



**THE U.S DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**



TITLE VIII CONCILIATION AGREEMENT

BETWEEN

Assistant Secretary for Fair Housing and Equal Opportunity
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, District Of Columbia 20410
(Complainant)

And

CMG Mortgage Insurance Company
5910 Mineral Point Road
Madison, Wisconsin 53705
(Respondent)

Approved by the Office of Fair Housing and Equal Opportunity, Region VIII Director on
behalf of the U. S. Department of Housing and Urban Development

FHEO TITLE VIII CASE NUMBER: 08-13-0011-8

A. PARTIES AND SUBJECT PROPERTY

- Complainant Assistant Secretary, Fair Housing and Equal Opportunity, U.S. Department of Housing and Urban Development
- Respondent CMG Mortgage Insurance Company

B. BACKGROUND

COMPLAINANT'S POSITION

A complaint was filed on September 18, 2012, with the U.S. Department of Housing and Urban Development (the Department) alleging individuals were injured by discriminatory acts of the Respondent CMG Mortgage Insurance Company (Respondent or Respondent CMG MI). The complaint states that on June 27, 2012, a married couple went to a Mountain America Credit Union (MACU) branch office to refinance their home mortgage loan. The wife was on maternity leave and made this fact known to MACU. The couple allege MACU determined that their home mortgage loan refinance would require mortgage insurance and denied their home mortgage loan based on Respondent's mortgage insurance underwriting guidelines pertaining to calculation of income for women on maternity leave; specifically the requirements located in Section 6.8.12 of Respondent's Risk Underwriting Manual. At the time of the couple's application, Section 6.8.12 of Respondent's Risk Underwriting Manual stated the following with respect to income calculation for women on maternity leave:

6.8.12 Family-Medical Leave-of-Absence (FMLA)

If the member is on FMLA and is not expected to return to work before the loan closes, only the income the member is currently receiving may be used to qualify. This income must be verified and expected to continue. Regular/full-time pay may be considered only if the member has actually returned to work by the time the loan closes. Employment status and income must be verified prior to the loan closing. If the member is not currently receiving income, their regular full-time pay may not be used to qualify – even if they plan on returning to work at some future specified time. If they are receiving disability pay in an amount less than their regular full-time pay, only the income that is likely to continue may be used to qualify. Income from accumulated vacation and sick time may not be used to qualify because its continuance cannot be verified.¹

¹ See also, "CMG Mortgage Insurance Company Risk Underwriting Manual," October 7, 2011, p. 55.

The couple filed a complaint under the Fair Housing Act alleging Respondent discriminated against them and denied them the opportunity to refinance their home because of the wife's sex and couple's familial status.

During investigation of the couple's complaint against Respondent, evidence was discovered that suggested to the Department that Respondent's written policies and procedures regarding borrowers on maternity, paternity, or pregnancy constitute alleged discriminatory practices that may have been pervasive or institutional in nature. The Assistant Secretary for Fair Housing and Equal Opportunity filed this complaint under the provisions of Section 810(a)(1)(A)(i) of the Fair Housing Act, as amended in 1988, 42 U.S.C. 3601 et seq. (the Act). Complainant alleges the Respondent violated Sections 804(b), 804(c), and 805 of the Act, on the basis of sex and familial status, by engaging in discrimination in issuance of mortgage insurance, including discrimination in the terms, conditions, and privileges of sale of a dwelling, and making or publishing discriminatory statements.

RESPONDENT'S POSITION

Respondent denies that it discriminates against borrowers on the basis of sex and familial status. Respondent asserts that any underwriting guidelines that applied for borrowers on maternity leave did not preclude the approval of mortgage insurance for a home mortgage loan. Respondent states that if a borrower applied for mortgage insurance for a home mortgage loan with Respondent while on maternity or paternity leave, Respondent ensures that fair lending requirements are met in underwriting and processing the mortgage insurance application.

CONCILIATION

HUD has not reached a final determination regarding the complaint pursuant to 42 U.S.C. § 3610(g). Although the parties have differing views of the operative facts, they have been able to reach an agreement that meets the interest of each party and thus enter this Conciliation Agreement.

C. TERM OF AGREEMENT

1. This Conciliation Agreement (hereinafter "Agreement") shall govern the conduct of the parties to it for a period of two years from the effective date of the Agreement.

D. EFFECTIVE DATE

2. The parties expressly agree that this Agreement constitutes neither a binding contract under state or federal law nor a Conciliation Agreement pursuant to the Act, unless

and until such time as it is approved by the U.S. Department of Housing and Urban Development, through the Region VIII Director, Office of Fair Housing and Equal Opportunity (FHEO) or his or her designee.

3. This Agreement shall become effective on the date on which it is approved by the Region VIII Director, FHEO, U.S. Department of Housing and Urban Development or his or her designee.

