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JUSTICE NEWS

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Friday, September 6, 2013

Justice Department Settles Lawsuit Alleging Auto Lending Discrimination in Los Angeles

The United States has settled a lawsuit alleging that an automobile dealership formerly doing business in Los Angeles violated the Equal Credit Opportunity Act (ECOA) by charging non-Asian customers higher interest rate markups than other customers for a period of at least three years, the Justice Department announced today. Union Auto Sales Inc., has agreed to pay \$125,000 to resolve the allegations against it. The court entered the consent decree on Sept. 4, 2013.

The department’s amended complaint, filed in federal court in Los Angeles in March 2010, alleged that Union Auto Sales Inc., doing business as Union Mitsubishi, as well as other dealerships that are now out of business and in bankruptcy proceedings, charged higher interest rate markups on car loans to non-Asian customers, many of whom were Hispanic, than to similarly-situated Asian customers. In the auto industry, it is common practice for banks and other lenders to set a base interest rate or “buy rate” and then for the auto dealership to “mark up” the interest rate to the final rate the customer pays on the loan for the car. The complaint alleges that Union Auto Sales Inc., charged higher interest rate markups to non-Asian customers from at least 2004 to 2006.

Union Auto Sales Inc., is not currently in, and has no plans to re-enter, the business of automobile sales. Under the consent decree, Union Auto Sales will pay up to \$125,000 to non-Asian customers who were charged higher dealer interest rate markups. If Union Auto Sales or its principal shareholder re-enter the business of automobile lending within the two year duration of the consent decree, it will implement clear guidelines for setting dealer markup and pricing, in compliance with ECOA, and establish appropriate fair lending training for its employees and officers.

“The Civil Rights Division enforces federal laws that protect consumers from auto lending discrimination,” said Jocelyn Samuels, Acting Assistant Attorney General for the Civil Rights



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Division. "Every consumer should be treated fairly in the pursuit of credit, without regard to their race or nationality."

This case came out of a referral from the Federal Reserve Board involving Nara Bank. The department entered into a partial consent decree with Nara Bank, a bank that financed many loans for Union Auto Sales and other car dealerships, in 2009. The partial consent decree required the bank to pay \$410,000 to compensate several hundred non-Asian borrowers who were aggrieved by the discriminatory conduct.

A copy of the complaint, the consent decree, and the partial consent decree entered into with Nara Bank, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department website at www.usdoj.gov/fairhousing.

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Civil Rights Division
Civil Rights - Housing and Civil Enforcement

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