are unfair and predatory. Second, the plaintiff must show that the "defendants either intentionally targeted on the basis of race, or that there is a disparate impact on the basis of race." Id. Also, see, Jackson v. Okaloosa County, 21 F. 3rd 1531, 1543 (11th Cir. 1994). The court recognized a number of practices which it defined as predatory. These practices include: exorbitant interest rates, lending based on the value of the asset securing the loan rather than a borrower's ability to pay ("equity-stripping"), where a loan is issued that is "designed to fail," and the broker profits by acquiring the property through default, resulting in repeated foreclosures, and loan servicing procedures in which excessive fees are charged. Id., at 20-21.

Next, in Hargraves, the plaintiffs asserted that the defendant's predatory lending practices had a disparate impact on African Americans. There was evidence in the record that demonstrated that the defendant made a greater percentage of its loans in tracts that were predominantly African American. The court further stated:

> To show the disparate impact, they provide statistical evidence that, in the District of Columbia, Capital City made a greater percentage of its loans in majority black census tracts than other sub prime lenders, and made an even more disportionately large number of loans in neighborhoods that are over 90 per cent black.

As evidence of intentional targeting, the plaintiffs in Hargraves pointed to, *inter alia*, the defendant's solicitation of brokers who operate in the black community and the distribution of flyers and advertisements in black communities. After reviewing this evidence the court concluded, in rejecting a motion for judgment on the pleadings, that the evidence "amply" raised a factual issue as to whether the defendants acted in the basis of race.

In Associates, the court further defined the concept of predatory lending in the context of reverse redlining as:

> A mismatch between the needs and capacity of the borrower . . . In essence the loan does not fit the borrower, either because the borrower's underlying need for the loan are not being met or the terms of the loan are so disadvantageous to that particular borrower that there is little likelihood that the borrower has the capacity to repay the loan. Id., citing Daniel S. Ehrenberg, "If the Loan Don't Fit, Don't Take It: Applying the Suitability Doctrine to the Mortgage Industry to Eliminate Predatory Lending," 10 Journal of Affordable Housing & Community Development Law, 117, 119-20 (Winter 2001).

Once again, the court in Associates adopted the Hargraves' model, that a plaintiff established a claim of reverse redlining where the defendant's lending practices were predatory and unfair, and that the defendants intentionally targeted on the basis of race or there was a disparate impact on the basis of race.

As Commission Counsel notes, the recent court decisions (Hargraves, Associates and Honorable) provide a clear picture as to what constitutes a predatory lending claim under the Fair Housing Act. Accordingly, we must apply the analytical model to the instant cases to determine whether Respondent McGlawn & McGlawn unlawfully discriminated on the basis of race.

The first prong of the model is that the lending practices were unfair or predatory. In the matter before the Commission, Respondent McGlawn & McGlawn is a mortgage broker, not a specific lender. However, Respondent McGlawn & McGlawn is significantly involved in the loan process. In housing discrimination cases, the model that is used is adaptable and may be altered to fit the particular circumstances involved. See Allegheny Housing Rehabilitation v. Pennsylvania Human Relations Commission., 53 Z A.2d 315, 318 (1987).

In the instant cases, there was expert testimony presented on this very issue on behalf of the Complainants. Michelle Lewis, President and CEO of Northwest Counseling, testified that a "mortgage broker is essentially an individual that is sort of the middleman that creates the loan opportunity for an individual" (N.T. V1 81). She also testified that the broker should attempt to obtain the best loan available and disclose all the relevant terms of the loan. (N.T. V1 87, 105)

Ira Goldstein, Director, Public Policy and Program Assessment, The Reinvestment Fund, also addressed the role and, more importantly, the perception of the mortgage broker in a transaction. Mr. Goldstein opined that since the borrower never actually meets the lender in a mortgage loan transaction, in the borrower's mind, "the broker is the lender." (N.T. V2 205)

As further substantiation of this view, there is the testimony of Respondent Reginald McGlawn. In describing Respondent McGlawn & McGlawn, Respondent Reginald McGlawn said, "[w]ell, when people come to us, I provide loans" (N.T. V3 62). Reginald McGlawn then provided more information on Respondent McGlawn & McGlawn's role in mortgage loan transactions, testifying that McGlawn & McGlawn made the decision as to which lender would receive the customer's application (N.T. V3 146). McGlawn & McGlawn was also responsible for determining the broker fee, how it was to be set and the interest rate on a customer's mortgage loan (N.T. V2 206-07). Thus, the first step in this process is whether McGlawn & McGlawn, as

mortgage brokers, brokered mortgage loans that were predatory and unfair or utilized mortgage broker practices that were predatory or unfair.

In order to reach a determination in the matter before the Commission, we must attempt to define the term "predatory" and what is a predatory loan. Once again, there was evidence presented at the public hearing on this very issue. Commission Counsel notes, "In a theoretical sense, a predatory loan is any loan where the borrower's expenses cannot be justified on the basis of the lender's risk and cost." See The Reinvestment Fund, Predatory Lending: Developing an Approach to Identify and Understand Predatory Lending (April, 2001, C.E 55 ,N.T. V2 131). In determining whether a loan is predatory, we must examine the terms of the loan, the needs and capabilities of the borrower, and the intent and actions of the mortgage broker and lender. Indeed, Michelle Lewis testified that a predatory loan is "…not just one factor, but a number of factors which together can place an individual borrower in a position where they may be in imminent danger of losing their homes or may be faced with onerous terms with respect to their mortgage." (N.T. V1 59)

Both expert witnesses, Ms. Lewis and Mr. Goldstein, testified that loan terms which may be predatory include high interest rates, high points or padded closing costs, unreasonable broker fees constituting ten percent or more of the loan, yield spread premiums, prepayment penalties, balloon payments, sale of insurance, and mandatory arbitration clauses (N.T. V1 59-66). In addition, one must look at the repayment capability of the borrower to determine if a particular term of the loan may be predatory for that borrower. Predatory lending is as much a "function of the manner in which the loans are made as the oppressive terms that they contain" (U.S. Department of Treasury and U.S. Department of Housing and Urban Development, Curbing Predatory Home Mortgage Lending 16, 17, June 20, 2000). Lastly, as Mr. Goldstein testified, there is often an "imbalance of information and experience between the borrower and the lender" (N.T. V1 136). It would appear that, in most mortgage transactions, the borrowers do not fully understand the terms of their particular loans.

The record reflects an even wider range of practices that are predatory such as the falsification of information on documents, failure to disclose information, obstructing customers from refinancing with other companies and charging additional undisclosed fees (N.T. V1 59-66). Other predatory actions include high-pressure sales tactics. For example, home delivery of documents or transportation to a mortgage broker's office may seem to expedite services, but in reality they are practices designed to close a deal before a borrower has time to reconsider. (HUD, Curbing Predatory Home Mortgage Lending at 77)

Because of the never-ending list of predatory practices, it is necessary to review the terms of the Complainants' loans, their needs, and the intent of McGlawn & McGlawn to determine whether the loans were predatory and unfair, and whether McGlawn & McGlawn utilized predatory or unfair mortgage brokering practices.

We first look at Complainant Taylor's loan. Complainant Taylor testified that she bought her home approximately seventeen years ago under a program to remove urban blight for first time homeowners (N.T. V1 109). In 2000, she owed $7,300 on her home mortgage from Philadelphia Development Corporation (N.T. V1 110). Her home mortgage had a three percent interest rate

with a monthly payment of $110.90. Complainant Taylor was on a fixed income due to disability. (N.T. V1 113)

On or about October 18, 2000, Complainant Taylor contacted McGlawn & McGlawn in response to a television advertisement for mortgage loans (N.T. V1 111-12; Ad. N7). Complainant Taylor testified that she was interested in making some emergency home repairs (N.T. V1 111). Aaron McGlawn, in response to her call, picked her up and drove her to Respondent's office (Adm. 8). Complainant Taylor told him she was interested in a small loan of $10,000.00, not a mortgage loan. (N.T. V1 113; Adm. 9)

Subsequent to that meeting, Respondent McGlawn & McGlawn arranged a mortgage loan in the amount of $20,500.00 with an interest rate of 13.090% with Delta Funding Corporation (C.E. 5, 8, 9). On or about November 21, 2000 Complainant Taylor received notification that she had been approved for a thirty (30) year mortgage loan for $20,500.00 at 13.090% (Adm. 11). Complainant Taylor went to Respondent McGlawn & McGlawn's office for settlement and execution of the loan (Adm. 12). She did not have an opportunity to review any of the documents before signing them (N.T. V1 132). She was simply told to sign and she did so. (N.T. V1 133)

A review of Complainant Taylor's documents reveals several predatory characteristics. Initially, Complainant Taylor was charged $4,276.60 in total settlement costs, representing twenty percent of the total loan. Firstly, McGlawn & McGlawn charged Complainant Taylor a broker's fee of $440.00 (N.T. V1 120; C.E. 5). Secondly, McGlawn & McGlawn was paid a yield spread premium of $410.00, which effectively increased the interest rate on the loan. (Adm. 16) Complainant testified she had no idea what a yield-spread premium was and did not know it increased her interest rate. (N.T. V1 132). McGlawn & McGlawn sold Complainant Taylor a homeowner's insurance policy in the amount of $370.31. (N.T. V1 122; C.E. 5) Complainant Taylor testified that she was unaware of this and it was unnecessary since she was already covered by another policy. (N.T. V1 122)

Furthermore, Complainant Taylor was charged for debts that she did not owe at the time of settlement including, a water bill of $83.81 and two emergency ambulance bills ($477.00 and $250.00). All three bills were taken out of the proceeds of the mortgage loan (C.E. 5). Complainant Taylor testified that her water bill was automatically paid by her bank each month (N.T. V1 126; C.E. 7). In addition, the two ambulance bills were dismissed several months prior to the date of settlement (N.T. V1 125-26). Immediately following the settlement, Complainant Taylor indicated she had reservations and did not want the loan. (N.T. V1 134)

Respondent McGlawn & McGlawn told her she could not cancel the loan due to the fact that Delta Funding Corporation had disbursed the funds and paid the debts owed to the Complainant's creditors (N.T. V1 134; Adm. 14). As Mr. Goldstein testified, a borrower has a three-day rescission period following execution of the loan documents to cancel a loan. (N.T. V2 145)

Next, on or about November 27, 2000, Complainant Taylor returned to Respondent McGlawn & McGlawn's office for disbursal of the proceeds (Adm. 17). She received a check in the amount of $8,902.17. Subsequent to her receipt of the check, Respondent McGlawn & McGlawn

informed Complainant Taylor that she had to pay an additional broker fee of $1,200.00 because of the location of her residence (N.T. V1 117, Adm. 19). Complainant Taylor's home is located in a neighborhood that is predominantly (90-100 percent) African American. Complainant Taylor unwillingly complied with the request for the additional broker fees and never received a receipt for payment of those fees (Adm. 19). Unfortunately, Complainant Taylor also disbursed funds to pay for the two ambulance bills she did not owe (N.T. V1 125; C.E. 5). Complainant Taylor testified that she told Respondent that she had a letter that confirmed she did not owe the two bills (N.T. V1 123-24). Respondent McGlawn & McGlawn told her lender and she would receive the monies back (N.T. V1 124). Complainant Taylor never received the money.