E. GENERAL PROVISIONS

4. The parties acknowledge that this Agreement is a voluntary and full settlement of the disputed complaint. The parties affirm that they have read and fully understand the terms set forth herein. No party has been coerced, intimidated, threatened or in any way forced to become a party to this Agreement.
5. It is understood that the Respondent denies any violation of law and that this Agreement does not constitute an admission by the Respondent or evidence of a determination by the Department of any violation of the Act.
6. The Respondent acknowledges that it has an affirmative duty not to discriminate under the Act, and that it is unlawful to retaliate against the Complainant or any person because that person has made a complaint, testified, assisted, or participated in any manner in this proceeding under the Act. Respondent further acknowledges that any subsequent retaliation or discrimination constitutes both a material breach of this Agreement, and a statutory violation of the Act.
7. This Agreement, after it has been approved by the FHEO Region VIII Director or his or her designee, is binding upon the Respondent, its employees, heirs, successors and assigns and all others in active concert with it in the ownership and operation of the Respondent's business.
8. It is understood that, pursuant to Section 810(b)(4) of the Act, upon approval of this Agreement by the FHEO Region VIII Director or his or her designee, it is a public document.
9. This Agreement does not in any way limit or restrict the Department's authority to investigate any other complaint involving the Respondent made pursuant to the Fair Housing Act, or any other complaint within the Department's jurisdiction.
10. No amendment to, modification of, or waiver of any provisions of this Agreement shall be effective unless: (a) all signatories or their successors to the Agreement agree in writing to the amendment, modification or waiver; (b) the amendment, modification or waiver is in writing; and (c) the amendment, modification or

waiver is approved and signed by the FHEO Region VIII Director or his or her designee.

11. The parties agree that the execution of this Agreement may be accomplished by separate execution of consents to this Agreement, and that the original executed signature pages attached to the body of the Agreement constitute one document.
12. Complainant forever waives, releases, and covenants not to sue the Respondent, its heirs, executors, assigns, agents, employees and attorneys with regard to any and all claims, damages and injuries of whatever nature, whether presently known or unknown, arising out of the subject matter of FHEO Title VIII Case Numbers 08-12-0264 or 08-13-0011-8, or which could have been filed in any action or suit arising from said subject matter.
13. Respondent hereby forever waives, releases, and covenants not to sue the Department or the Complainant, his successors, assigns, agents, officers, board members, employees and attorneys with regard to any and all claims, damages and injuries of whatever nature whether presently known or unknown, arising out of the subject matter of FHEO Title VIII Case Numbers 08-12-0264 or 08-13-0011-8, or which could have been filed in any action or suit arising from said subject matter.
14. This Agreement memorializes and constitutes the entire agreement and understanding between the parties and supersedes and replaces all prior negotiations, proposed agreements and agreements between the parties, whether written or unwritten. The parties acknowledge that no person or entity, nor an agent or attorney of any person or entity, has made any promises, representations, or warranties whatsoever, express or implied, which are not expressly contained in this Agreement, and the parties further acknowledge that they have not executed this Agreement in reliance upon any collateral promise, representation, warranty, or in reliance upon any belief as to any fact or matter not expressly recited in this Agreement.
15. The individual(s) signing on behalf of Respondent hereby represents that he or she has authority to sign for Respondent and that their signature will bind Respondent.

F. RELIEF FOR COMPLAINANT

16. During the process of negotiating this conciliation agreement, Respondent CMG MI identified and evaluated all mortgage insurance applications underwritten by Respondent CMG MI involving income received by the borrower in connection with maternity, paternity, pregnancy, or parental leave, or short-term disability income, for a two-year period preceding the filing date of the complaint in this matter. Respondent CMG MI's review of those mortgage application files confirms that no mortgage insurance application involving such a borrower was either delayed or denied mortgage insurance because of maternity, paternity, pregnancy, or parental leave situation of the borrower. The Department reviewed and confirmed Respondent CMG MI's efforts to find other alleged victims of the discriminatory application of Respondent CMG MI's underwriting guideline.
17. For the duration of the Term of Agreement, Respondent CMG MI shall track each application for mortgage insurance received from a credit union customer that involves a borrower relying on income received by the borrower in connection with maternity, paternity, pregnancy, or parental leave, or short-term disability income, and shall record sufficient information to identify the application file, the type of income relied on by the borrower, and the result of Respondent CMG MI's underwriting review. Respondent CMG MI shall also record each situation where a credit union with delegated authority to underwrite mortgage insurance on behalf of Respondent CMG MI contacts, communicates with, or otherwise consults with Respondent CMG MI regarding issuance of mortgage insurance for a borrower on maternity, paternity, pregnancy, or parental leave or otherwise receiving short-term disability. Respondent CMG MI agrees to submit a written summary of each instance and the disposition of the application in a report to FHEO to be submitted at six-month intervals, with the final report submitted two years after the effective date of this Agreement. Within 30 days of a request by FHEO, Respondent CMG MI will produce all documentation in the possession of Respondent CMG MI regarding any written summary entry on such reports.

G. RELIEF IN THE PUBLIC INTEREST

18. Policies and Procedures

Respondent CMG MI has provided to HUD its most recent underwriting guideline regarding the issuance of mortgage insurance to a credit union in circumstance in which a borrower is on maternity leave. HUD agrees that the guideline is consistent with the Fair Housing Act, 42 U.S.C. 3601, *et seq.*, as amended, with regard to calculation and treatment of maternity, paternity, and pregnancy leave income and identifying when employment income may be used based upon the timing of a scheduled return to work date. Respondent CMG MI has adopted and implemented the guideline.