Ira Goldstein, testifying as an expert witness, said that the fees and interest rates of Complainant's mortgage loan were "very high" (N.T. V2 171). He also stated the demand and payment of $1,200.00 in additional broker fees, at the time of settlement, would be characteristic of a predatory loan. Furthermore, Mr. Goldstein testified that the PHA (Philadelphia Housing Authority) offered mortgage loan on "advantageous terms" as opposed to the Delta Funding Corporation. He further noted that Complainant Taylor's interest rate went from 3% to 13.09% and her monthly payment went from $110.90 to $228.21 (N.T. V1 110, C.E. 5, 8). Furthermore, Mr. Goldstein's testimony provided that if Complainant Taylor paid bills in dispute or that she did not owe, that would be a characteristic of a predatory loan. Finally, as of July 30, 2003, the first day of public hearing, Complainant Taylor was three months behind in her payments and was threatened with foreclosure. (N.T. V1 140)

We next move to Complainant Lynn Poindexter, who's Public Hearing Deposition was made a part of the record in this case. Complainant Poindexter's home was located at 1538 West York Street, Philadelphia, Pennsylvania. As of July 1998, Complainant Poindexter owned her home free and clear without a mortgage (PHD 7). Complainant Poindexter's home is located in a predominantly black neighborhood (C.E. 62; PHD 8). In the fall of 1997, Complainant Poindexter wanted to obtain a loan to pay some debts (PHD 9). She contacted Respondent McGlawn & McGlawn in response to a radio advertisement for mortgage loans, refinancing and other financial services (PHD 8). She told Respondent Reginald McGlawn that she was looking for a small loan, not a mortgage, in the amount of $10,000.00 (PHD 10-11). Complainant Poindexter also further explained to him that she was working part-time to put herself through college. (C.E. 80)

Complainant Poindexter testified that Respondent Reginald McGlawn told her that she did not make enough to qualify, but that "…he would handle things and he would take charge." (PHD 12). After that conversation, Respondent McGlawn & McGlawn submitted documents to Gelt Financial Corporation, which indicated that Complainant Poindexter had a second job as a receptionist with Ivory Tower (C.E. 81). Complainant Poindexter testified that she never worked for Ivory Tower (PHD 12). The documents were created by Respondent McGlawn & McGlawn and were first brought to her attention at her public hearing deposition.

Subsequently Complainant Poindexter was told that she was approved for a mortgage loan (PHD 13). On or about February 6, 1998, she signed the necessary papers pursuant to settlement and execution of the loan (PHD 14). Prior to settlement, Complainant Poindexter had never discussed fees or interest rates with Respondent McGlawn & McGlawn. At the settlement, she realized that

the mortgage loan was in the amount of $22,400.00 with an interest rate of 13.99% with Gelt Financial. Complainant Poindexter did not have time to review the documents prior to signing them. (PHD 17)

As with Complainant Taylor, there are a number of predatory and unfair characteristics in the transaction. First, Respondent McGlawn & McGlawn charged her a broker fee of $2,240.00 ten percent of the loan. Second, Complainant Poindexter was sold a home insurance policy ($423.87) of which she was unaware. Third, the loan brokered by Respondent McGlawn & McGlawn contained a balloon payment of $20,193.79 (PHD 15; C.E. 78). She was completely unaware of the balloon payment until after she contacted the Commission. Lastly Complainant Poindexter's loan contained a pre-payment penalty that she was not unaware of. Complainant Poindexter, as might be expected, fell behind on her payment and had to pay a late fee. (PHD 17-18)

The next eight individuals are those similarly situated persons who were brokered mortgage loans that were predatory and unfair. The situations are disturbingly similar in the factual circumstances and the mortgage loans brokered by Respondent McGlawn & McGlawn.

Hawthorne Brunson was another African American who, as of 1999, owned his home free and clear without a mortgage payment (N.T. V1 157). His home was located in a predominantly African American neighborhood. In March of 1999, Mr. Brunson, in response to radio and newspaper advertisement, contacted McGlawn & McGlawn. Mr. Brunson was interested in a loan for $20,000.00 to pay a water bill and some delinquent real estate taxes (N.T. V1 160-62). Mr. Brunson wanted to do this because his sister-in-law was moving into the house with him due to his brother's death (N.T. V1 162). Mr. Brunson also made it clear to Reginald McGlawn that he was interested in a loan, not a mortgage. Reginald McGlawn told Mr. Brunson that his income was insufficient to support a loan (N.T. V1 163). Reginald McGlawn then told Mr. Brunson to prepare a letter stating that his sister-in-law would be paying $450.00 a month in rent payments. Mr. Brunson testified that he complied with this request even though he had no intention of charging his sister-in-law rent (N.T. V1 164). Subsequently McGlawn & McGlawn brokered a mortgage loan in the amount of $31,800.00 at an interest rate of 12.45% with an APR of 14.54% with Delta Funding Corporation (C.E. 17,18). On or about April 26, 1999, Mr. Brunson signed the document pursuant to settlement. At the settlement he did not have the opportunity to review the documents and McGlawn & McGlawn did not offer any explanation as to the interest rate and size of the loan. (N.T. V1 167-69)

Upon review of Mr. Brunson's mortgage loan, there are a number of predatory and unfair characteristics. These characteristics include:

1) A broker's fee in amount of $2,862.00. (C.E. 16)
2) A homeowners insurance policy in the amount of $536.00 (C.E. 16); Mr. Brunson was not given the option of obtaining his own.
3) A pre-payment penalty that limited Mr. Brunson's ability to refinance. (C.E. 16)

4) Mr. Brunson was charged $318.00 as a discount point that supposedly reduced the interest rate of 12.45%. (C.E. 18)

Ira Goldstein, once again testifying as an expert witness, had an opportunity to review Mr. Brunson's mortgage loan (N.T. V2 115). Mr. Goldstein testified that the interest rate on Mr. Brunson's loan was almost double the average conventional interest rate at the time in question (N.T. V2 176). He also testified that, because of the pre-payment penalty, someone would have to "pay a fairly significant amount of money to get out of the mortgage loan (N.T. V2 176). In addition, Mr. Goldstein testified that if false income documents were used to justify a loan, such actions would "absolutely" be characteristic of a predatory loan.

At the time of public hearing, Mr. Brunson had fallen behind in his mortgage payments and was threatened with foreclosure (N.T. V1 182). Indeed, on or about July 10, 2003, the lender instituted foreclosure proceedings with the Court of Common Pleas, Civil Division, Philadelphia County. (N.T. V 175; C.E. 20)

Next we move to Venice and Robert Jackson, who had acquired a property at 7027 Andrews Avenue, Philadelphia, Pennsylvania, in 1984. In 2000, they still owed approximately $34,000.00 on their mortgage from Alliance Mortgage Company (C.E. 21). Once again, the property is located in a neighborhood that is 90-100% African American. In May or June of 2000, the Jacksons received a tax delinquency notice from the IRS (N.T. V1 197-200). Ms. Jackson decided to use her property to borrow money to pay the IRS (N.T. V1 199). In response to McGlawn & McGlawn's television advertisements, she contacted Reginald McGlawn to obtain a loan for $10,000.00 to pay her tax delinquency (N.T. V1 196-201). Reginald McGlawn told Ms. Jackson that he could get her a loan for $20,000.00, and that he would negotiate with the IRS to reduce the amount of taxes to be paid. (N.T. V1 203)

Ms. Jackson was approved for a loan and received documents from McGlawn & McGlawn (N.T. V1 207). In her review of the documents, Ms. Jackson, for the first time, realized that McGlawn & McGlawn was charging a broker fee of $6,000.00 and the interest rate was approximately 11%. Ms. Jackson contacted McGlawn & McGlawn to discuss the fee and interest rates. Ms. Jackson had several conversations with Reginald McGlawn that became adversarial (N.T. V1 200). As a consequence of these conversations, Ms. Jackson told him she was not interested in the loan.

Next, Bryan McGlawn, another member of McGlawn & McGlawn, contacted the Jacksons to have a discussion regarding the loan (N.T. V1 213). During a subsequent conversation, Bryan McGlawn contacted EquiCredit to attempt to get the interest rate reduced (N.T. V1 214). Bryan McGlawn then told the Jacksons that the lowest interest he could procure for them was 10.03%. The Jacksons proceeded with the loan in order to pay the IRS. On or about October 30, 2000 the Jacksons signed the necessary documents pursuant to settlement and execution of the loan (N.T. V1 215). At settlement, Ms. Jackson realized that the amount of the mortgage loan was $56,100.00 with an interest rate of 10.03% and an APR of 11.48% with EquiCredit. As with other customers, the Jacksons were not given an opportunity to review the documents or have the terms explained to them. (N.T. V1 217)

Upon review of the documents signed by the Jackson, there are clearly several predatory and unfair characteristics. First, the Jacksons were charged a broker fee of $3,366.00 (C.E. 21). McGlawn & McGlawn then added a four-point loan origination fee for EquiCredit Corporation, which was in the amount of $2,244.00 (N.T. V1 218). Ms. Jackson testified that she had never discussed either of these fees with McGlawn & McGlawn. Secondly, Ms. Jackson was unaware that the loan contained a pre-payment clause. She became aware of the clause when she attempted to refinance the loan and realized it would cost her an additional $3,000 or $4,000.00. Lastly, the IRS was paid $10,298.27 directly from the loan proceeds (C.E. 21). Contrary to Ms. Jackson's understanding, McGlawn & McGlawn did not negotiate with the IRS (N.T. V1 226). The amount paid was the full amount owed to the IRS, not a reduced amount negotiated by McGlawn & McGlawn.

At the public hearing, Ira Goldstein, testifying as an expert witness, reviewed the mortgage documents. He testified that the brokerage and origination fees were "fairly high," resulting in a high cost loan (N.T. V2 178). Mr. Goldstein noted a pre-payment penalty clause, of which the Jacksons were unaware. Mr. Goldstein testified that "never" had he heard of a mortgage broker negotiating with the IRS to reduce a tax bill. (N.T. V2 179-80)

The next similarly situated individual is Jacquline Slaughter. Ms. Slaughter owned her home free and clear and her home is located in a predominantly African American neighborhood (N.T. V1 277-278; C.E. 62). Ms. Slaughter is employed by the City of Philadelphia Police Department's Civil Affairs Unit and is a member of the Police and Fire Credit Union (N.T. V1 277, 280). In response to McGlawn & McGlawn's radio advertisements, Ms. Slaughter contacted the Respondent to obtain a loan to pay her credit card debt (N.T. V1 281). After a telephone conversation, Ms. Slaughter went to McGlawn & McGlawn's office and met with Bryan McGlawn. Subsequent to that meeting, Ms. Slaughter was informed by McGlawn & McGlawn that she was approved for a loan (N.T. V1 286). There was no discussion with McGlawn & McGlawn as to the interest rate of the loan, the amount of the loan or the fees to be charged. It was only at the settlement that Ms. Slaughter learned that McGlawn & McGlawn had arranged a loan of $35,000.00 with an interest rate of 11.90% and an APR of 13.16% with New Jersey Mortgage and Investment Corporation (C.E. 29, 30, 31). Ms. Slaughter testified as to her consternation when she realized the amount of the loan was much greater than she had requested and the interest rate was much higher.

In reviewing Ms. Slaughter's documents, there are number of variables which are predatory and unfair. These variables include:

1) Respondent charged a broker fee of $428.00. (C.E. 29)
2) Respondent charged a loan application fee of $300.00. (C.E. 29)
3) Respondent charged a commitment fee of $200.00. (C.E. 29)
4) Respondent charged a $450.00 broker-processing fee. (C.E. 29)
5) Respondent received a yield-spread premium in the amount of $714.00 that increased the interest on the loan. (C.E. 29)
6) Respondent sold Ms. Slaughter a home owner's policy for $500.00. (C.E. 29)
7) There was a $30,895.76 balloon payment. (C.E. 30)

8) The loan contained a pre-payment penalty. (C.E. 31)
9) When Ms. Slaughter went to receive the check, Reginald McGlawn demanded additional broker fees. (N.T. V1 300)

Ira Goldstein, after reviewing the documents of Ms. Slaughter's loan, had several observations. First, the various fees charged by McGlawn & McGlawn came to approximately $3,000.00. Mr. Goldstein testified that the amount gave him pause. (N.T. V2 180) Next, he discussed the balloon payment in the mortgage loan. Mr. Goldstein observed that, after 14 years and 11 months of payments, Ms. Slaughter was still going to owe approximately $31,000.00 of the original $35,000.00 (N.T. V2 182). He further testified that if the balloon payment was not disclosed to Ms. Slaughter that would "absolutely" be a characteristic of a predatory loan. Third, there was a pre-payment penalty that, Goldstein observed, she would have to pay a significant penalty to get out of the loan (N.T. V2 182). Lastly, Mr. Goldstein testified that if Ms. Slaughter was forced to pay additional undisclosed fees at settlement that would be a predatory loan characteristic. (N.T. V2 184)

Emma Jacobs was the next person who had a loan brokered by the Respondent McGlawn & McGlawn. Ms. Jacobs testified that she owed approximately $16,000.00 on a mortgage from PNC Mortgage (N.T. V1 309). Her home, as with the other Complainants, was located in a predominantly African American neighborhood. (N.T. V1 310)

In response to a television advertisement, Ms. Jacobs contacted McGlawn & McGlawn in November of 2000 for the purpose of obtaining a loan for home repairs. Specifically, Ms. Jacobs wanted to get her roof repaired (N.T. V1 311). Ms. Jacobs wanted a loan in the amount of $6,000.00. McGlawn & McGlawn told Ms. Jacobs that they could not arrange a loan for that amount and furthermore she would have to borrow at least $10,000.00. (N.T. V1 312-13)

After a period of time, McGlawn & McGlawn told Ms. Jacobs that she had been approved for a loan (N.T. V1 314). McGlawn & McGlawn had set up a 30-year mortgage loan for $23,100.00 at an interest rate of 12.94% with Delta Funding Corporation (C.E. 34). Ms. Jacobs signed the papers necessary for settlement and execution on January 12, 2001 (N.T. V1 315). The circumstances surrounding Ms. Jacobs' loan are particularly disturbing. First Ms. Jacobs paid a brokerage fee of $590.00. This is important in light of the fact that Ms. Jacobs had requested the loan to repair her roof. After some disbursals, Ms. Jacobs received $3.75 in cash after settlement. Clearly she was unable to make any improvements and the ceiling in her home collapsed (N.T. V1 320). Ms. Jacobs testified that the loan only increased her interest rate and increased her monthly mortgage (N.T. V1 320). Consequently, as Commission Counsel notes, McGlawn & McGlawn charged a $590.00 broker fee for the loan, which did not provide any benefit to Ms. Jacobs. Clearly, these actions are characteristic of predatory lending.

Yvonne Hawkins owned her home in a predominantly African American neighborhood. She also owned her home free and clear without a mortgage payment. In December of 1999, Ms. Hawkins contacted McGlawn & McGlawn in response to a television advertisement (N.T. V2 10-11). She wanted a loan to repair a room in her home. After some telephone conversations, Ms. Hawkins provided McGlawn & McGlawn with some information regarding her credit history. Soon after, McGlawn & McGlawn told Ms. Hawkins that she had been approved for a loan (N.T. V2, 14).

McGlawn & McGlawn did not discuss or disclose any information about the interest rate or any fees prior to settlement (N.T. V2 14,17). In fact, Ms. Hawkins testified she believed that McGlawn & McGlawn were going to lend her the money. (N.T. V2 14,16)

At the settlement, and after signing the papers, Ms. Hawkins found out that McGlawn & McGlawn had arranged a loan for $17,500.00 at an interest rate of 12.94% with Delta Funding Corporation (N.T. V2 16). Review of the loan documents reveals that McGlawn & McGlawn charged a brokerage fee of $1,750.00, which was exactly ten percent of the loan amount. McGlawn and McGlawn told Ms. Hawkins that amount was their normal brokerage fee (N.T. V2 18), and Ms. Hawkins was supposed to receive $4,701.71 (N.T. V2, 21). There was never any explanation as to the difference in amounts. In addition, Ms. Hawkins was told that $3,500.00 was placed in escrow for a quitclaim title action (N.T. V2 22; C.E. 37). Ms. Hawkins testified that she never knew what happened to the funds and, upon asking, never received an answer. Lastly, as in other situations, the amount of money received at settlement was insufficient to complete the home improvements. (N.T. V2 21)

Mr. Goldstein, after reviewing Ms. Hawkins' documents, observed that the brokerage fee of $1,750.00 was fairly high, and that the loan carried "a fairly high interest rate." (N.T. V2 185). Next, Mr. Goldstein testified that there was a pre-payment penalty and an arbitration clause that precluded Ms. Hawkins right to go to court (N.T. V2 185). He observed that if she received less money than indicated on the mortgage loan document, it would be characteristic of a predatory loan.

Regina Miles, an African American female, and her husband brought a home in Chester, Pennsylvania. The home is located in a neighborhood that is predominantly African American. In 1990, Ms. Miles separated from her husband (N.T. V2 41). At that time she fell behind in her mortgage with Atlantic Mortgage. In 2000, Ms. Miles contacted McGlawn & McGlawn and specifically spoke with Reginald McGlawn (N.T. V2 43). Ms. Miles was interested in obtaining a loan in the amount of $6,006.00. The sum was precise because she wanted to buy out her ex husband's portion of the mortgage loan (N.T. V2 44). When she met with Reginald McGlawn, he told her she would need to borrow more than $6,006.00, even though she was unemployed at the time.

At this point, Reginald McGlawn instructed Ms. Miles to create false tax returns for a day care center to qualify for a loan (C.E. 41). Ms. Miles, at Reginald McGlawn's direction, created an income tax return for Family Day Care (N.T. V2 47-49). The return indicated that the business earned $42,935.00 in 1998 and $63,429.00 in 1999 (C.E. 41). Reginald McGlawn then told Ms. Miles that the income figures were not high enough and he directed her to create a second set of documents (C.E. 42, 43). The second set of income tax returns indicated that the business earned $56,935.00 in 1998 and $81,429.00 in 1999 (C.E. 42, 43). At the public hearing, Ms. Miles testified that all of the information in the documents was false. When she had expressed her concern to Reginald McGlawn, his response was that she should not worry because no one else would see the documents. (N.T. V2 51-52)

The falsification of documents did not end there. Ms. Miles, at Reginald McGlawn's direction, created false letters from nonexistent customers. She created false payment receipts for the day

care center (N.T. V2 54-55; C.E. 45). As Commission Counsel states in his brief, all documents relating to Ms. Miles' day care center were false and created to at Reginald McGlawn's urging.

There was no discussion, prior to settlement, with Ms. Miles regarding the interest rate, size of the loan or the specific term of the loan (N.T. V2 56-57). Reginald McGlawn only told Ms. Miles that his fee was $3,000.00. Once again, as with other individuals, Ms. Miles thought McGlawn & McGlawn was lending her money (N.T. V2 56). Soon thereafter Ms. Miles signed the necessary papers to execute the loan. Ms. Miles then realized that McGlawn & McGlawn had arranged a loan in the amount of $39,000.00 at an interest rate of 14.61% and an APR of 15.78% with Delta Funding Corporation (C.E. 47, 48). McGlawn & McGlawn charged a brokerage fee of $1,530.00, and Ms. Miles was to receive $2,945.22 (C.E. 46). However, when she met with Reginald McGlawn, he gave her $700.00 in cash. When she questioned him Reginald McGlawn told her his fee was $3,000.00 regardless of the figure in the document.

Ira Goldstein testified that, after reviewing Ms. Miles' loan documents, there were several problems. He noted that the first mortgage payoff was the Pennsylvania Housing Finance Agency, which typically had "fairly advantageous terms." The new loan with Delta Funding had an extremely high interest rate. Also, as seen in other instances, Ms. Miles was forced to pay additional fees not disclosed in the original documents (N.T. V2 189). Here is another indication of a predatory loan. Finally, the creation of false income documents to justify a loan is certainly a characteristic of a predatory loan.

It is not surprising that Ms. Miles is encountering difficulty in making mortgage payments. At the public hearing, she testified that she has been late in making payments and has been threatened with foreclosure.

The next individual who testified was Alfred Watts, an African American male. Mr. Watts owned two properties: 4452 North 19th Street, Philadelphia, Pennsylvania and 1813 Montgomery Avenue, Philadelphia, Pennsylvania. Both properties were located in predominantly African American neighborhoods (C.E. 62). In 2000, Mr. Watts had a $7,463.43 mortgage from First Union on the North 19th Street property, while he owned the Montgomery Avenue property free and clear of any mortgage (N.T. V2 79). In June of 2000, Mr. Watts contacted McGlawn & McGlawn for the purpose of obtaining a loan for debt consolidation. Mr. Watts specifically stated that he wanted a loan in the range of $10,000.00 - $15,000.00, not a mortgage (N.T. V2 82). McGlawn & McGlawn indicated that he would have better chance for approval if he got a mortgage loan for both properties. Once again, Mr. Watts testified that he did not want one mortgage, much less two mortgages. Notwithstanding Mr. Watts' wishes, McGlawn & McGlawn proceeded with two mortgage applications and later informed him that both applications had been approved.

In this particular loan process, there was some discussion with Mr. Watts concerning the interest rates and the fees charged (N.T. V2 85-87). Mr. Watts testified that he was told that the interest on the loans would be 11-12 percent. However, Reginald McGlawn indicated to him that if he kept his payments current, McGlawn & McGlawn could get the interest rate lowered. Mr. Watts was further informed that the broker fee would be paid by the mortgage company. However, as

in other situations, Mr. Watts was later informed that McGlawn & McGlawn would need another $1,000.00 in broker fees. (N.T. V2 87)

At settlement, Mr. Watts found out that McGlawn & McGlawn had arranged a mortgage loan for his North 19th Street property for $26,600.00 at an interest rate of 14.44% with an APR of 16.44 5% from Delta Funding Corporation (C.E. 51, 52, 53). McGlawn & McGlawn had arranged a mortgage loan for the West Montgomery Avenue property in the amount of $20,400.00 with an interest rate of 13.84% from Delta Funding Corporation. (C.E. 50)

A review of both mortgage loans clearly reveals predatory and unfair characteristics. First, McGlawn & McGlawn charged a broker fee of $928.92 for the North 19th Street property and $2,040.00 for the West Montgomery Avenue property. Second, Mr. Watts paid a yield-spread premium of $260.00 on the mortgage at North 19th Street, which effectively increased the interest rate (C.E. 51). Third, the mortgage loans contained pre-payment penalties of which Mr. Watts was completely unaware (N.T. V2 91). Mr. Watts testified he only became aware of the penalties after meeting with Commission staff. Before the expiration of the recession period, Mr. Watts went to the offices of McGlawn & McGlawn to cancel the loans. He met with Bryan McGlawn to cancel the loans. He met with Bryan McGlawn at a local Mellon Bank branch and expressed his desire to cancel the loans (N.T. V2 58). Bryan McGlawn not only told Mr. Watts he should "go ahead and get the loan", he implied that Delta Funding had already disbursed funds to pay Mr. Watts' creditors. Mr. Watts then enclosed the checks and Bryan McGlawn took the checks to a teller who cashed them (N.T. V2 99-100). It was only at this point that Mr. Watts realized that Bryan McGlawn had already removed $1,000.00 from the settlement proceeds as an additional broker fee.

Ira Goldstein, testified, after reviewing Mr. Watts' loan documents, he observed a number of problems. First, he noted that the mortgage loan for the North 19th Street property had a first mortgage payoff to First Union (N.T. V2 187). The interest rate on the First Union mortgage was 8% while the Delta Funding loan was 14.44% (C.E. 53). Obviously, the new loan had a very high interest rate and numerous brokerage fees (N.T. V2 191). Second, both loans contained pre-payment penalties. Third, the loan failed to escrow taxes and insurance. This point is significant because, as Mr. Watts testified, he asked McGlawn & McGlawn to include his taxes and insurance in his monthly payments. Finally, Mr. Goldstein testified, when someone is forced to pay additional undisclosed broker fees that would be an indication of a predatory loan. At the public hearing, Mr. Watts testified that he was having trouble making payments and he feared losing his home on several occasions.

The last similarly situated person in this case is Sophie Norwood. Ms. Norwood owned three properties: 240 and 242 Patterson Street in Chester and 1443 North Allison Street in Philadelphia, Pennsylvania. All three of the properties were located in predominantly African American neighborhoods (N.T. V2 211-12). In 2001, Ms. Norwood had a mortgage of $9,703.81 from Boeing Helicopters Credit Union on the property at North Allison Street; a mortgage of $10,192.92 from Berean Federal Savings on the property at 240 Patterson Street; and a mortgage of $7,524.00 on the property at 242 Patterson Street (C.E. 56, 58, 60). At the time of the public hearing, Ms. Norwood was retired and living on a fixed income. In 2001, in response to radio and television advertisements, Ms. Norwood contacted McGlawn & McGlawn for the purpose of

obtaining a loan for $20,000.00 (N.T. V2 212). After several meetings, Ms. Norwood was told by McGlawn & McGlawn that she was approved for three mortgage loans. Ms. Norwood testified that she did not recall any discussion with McGlawn & McGlawn regarding the interest rates or brokerage fees. (N.T. V2 215)

Ms. Norwood signed mortgage loan documents pursuant to the settlement in February of 2001. She then realized that the mortgage loans were as follows: a mortgage loan on her property at North Allison Street for $20,000.00 with an APR of 13.5178%, from WMC Mortgage Corporation; a mortgage loan of $21,000.00 with an APR of 13.55% from WMC Mortgage Corporation; and a mortgage loan of $26,600 from D&M Financial (C.E. 51, 52, 53, 56, 57, 58, 59, 60). Once again we review the broker fees. Ms. Norwood was charged $1,000.00 for the North Allison property, $1,050.00 for 240 Patterson Street and $1,000.00 for 242 Patterson Street (C.E. 56, 58, 60). Next, there was a yield-spread premium on the properties, which effectively increased the interest rates on the loans. In addition there were pre-payment penalty clauses and an arbitration clause N.T. V2 218, C.E. 61). Ms. Norwood was unaware of both the penalty provision and the arbitration clause.

Ira Goldstein reviewed the documents regarding Ms. Norwood's mortgage loans. Mr. Goldstein testified that the same problems were evident in Ms. Norwood's loans as with the other individuals. There were high brokerage fees, yield spread premiums, pre-payment penalties and arbitration clauses. The loans at 240 Patterson and North Allison both contained first mortgage payments at interest rates significantly lower than the mortgage loans arranged by McGlawn & McGlawn. Ultimately Ms. Norwood's debts, as a result of these loans, increased to the point where Ms. Norwood was forced to declare bankruptcy. (N.T. V2 223-24)

The record before the Commission is replete with evidence that Respondents McGlawn & McGlawn and Reginald McGlawn have engaged in activities that resulted in predatory and unfair loans. The record further sadly reflects that the Respondents used any manner of persuasion to broker these predatory transactions. The methods used were high interest rates, hidden fees, pre-payment penalties, and in some instances, falsification of documents. All of these actions were utilized to deceive Complainants and the persons similarly situated. The expert testimony of Ira Goldstein was clear and concise as to the predatory practices and Mr. Goldstein's testimony was unchallenged by any evidence presented by Respondents. Consequently the Complainants and the other similarly situated individuals herein have established the first step of a reverse redlining case.

The second step is to establish whether Respondent McGlawn & McGlawn intentionally targeted on the basis of race or that there is a disparate impact on the basis of race. The Hargraves case centered on two areas to determine whether there was intentional targeting or disparate impact. The first area is statistical evidence. The evidence can be adduced by looking at not only the segregated housing market, but also marketing used to target African Americans.

Commission Counsel introduced uncontested evidence indicating significant patterns of racial segregation in Philadelphia County (N.T. V1 149; Adm. 3). The information was gleaned from 2000 census statistics. Within Philadelphia County, African Americans are concentrated in predominantly African American neighborhoods (Adm. 4). These African American

neighborhoods have been effectively redlined by mainstream financial institutions such as banks, savings and loans, and mortgage loan corporations. Consequently African Americans residing in these neighborhoods are relegated to the sub-prime market and paying more for credit (N.T. V2 152-155). Unfortunately those same individuals in these neighborhoods are more prone to targeting by predatory lenders.

In the instant case, Radcliffe Davis, Human Relations Representative, testified on behalf of the complaints before the Commission. Mr. Davis testified that he reviewed one hundred loan applications and files prepared by McGlawn & McGlawn (N.T. V1 257-58). Sixty-six of the one hundred applications and files indicated the race of those applicants. Sixty-five out of the sixty-six applicants were African American (N.T. V1 257). Furthermore, all twelve individuals who testified at the public hearing regarding mortgage loans with McGlawn & McGlawn were African American.

In addition, Ira Goldstein, the expert witness who reviewed all of the files of the individuals who testified, stated that nine of the eleven properties were located in a neighborhood that was at least 90 percent African American (C.E. 62). The remaining properties were in areas that were 50-75% African American. Lastly Reginald McGlawn himself testified that the majority of their customers were African American. (N.T. V3 125)

A further review of the record reveals that the Respondent McGlawn & McGlawn did intentionally target African Americans and their neighborhoods (Adm. 5). First, McGlawn & McGlawn specifically notes race in its entire marketing package. It proclaims to be one of the first African American financial companies in Philadelphia (Adm. 6 C.E. 73). McGlawn & McGlawn's web site states they are "one of the first African American owned and operated Mortgage and Insurance Financial Services in Philadelphia and the surrounding areas" (C.E. 73). Next, McGlawn & McGlawn used African American media outlets such as talk radio stations, commercials and advertisements, and in African American news media. Several of the witnesses in this matter testified that they heard about McGlawn & McGlawn on an African American radio station or from The Philadelphia Tribune, an African American newspaper. (N.T. V3 210)

This marketing strategy was certainly successful. We need only look at the testimony of practically every witness to see how much race was a factor in contacting and choosing McGlawn & McGlawn. An example was Complainant Poindexter who stated she assumed since they were African American that they "would be helping her" (P.H.D. 9). These individuals had a tremendous amount of trust and faith in McGlawn & McGlawn because it was an African American company. That faith was not rewarded by McGlawn & McGlawn but rather was used to further their own interests through predatory and unfair loans.

In the area of predatory lending, the case law supports the proposition that a non-predatory institution need only demonstrate that it's lending practices are legitimate in order to avoid liability. Hargraves v. Capital City Mortgage, 140 F. Supp 2d at 21. This position is similar to the general analysis in most discrimination actions where the Respondent, after Complainant establishes a *prima facie* case, can articulate a legitimate reason for its actions. In the instant matter, if McGlawn & McGlawn can show that it activities are legitimate, it can avoid liability.

At the public hearing, McGlawn & McGlawn asserted a number arguments to demonstrate a legitimate business necessity for its actions. We will discuss each one separately.

First, McGlawn & McGlawn, argued that its activities are not discriminatory because the Complainants did not establish that loans were made to non-African American on more preferable terms. Reginald McGlawn testified that "white people don't come to [him]" (N.T. V3 84). This specific argument was firmly rejected in Hargraves. The court stated that since the plaintiff had established that the loans were "unfair" and "predatory", it was not necessary . . . to establish that the defendants made loans on more favorable terms to members other than the targeted class. Id. Another case was Contract Buyers League v. F & F Investment. 300 F. Supp 210 (N.D. ILL, 1969). In that case, the defendants argued that there was no discrimination when selling property to African American at high prices because "there can be no discrimination unless the same seller actually sells to whites at a lower price." The court in Contract Buyers League not only rejected the argument but also considered it "obnoxious" and "ridiculous." Id. Clearly, such an argument by McGlawn & McGlawn does not indicate any type of business necessity.

The next argument, specifically set forth by Reginald McGlawn is that "everyone who is in the business is a predator." (N.T. V3 127). This argument was also raised and rejected in Hargraves where the defendants contended that predatory lending was an amorphous concept with no legal value. Id. At 19, N6. The court in Hargraves specifically recognized a clear view of certain practices, which may be unfair and predatory. It is not surprising that most of those practices, if not all, are present in the matter before the Commission. Consequently this argument is without any merit and we move to the next one.

McGlawn & McGlawn and Reginald McGlawn next assert that they are not responsible for the terms and conditions of the loan, nor the disclosure of information relating to the loan (N.T. V2 205-06). Furthermore, Respondent assert, those issues should be addressed to the financial institution or the mortgage company. A review of the record including Reginald McGlawn's own testimony shows the fallacy in this argument. Both experts, Michelle Lewis and Ira Goldstein, testified as to the importance of the mortgage broker. Ms. Lewis stated, "a mortgage broker is essentially an individual that is sort of the middleman that creates the loan opportunity for an individual." (N.T. V1 81). She further explained that a mortgage broker's role is to obtain a loan for his or her customer (N.T. V1 105). Ira Goldstein explained that since the borrower never actually meets the lender in a brokered mortgage loan transaction, in the borrower's mind, "the broker is the lender." (N.T. V2 205-06). In addition, Reginald McGlawn testified as to McGlawn & McGlawn's role in determining broker fees and in establishing the interest rate of a loan (N.T. V3153-56). He also proudly testified that the decision regarding which lender receives his customer's applications is made solely by McGlawn & McGlawn. It was Reginald McGlawn who testified, [w]ell, when people come to us, I provide loans." (N.T. V3, 62). Clearly, the mortgage broker plays a fundamental role in the process and therefore must be responsible for unlawful discrimination.

Lastly, Respondents McGlawn & McGlawn and Reginald McGlawn simply denied the allegations of all the Complainants in this matter (N.T. V3 50-87). The testimony of Reginald McGlawn was so lacking in veracity or credibility, that, at times, it defied logic and common

sense. Mr. McGlawn was not even truthful in answering questions that could easily be checked or verified. One can only wonder his motivation in testifying as he did at the public hearing. First he testified, under oath, he was not the CEO of McGlawn & McGlawn (N.T. V3 88). This testimony was contradicted by records his own company filed with the Pennsylvania Department of State identifying him as the CEO of McGlawn & McGlawn. Mr. McGlawn denied that McGlawn & McGlawn presented itself as one of the first African American owned financial companies (N.T. V3 121). However, as indicated in Commission Counsel's brief, McGlawn & McGlawn's own web site specifically states: "[I]t is one of the first African American owned and operated Mortgage and Insurance Financial Services in Philadelphia and the surrounding area." (C.E. 73). Mr. McGlawn continued this pattern when he testified that he rarely used yield spread premiums. However, evidence presented at the public hearing showed that McGlawn & McGlawn used yield spread premiums in a number of the brokered loans (Complainant Taylor, Slaughter, Watts and Norwood) (N.T. V3, 147-53). This fact was easily proven with the loan documents presented at the public hearing.

The lack of credibility on the part of Reginald McGlawn was clearly exposed when he was questioned about the relationship between McGlawn & McGlawn and the Department of Banking. The Pennsylvania Department of Banking was responsible for licensing McGlawn & McGlawn. Mr. McGlawn further testified that McGlawn & McGlawn was required to file yearly reports with the Pennsylvania Department of Banking (N.T. V3 92). These reports required, *inter alia* – a licensee to disclose certain type of information to the Department of Banking. Some of the other information that was to be reported included pending litigation that McGlawn & McGlawn was involved in and any broker fees charged to borrowers. At the public hearing, Commission Counsel presented several annual reports filed by McGlawn & McGlawn with the Pennsylvania Department of Banking. It is noted that these reports are notarized. McGlawn & McGlawn's 2000 Annual Report, filed with the Pennsylvania Department of Banking, supposedly contained a list of every loan brokered by McGlawn & McGlawn during the year 2000, including the name of the borrower, loan amount, and fees (C.E. 65). A review of the report reveals that McGlawn & McGlawn failed to disclose five brokered mortgage loans in 2000, including Yvonne Hawkins, Jacqueline Slaughter, Regina Miles, Alfred Watts, and Complainant Lucrecia Taylor (N.T. V3 97-103). Upon cross-examination, Reginald McGlawn admitted that McGlawn & McGlawn failed to disclose the information in its report to the Pennsylvania Department of Banking.

Further, McGlawn & McGlawn, in the same notarized report, indicated that it was not involved in any legal proceedings in calendar year 2000. The evidence presented at the public hearing established that McGlawn & McGlawn was involved in legal proceedings before the United States Bankruptcy Court for the Eastern District of Pennsylvania. The court held that McGlawn & McGlawn engaged in numerous deceptive and unfair practices that constituted fraud, breach of fiduciary duties, violations of the Unfair Trade Practices and Consumer Protection Law, and violations of the Credit Services Act. In Re: Barker v. Altegra Credit Company, Gelt Financial Corporation, and William McGlawn, t/a McGlawn & McGlawn, Inc., 251 B.R. 250 (2000). Reginald McGlawn clearly had knowledge of this legal proceeding since he was a witness in the proceeding. However, McGlawn & McGlawn did not mention this litigation in its Annual Report.

In its 2001 Annual Report, McGlawn & McGlawn, once again, indicated it was not involved in any litigation during that year (C.E. 67). However, there was evidence establishing that Victoria Clarke filed an action against Respondent Reginald McGlawn and McGlawn & McGlawn, on or about February 27, 2001, in the Unites States District Court, Eastern District of Pennsylvania (C.E. 68). Similarly in 2002, McGlawn & McGlawn filed an Annual Report indicating it was not involved in any legal proceeding during the calendar year (C.E. 69). As in previous year, evidence produced at the public hearing established that McGlawn & McGlawn was involved in at least three federal court actions in 2002 (C.E. 70, 71, 72). None of these proceedings were disclosed in the report to the Pennsylvania Department of Banking, including the Commission complaints of Lucrecia Taylor and Lynn Poindexter. It is difficult to believe that the failures to disclose in the Annual Reports were simply omissions made by McGlawn & McGlawn. On the contrary, it reflects on the manner in which McGlawn & McGlawn did business. Even the demeanor of Reginald McGlawn at the public hearing indicated a callous indifference to McGlawn & McGlawn's obligations as mortgage brokers. Accordingly, the "defenses" raised by McGlawn & McGlawn, and Reginald McGlawn are totally without any merit whatsoever.

A review of the record clearly demonstrates that Respondent McGlawn & McGlawn and Respondent Reginald McGlawn, doing business as mortgage brokers, intentionally targeted Complainant Taylor, Complainant Poindexter, and other similarly situated persons for unfair and predatory loans. Having found that the Complainants and other similarly situated persons have met their burden, we now move the issue of remedy.

We must first briefly review the Commission's authority to award relief. The Commission has broad discretion in fashioning an award to effectuate the purposes of the PHRA. Murphy v. Comwlth, PA Human Relations Commission 4886 A.2d 388 (1985)

Any remedy awarded under the PHRA has two purposes. The first purpose is to insure that the unlawful discriminatory practice is eradicated, usually by a cease and desist order. The second purpose is to not only restore the injured party to pre-injury status and make him whole but also to deter future discrimination. Williamsburg Community School District v. Pennsylvania Human Relations Commission, 512 A.2d, 339 (1986). The Commission's specific authority to award relief is found in Section 9 of the PHRA that provides, in pertinent part:

> (f)(1) If, upon all the evidence at the hearing, the Commission shall find that a respondent has engaged in or is engaging in any unlawful discriminatory practice as defined in this act, the Commission shall state its findings of fact, and shall issue and cause to be served on such respondent an order requiring such respondent to cease and desist from such unlawful discriminatory practice and to take such affirmative action, including, but not limited to . . . services and privileges or lending money, whether or not secured by mortgage or otherwise for the acquisition, construction, rehabilitation, repair or maintenance of housing accommodations or commercial property, upon such equal terms and conditions to any person discriminated against or all persons, and any other verifiable, reasonable out-of-pocket expenses caused by such unlawful discriminatory practice, provided that, in those case, alleging a violation of Section 5(d), (e) or (h) or 5.3 where the underlying complaint is a violation of Section 5(h) or 5.3, the Commission may award actual damages, including damages caused by humiliation and embarrassment, as,

in the judgment of the Commission, will effectuate the purposes of this act, and including a requirement for report of the manner of compliance. 43 P.S. δ959 (f)

The Commission also has the authority in assess a civil penalty for violations of Sections 5(h) or 5(3) of the Act 43. P.S. δ959 (f)(2). The Section further provides that the amount of the civil penalty is:

(i) in an amount not exceeding ten thousand dollars ($10,000.00) if the respondent has not been adjudged to have committed any prior discriminatory practice;
(ii) in an amount not exceeding twenty-five thousand dollars ($25,000.00) if the respondent has been adjudged to have committed one other discriminatory practice during the five-year period ending on the date of this order; or
(iii) in an amount not exceeding fifty thousand dollars ($50,000.00) if the respondent has been adjudged to have committed more than one other discriminatory practice during the seven-year period ending on the date of this order. Id.

The Act further provides that if the acts that constitute the discriminatory practice are "committed by the same natural person who has been previously adjudged to have committed acts constituting a discriminatory practice, then the civil penalties set forth in subparagraphs (ii) and (iii) may be imposed without regard to the period of time within which any subsequent discriminatory practice occurred." Id.

Lastly, as Counsel indicates, when the Respondent is a licensee of the Commonwealth, the Commission shall inform the appropriate State licensing authority of the order with the request that the licensing authority take such action, as it deems appropriate against such licensee. 43 P.S. δ959 (f)(3)

In the matter before the Commission any remedy may include individuals not specifically named in the complaint. The Pennsylvania Supreme Court has held that the Commission does have authority to award relief to individuals not specifically named in a complaint. Pennsylvania Human Relations Commission v. Freeport Area School District, 359 A.2d 724 (1976). When the Commission orders such relief, a respondent must be informed of both the scope of the investigation and possible relief. Id. There is a two-prong test that was developed to ensure due process to a respondent in this type of situation. First a complainant must allege that other persons have been affected by the alleged discriminatory practice. Commission regulations directly address this point: "whenever a person seeks relief for unnamed persons, other than a cease and desist order, the complaint shall include an allegation to the effect that the complaint is made on behalf of other persons who have been affected by the alleged unlawful discriminatory practice." 16 Pa. Code δ42, 35(a) Secondly, the other persons entitled to relief must be described with specificity. Freeport, 359 A. 2d at 728.

In the instant case, both Complainant Taylor and Complainant Poindexter filed their complaint or amended complaint on behalf of themselves and all other similarly situated persons (C.E. 10, 11, 28). Each complaint included the following allegation: "[s]uch allegations are made on behalf of

myself and all other persons who have been affected by the aforementioned discriminatory practices." (C.E. 10, 11, 28). Consequently McGlawn & McGlawn clearly knew that there were other possible complainants. Secondly, Commission staff requested from McGlawn & McGlawn those documents relating to other persons who may have affected by the alleged discriminatory practices (C.E. 29). After McGlawn & McGlawn failed to comply with the request, Radcliffe Davis, Commission investigator, sought and was granted a subpoena (N.T. V1 253-255). When McGlawn & McGlawn failed to comply, Commission staff went to Commonwealth Court seeking to enforce the subpoena. On or about October 2, 2002, Commonwealth Court issued an Order compelling Respondent McGlawn & McGlawn to produce the requested documents relating to other similarly situated persons (C.E. 27). Finally, McGlawn & McGlawn provided the requested information including loan applications and related documents. (N.T. V1 256-57)

It was now possible to identify other persons who were affected by the alleged discriminatory practices. Commission counsel then filed a Confirmation of Intention to seek Relief for Persons other than the named Complainants pursuant to 16 Pa.Code δ42.36 (N.T. V1 18-19). Subsequently eight additional similarly situated individuals came forward and testified at the public hearing. The second prong of the test was established in that McGlawn & McGlawn supplied to the Commission staff the names of those affected by the alleged discriminatory acts. Because of this evidence, the Commission herein has the authority to not only order relief for Complainants Taylor and Poindexter but also the eight other persons affected by the actions of McGlawn & McGlawn.

In any case of this nature, in terms of remedy, we must start with injunctive relief. Therefore, Respondent McGlawn & McGlawn and Respondent Reginald McGlawn shall be ordered to cease and desist from unlawfully discriminating against persons because of their race, African American.

Next, both Complainant and the other eight persons are entitled to an award of individual relief with two components. All of these persons are entitled to actual damages consisting of any monies charged or paid to McGlawn & McGlawn out of mortgage loan proceeds, including: disclosed and undisclosed broker fees, any other fees relating to McGlawn & McGlawn invalid debts and undisclosed insurance policy premiums. Also any other items such as yield spread premium, which benefited McGlawn & McGlawn but operated to the detriment of the borrower. PHRC Counsel has submitted Appendix A, which properly sets forth the particulars of the actual damages. The Respondents in this matter did not introduce any evidence at the public hearing, or in a post-hearing brief, to contradict these figures. Consequently, the award for these damages shall be provided in Appendix A.

Another component of actual damages shall be determined by calculating, for each Complainant, the difference between the predatory-based exorbitant rate of interest for the loan for the term of the loan and the prevailing rate of interest (5%) for mortgages for which the Commission has taken administrative notice. The rationale for this calculation is that the difference in the interest rates is the essence of the predatory impact of these loans. The Complainants and others similarly situated have been locked into these unfair provisions by the Respondents' predatory actions. Since these Complainants will have these loans with third parties for the life of the loans, each

complainant should be awarded the difference between the exorbitant rate and the prevailing rate. Therefore, the following actual damage calculations are made:

Lucrecia Taylor:	$20,500 @ 13.09% for 30 years	
	13.09%	$61,657.00
	5%	-19,117.44
		$42,539.56
Lynn Poindexter:	$22,400 @ 13.99% for 15 years	
	13.99%	$31,268.73
	5%	-9,484,80
		$21,783.93
Hawthorne Brunson:	$13,800 @ 12.45% for 30 years	
	12.45%	$89,935.68
	5%	-29,655.34
		$60,280.34
Venice Jackson:	$56,100 @ 10.03% for 30 years	
	10.03%	$121,585.24
	5%	-52,316.50
		$69,265.74
Jacquline Slaughter:	$35,700 @ 11.90% for 15 years	
	11.90%	$41,009.86
	5%	-15,116.40
		$25,893.46
Emma Jacobs:	$23,100 @ 12.94% for 30 years	
	12.94%	$68,501.71
	5%	-21,542.09
		$46,959.62
Yvonne Hawkins:	$17,500 @ 12.90% for 30 years	
	12.90%	$51,698.48
	5%	-16,319.76
		$35,978.72
Regina Miles:	$39,000 @ 14.61% for 30 years	
	14.61%	$134,157.35
	5%	-36,369.76
		$97,787.59
Alfred Watts:	$26,600 @ 14.44% for 30 years	
	$20,400 @ 13.84% for 30 years	
	14.44%	$90,206.39

	5%	-24,806.04
		$65,400.35
	13.84%	$65,687.78
	5%	-19,024.18
		$46,663.60

Sophie Norwood: $20,000 @ 13.50% for 30 years
$21,000 @ 13.55% for 30 years
$26,600 @ 13.50% for 30 years

13.50%	$62,469.68
5%	-18,651.16
	$43,818.52
13.55%	$65,890.67
5%	-19,583.72
	$46,306.95
13.50%	$83,084.67
5%	-24,806.04
	$58,278.63

We now move to an award of embarrassment and humiliation for each aggrieved person pursuant to the Act. Courts have long recognized that the types of actions involved in this case are actions that one could reasonably "expect to humiliate or cause emotional distress to a person. Seaton v. Sky Realty Co., 491 F.2d 634, 636 (7th Cir. 1974). When determining damages for humiliation and embarrassment, any evaluation must include "both direct evidence of emotional distress and the circumstances of the act causing the distress." United States v. Balistrieri., 981 F.2d 916 (7th Cir. 1992). Furthermore, in housing cases, courts have awarded damages for intangible injuries based on the Complainant's own testimony. See Rakovich v. Wade., 819 F.2d 1393 n.6 (7th Cir. 1987), vacated on other grounds, 850 F.2d 1180 (1988). See also Allison v. PHRC, 716 A.2d 689 (Pa. Cmwlth 1988). In the Allison case, the court awarded $8,000.00 to the Complainant for embarrassment and humiliation.

In the matter before the Commission, we must examine the direct evidence of the humiliation and embarrassment suffered by Taylor, Poindexter and the eight other similarly situated individuals.

Complainant Taylor credibly testified as to the sadness and embarrassment she felt as a result of her dealings with the Respondents. She testified that she does not trust anybody and feels that McGlawn & McGlawn betrayed her and took advantage of her (N.T V1 144). Complainant Taylor further testified as to the impact of her dealing with McGlawn & McGlawn as follows: "I don't do the things that I used to do. I don't socialize with the people I used to socialize with. And I'm almost always crying." (N.T. V1, 143). It has affected her relationship with her children and grandchildren. Her physical condition has declined and she was hospitalized in May of 2002

(C.E. 13). She also testified that she suffers from sleep and appetite disturbances as well as anxiety and tension (N.T. V1 143-44). All of these difficulties came about as a result of her dealings with McGlawn & McGlawn. Therefore, based on the embarrassment and humiliation caused by Respondent McGlawn & McGlawn, an award of $25,000.00 is appropriate.

Complainant Poindexter testified, in her deposition, as to a sense of sadness and depression resulting from her dealings with the Respondents. She stated that she finds herself reliving the experience "every day, every month, every payment." (PHD 19). Her self-esteem was shattered because she felt she made a bad choice and was stupid (PHD 18). Complainant Poindexter stated that these dealings have negatively impacted on her physical well being, including headaches and sleeplessness. In addition, Complainant Poindexter testified as to a sense of betrayal on the part of McGlawn & McGlawn. Her words were: "I went to my own people and my own people turned and stabbed me in the back." (PHD 19). Therefore, based on the embarrassment and humiliation caused by the Respondents, a damage award of $15,000.00 is appropriate.

Hawthorne Brunson testified as to the sadness and sense of betrayal he felt as a result of dealing with Respondents. Mr. Brunson stated that the obligations of the mortgage have forced him to alter his lifestyle (N.T. V1 177). Mr. Brunson had retired early so he would be able to do some things he could not accomplish while he was in the workforce. Because of the high mortgage payment, he is now unable to engage in those activities (N.T. V1 177). Since his dealings with Respondents, Mr. Brunson has suffered two walking strokes, lost a great deal of weight and suffers from headaches and sleeplessness (N.T. V1 178-79). Lastly, Mr. Brunson offered the ultimate embarrassment and humiliation when, in July of 2003, his lender instituted foreclosure proceedings against him. Accordingly, based on the embarrassment and humiliation caused by Respondents' actions, a damage award of $15,000.00 for Mr. Brunson is appropriate.

We next turn to Venice Jackson who testified that she felt McGlawn & McGlawn "put on a show" that they were looking out for her best interests . . ." (N.T. V1 229). She further testified that McGlawn & McGlawn took advantage of her "ignorance" and "suckered" her into a mortgage that has left her worse off then before the loan transaction (N.T. V1 229). Ms. Jackson testified that she still suffers from anxiety and feels angry and betrayed by McGlawn & McGlawn (N.T. V1 228). She felt that her self-esteem was negatively affected and, unfortunately, she finds herself reliving the experience. Finally, three years after the events, she still "gets outraged" and her blood pressure rises. The level of Ms. Jacksons embarrassment and humiliation was clearly visible when she testified. When asked how she rated the embarrassment and humiliation on a scale of one to ten (with ten being the highest), she said eleven. Therefore, as a result of the embarrassment and humiliation caused by McGlawn & McGlawn, a damage award of $20,000.00 for Ms. Jackson is appropriate.

Jacquline Slaughter simply wanted a loan to pay her credit card debt. She went to McGlawn & McGlawn for help in resolving her problem. McGlawn & McGlawn took advantage of her and her family by brokering a loan with a high interest rates, numerous fees, and most unfortunately, an undisclosed final balloon payment of $30,895.76 (C.E. 29, 30). Ms. Slaughter testified as to being "completely devastated by this whole transaction, by this whole ordeal." (N.T. V1 302). She further testified that, upon finding out that the mortgage contained the final balloon payment, "I was so upset, right in this office [Commission] I cried and I couldn't stop crying." (N.T. V1

304-05). Ms. Slaughter also testified to the impact that McGlawn & McGlawn's actions had on her physical health. She suffers from hives, diarrhea and high blood pressure. In fact she encounters some difficulty in controlling her blood pressure and takes double medication (N.T. V1 304). Ironically Ms. Slaughter testified that as a police officer she did nothing but help people but she is now a victim (N.T. V1 302). As a result of the embarrassment and humiliation caused by McGlawn & McGlawn's actions, a damage award of $20,000.00 for Ms. Slaughter is appropriate.

Emma Jacobs went into the offices of McGlawn & McGlawn for the purpose of obtaining a loan for some home repairs (N.T. V1 311). After the settlement, Ms. Jacobs' interest rate and monthly payments had increased (N.T. V1 320). Most sadly, she received $3.75 in cash to make her home repairs. Needless to say, that amount of money was insufficient to make the necessary repairs (N.T. V1 320). Ms. Jacobs further testified to the feelings of sadness, humiliation and embarrassment she felt after dealing with McGlawn & McGlawn. Therefore, as a result of the embarrassment and humiliation caused by McGlawn & McGlawn, a damage award in the amount of $20,000.00 is appropriate.

Yvonne Hawkins went to McGlawn & McGlawn for the same purpose as Emma Jacobs, obtaining a loan for some emergency home repairs (N.T. V2 11013). After settlement, the proceeds received by Ms. Hawkins were insufficient to complete the repairs. Both Ms. Hawkins and her husband were forced to leave retirement and return to work in order to earn the money to complete the repairs (N.T. V2 26-27). Ms. Hawkins testified as to the anger, sadness and betrayal she felt when she did not receive the loan she requested from McGlawn & McGlawn (N.T. V2 27-28). Also, Ms. Hawkins' physical health has suffered because of the stress caused by McGlawn & McGlawn. Specifically, Ms. Hawkins testified that she is being treated for acid reflux. Finally, when asked how she would rate the embarrassment and humiliation on a scale of one to ten, she said ten (N.T. V2 32). Accordingly, based upon the embarrassment and humiliation caused by McGlawn & McGlawn, a damage award of $20,000.00 for Yvonne Hawkins is appropriate.

Next, we move to Regina Miles who went to McGlawn & McGlawn seeking an emergency loan for $6,006.00 to buy out her ex-husband's portion of the mortgage. She was then used by McGlawn & McGlawn when she was instructed to create false income documents in order to became eligible for a mortgage loan. Ms. Miles also testified as to a sense of sadness and loss because of her dealings with McGlawn & McGlawn. When Ms. Miles contacted McGlawn & McGlawn, she had five months remaining on her mortgage. One can only imagine her embarrassment and humiliation when, after McGlawn & McGlawn arranged a loan, she had a thirty year mortgage with a high interest rate (N.T. V2 67). Ms. Miles has been late in paying her mortgages and also threatened with foreclosure (N.T. V2 66). She further testified that she suffers from anxiety and irritability caused by telephone calls regarding her late payments (N.T. V2 67-68). While the Commission certainly understands the negative impact of the Respondents' actions on Ms. Miles, the Commission does not condone the parties acting in concert to create illusory documents so as to facilitate a loan to Ms. Miles. Based on the embarrassment and humiliation caused by McGlawn & McGlawn's actions, a damage award of $10,000.00 is appropriate for Regina Miles.

The next similarly situation person is Alfred Watts who contacted McGlawn & McGlawn for the purpose of obtaining a debt consolidation loan of $10,000.00 - $15,000.00. McGlawn & McGlawn brokered two thirty-year mortgage loans totaling over $45,000.00. These loans increased his monthly payment from $138.00 to $579.00 (N.T. V2 113, C.E. 49). At the public hearing, Mr. Watts testified as to his feelings of sadness and anger. As Commission Counsel notes, Mr. Watts is particularly frustrated by the fact that he wanted to cancel the loan, but he was talked out of it (N.T. V2 104). He further testified that he has feared losing his home on several occasions. He is constantly behind in his mortgage payments and trying to keep current is causing him stress. Based upon the embarrassment and humiliation caused by McGlawn & McGlawn's actions, a damage award of $20,000.00 for Alfred Watts is appropriate.

Lastly, Sophie Norwood contacted McGlawn & McGlawn to obtain a loan of $20,000.00 to help her daughter's business. McGlawn & McGlawn brokered three loans to tallying over $65,000.00, which dramatically increased her monthly payments (C.E. 56, 57, 58, 59, 60). Ms. Norwood trusted McGlawn & McGlawn to get her the best loan. Instead she was forced into the embarrassment and humiliation of bankruptcy. A damage award of $20,000.00 for Sophie Norwood is appropriate because of the embarrassment and humiliation.

When the full record is reviewed in this case, it is readily apparent, by not only the testimony but the demeanor of the above individuals, that they have been negatively affected both physically and mentally. There is no doubt that the evidence shows that embarrassment and humiliation was, and remains, part of their lives. Furthermore, the aforementioned damages are wholly supported by the evidence on the record before the Commission.

Next, there will be a civil penalty assessed against Respondent McGlawn & McGlawn and Respondent Reginald McGlawn for their actions. There are a number of factors to consider when determining the amount of civil penalty, including:

1) nature of the violation;
2) degree of culpability;
3) Respondent's financial resources;
4) Goal of deterrence; and
5) Other matters as justice may require.

HUD v. Weber, P-H: Fair Housing-Fair Lending R.ptr., δ25, 041 (HUD ALJ, 1993)

In the instant case, the Respondents herein certainly "meet" all of the factors. The nature of the violations are particularly heinous in that the violations do involve fraud, deceit and the betrayal of trust. In regard to culpability, without any contradiction, that McGlawn & McGlawn are responsible for the predatory loans. The financial resources of McGlawn & McGlawn are substantial according to a 2002 Pennsylvania Department of Banking report where they reported assets of $291,852.78 while earning $38,663.29 in broker fees. Indeed, the Commission has an interest in deterring this behavior. This interest is readily apparent where there is a pattern and practice of discrimination. Finally since the Respondents herein have committed at least two discriminatory practices within the five-year period ending on the date of this Order,

Complainant Taylor and Complainant Poindexter, a maximum civil penalty of $25,000.00 shall be ordered.

The Commission may also require affirmative measures to prevent any further discrimination. In order to achieve such a goal, Respondent McGlawn & McGlawn shall provide training to all of its employees, including management, which is designed to educate such employees regarding their responsibility to insure that all customers are treated in a non-discriminatory manner consistent within the provisions found in the Pennsylvania Human Relations Act.

Respondent, McGlawn & McGlawn shall develop and implement a record-recording system designed to accurately record data related to the amount it charges in broker fees and any other fees for all mortgage transactions where it acts as a mortgage broker, including: the dollar and percentage amount of the broker fee charged, any other fees paid, the amount and type of the loan, and the Respondent employee involved with the transaction. Respondent, McGlawn & McGlawn shall submit such data to the Commission for review on a bi-annual basis for a period of three years.

Sixth, it is undisputed that Respondent, McGlawn & McGlawn is licensed by the Commonwealth of Pennsylvania, Department of Banking as a mortgage broker (N.T. V3 92). Thus, the Commission shall inform the Pennsylvania Department of Banking of its order with a request that it takes action as it deems appropriate against Respondent McGlawn & McGlawn pursuant to 43 P. S. δ 959 (f)(3)

An appropriate Order follows:

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
PENNSYLVANIA HUMAN RELATIONS COMMISSION

LUCRECIA L. TAYLOR, LYNN POINDEXTER,
Individually and on behalf of all others similarly situated, Complainants

v.

McGLAWN & McGLAWN and REGINALD McGLAWN, Respondents

PHRC CASE Nos. 200027668 &200201787

RECOMMENDATION OF HEARING PANEL

Upon review of the entire record in the above captioned cases, this Hearing Panel finds that the Complainants and others similarly situated herein have proven by a preponderance of the evidence that they were discriminated against on the basis of their race, African American.

It is, therefore, the Hearing Panel's Recommendation that the attached Findings of Fact, Conclusions of Law and Opinion be approved and adopted by the full Commission. If so approved and adopted, the Hearing Panel recommends issuance of the attached Final Order.

Commissioner Sylvia A. Waters
Commissioner Daniel Yun
Commissioner Toni M. Gilhooley

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
PENNSYLVANIA HUMAN RELATIONS COMMISSION

LUCRECIA L. TAYLOR, LYNN POINDEXTER,
Individually and on behalf of all others similarly situated, Complainants

v.

McGLAWN & McGLAWN and REGINALD McGLAWN, Respondents

PHRC CASE Nos. 200027668 &200201787

FINAL ORDER

AND NOW, this 26th day of October, 2004, upon consideration of the entire record in this matter, the Pennsylvania Human Relations Commission, pursuant to Section 9 of the Pennsylvania Human Relations Act, hereby approves the foregoing Findings of Fact, Conclusions of Law, Recommendation and Opinion of the Hearing Panel in the instant case. Further the full Pennsylvania Human Relations Commission adopts said Findings of Fact, Conclusions of Law, and Opinion, as its own and hereby

ORDERS

1. Respondent McGlawn & McGlawn and Respondent Reginald McGlawn shall cease and desist from discriminating against the Complainants and other similarly situated persons because of their race, African American.
2. That within 30 days of this order, Respondent McGlawn & McGlawn and Respondent Reginald McGlawn, jointly and severally, shall pay actual damages to each named person in the amount totaling as follows:

a.	Lucrecia Taylor:	$42,539.56
		+3,231.12
		$45,770.68
b.	Lynn Poindexter:	$21,783.93
		+2,663.87
		$24,447.80
c.	Hawthorne Brunson:	$60,280.34
		+3,716.00
		$63,996.34

d.	Venice Jackson:	$69,265.74 +5,610.00 $74,875.74
e.	Jacquline Slaughter:	$25,893.46 +3,792.00 $29,685.46
f.	Emma Jacobs:	$46,959.62 +590.00 $47,549.62
g.	Yvonne Hawkins:	$35,978.72 +5,974.00 $41,952.72
h.	Regina Miles:	$97,787.59 +3,775.22 $101,562.81
i.	Alfred Watts:	$65,400.35 46,663.60 +4,234.92 $116,298.87
j.	Sophie Norwood:	$43,818.52 46,306.95 58,278.63 +5,805.00 $154,209.11

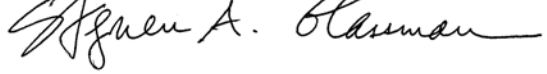
3. That within 30 days of this order, Respondent McGlawn & McGlawn and Respondent Reginald McGlawn, jointly and severally, shall pay embarrassment and humiliation damages to each named person in the amount totaling as follows:

a.	Lucrecia Taylor:	$25,000.00
b.	Lynn Poindexter:	$15,000.00
c.	Hawthorne Brunson:	$15,000.00
d.	Venice Jackson:	$20,000.00
e.	Jacquline Slaughter:	$20,000.00
f.	Emma Jacobs:	$20,000.00
g.	Yvonne Hawkins:	$20,000.00
h.	Regina Miles:	$10,000.00
i.	Alfred Watts:	$20,000.00
j.	Sophie Norwood:	$20,000.00

4. That within 30 days of the date of this order, Respondent McGlawn & McGlawn and Respondent Reginald McGlawn, jointly and severally, shall deliver to PHRC Counsel Charles L. Nier a check payable to the Commonwealth of Pennsylvania in the amount of $25,000.00 in the nature of a civil penalty.
5. Respondent McGlawn & McGlawn shall provide training to all of its employees, including management, which is designed to educate such employees regarding their responsibility to insure that all customers are treated in a non-discriminatory manner consistent with the provisions found in the Pennsylvania Human Relations Act.
6. Respondent McGlawn & McGlawn shall develop and implement a record-keeping system designed to accurately record data related to the amount it charges in broker fees and any other fees for all mortgage transactions where it acts as a mortgage broker, including: the dollar and percentage amount of the broker's fee charged, other fees paid, the amount and type of the loan, and the name of the Respondents' employee involved with the transaction. Respondent McGlawn & McGlawn shall submit such data to the Commission for review on a bi-annual basis for a period of three years.
7. The Commission shall contact the Pennsylvania Department of Banking, the appropriate licensing authority, to inform said licensing authority of said Final Order with the request that said licensing authority take such action as it deems appropriate against Respondent McGlawn & McGlawn.
8. The Respondents shall report the means by which they will comply with the Order, in writing, to Charles L. Nier, III, Assistant Chief Counsel within thirty days of the date of this order.

PENNSYLVANIA HUMAN RELATIONS COMMISSION

By: Stephen A. Glassman, Chairperson



Attest: Sylvia A. Waters, Secretary

APPENDIX A: ACTUAL DAMAGE CALCULATIONS

1. Complainant Taylor

• Disclosed broker fee	$ 440.00
• Undisclosed broker fee	$1,200.00
• Yield spread premium	$ 410.00
• Homeowner's insurance policy	$ 370.31
• Water bill	$ 83.81
• Emergency ambulance bill	$ 477.00
• Emergency ambulance bill	$ 250.00
Total	**$3,231.12**

2. Complainant Poindexter

• Disclosed broker fee	$2,240.00
• Homeowner's insurance policy	$ 423.87
Total	**$2,663.87**

3. Hawthorne Brunson

• Disclosed broker fee	$2,862.00
• Homeowner's insurance policy	$ 536.00
• Loan discount fee	$ 318.00
Total	**$3,716.00**

4. Venice Jackson

• Disclosed broker fee	$3,366.00
• Loan origination fee	$2,244.00
Total	**$5,610.00**

5. Jacquline Slaughter

• Disclosed broker fee	$1,428.00
• Undisclosed broker fee	$ 200.00
• Yield spread premium	$ 714.00
• Homeowner's insurance policy	$ 500.00
• Loan application fee	$ 300.00
• Commitment fee	$ 200.00
• Broker processing fee	$ 450.00
Total	**$3,792.00**

6. Emma Jacobs

• Disclosed broker fee	$ 590.00
Total	**$ 590.00**

7. Yvonne Hawkins

• Disclosed broker fee	$1,750.00
• Undisclosed broker fee	$ 724.00
• Quit claim title action	$3,500.00
Total	**$5,974.00**

8. Regina Miles

• Disclosed broker fee	$1,530.00
• Undisclosed broker fee	$2,245.22
Total	**$3,775.22**

9. Alfred Watts

• Disclosed broker fee	$ 928.92
• Disclosed broker fee	$2,040.00
• Undisclosed broker fee	$1,000.00
• Yield spread premium	$ 266.00
Total	**$4,234.92**

10. Sophie Norwood

• Disclosed broker fee	$1,000.00
• Disclosed broker fee	$1,050.00
• Disclosed broker fee	$1,000.00
• Yield spread premium	$1,350.00
• Yield spread premium	$1,405.00
Total	**$5,805.00**