Respondent CMG MI has communicated the guideline to Respondent CMG MI's management officials and employees who participate in underwriting mortgage insurance, including any other individual employed by Respondent CMG MI involved in the creation, application, or implementation of underwriting guidelines for mortgage insurance on home mortgage loans or risk analysis for home mortgage loans.

Respondent CMG MI agrees, within thirty days of the execution of this Conciliation Agreement to communicate this underwriting guideline to all credit unions with delegated authority to underwrite mortgage insurance on behalf of Respondent CMG MI and shall request that each such credit union provide the guideline to all credit union home mortgage loan officers, home mortgage loan underwriters, home mortgage loan risk managers, loan processors, and any other individual employed credit unions with direct underwriting authority involved in the creation, application, or implementation of underwriting guidelines for home mortgage loans or risk analysis for home mortgage loans.

19. Training

Respondent CMG MI shall conduct training related to the requirements of the Fair Housing Act for Respondent CMG MI's management officials and employees who participate in underwriting mortgage insurance, including any other individual employed by Respondent CMG MI involved in the creation, application, or implementation of underwriting guidelines for mortgage insurance on home mortgage loans or risk analysis for home mortgage loans.

Respondent CMG MI shall require that all credit unions with delegated authority to underwrite mortgage insurance on behalf of Respondent CMG MI participate in the training. This requirement shall apply to all current and future credit union customers. Within each credit union, the requirement shall apply to all employees with relevant underwriting responsibilities. The requirement shall be enforced and monitored by Respondent CMG MI by requiring each credit union with delegated authority to underwrite mortgage insurance on behalf of Respondent CMG MI to certify annually that all employees with relevant underwriting responsibilities have attended the training.

Written approval of a print copy of the training materials must be solicited and obtained from the FHEO Region VIII Director within one hundred twenty days of the effective date of this Agreement. After receiving HUD's approval of the training materials, Respondent CMG MI shall report on training completion as follows: 1) within six months of the effective date and 2) on the one-year anniversary of the effective date of the agreement.

20. Monetary Relief in the Public Interest

Within one-hundred and twenty days of the effective date of this Agreement, Respondent CMG MI shall pay \$25,000 to a qualified organization(s) that provides training, education, and outreach services including credit and housing counseling (including assistance in obtaining loan modification and preventing foreclosure), financial literacy, and other related programs targeting first-time homebuyers. Written approval of the qualified organization to receive this payment must be solicited and obtained from the FHEO Region VIII Director prior to this payment. HUD shall not unreasonably withhold approval of an organization that is qualified to provide the requested services. This payment shall be used to educate the general public about fair lending requirements and obligations, including the rights of borrowers on maternity, paternity, pregnancy, or parental leave at the time of application for a home mortgage loan. This payment is an affirmative act of Respondent CMG MI to settle disputed claims regarding any alleged adverse effects of the application of Section 6.8.12 of Respondent's Risk Underwriting Manual.

H. MONITORING

21. The Department shall reasonably determine compliance with the terms of this Agreement. During the term of this Agreement, the Department may review compliance with this Agreement by examining witnesses and copying pertinent records. Monitoring this Agreement may also include, but is not limited to, conducting fair housing tests by the Department or other entity. The Respondent agrees to provide full reasonable cooperation in any monitoring review undertaken by the Department to ensure compliance with the Agreement.

I. REPORTING AND RECORDKEEPING

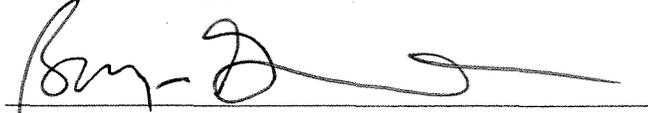
22. Within ten days of each six-month interval during the Term of Agreement, Respondent shall send a report pursuant to Paragraph 17 of this Agreement.
23. All Reports and correspondence pursuant to this Agreement shall include FHEO Title VIII Case Number 08-13-0011-8. All required certifications and documentation of compliance must be submitted to:

Amy M. Frisk, Region VIII Director
Office of Fair Housing and Equal Opportunity
U.S. Department of Housing and Urban Development
1670 Broadway, Floor 23
Denver, CO 80202-4801

J. CONSEQUENCES OF BREACH

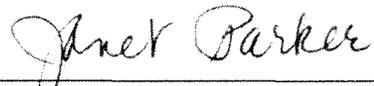
24. Whenever the Department has reasonable cause to believe that the Respondent has breached this Agreement, the matter may be referred to the Attorney General of the United States, to commence a civil action in the appropriate U. S. District Court, pursuant to §§ 810(c) and 814(b)(2) of the Act.

K. SIGNATURES



Bryan Greene
Acting Assistant Secretary for Fair Housing
And Equal Opportunity
Complainant

Date 9/9/2013



Janet Parker, SVP and General Manager
Signing on behalf of CMG Mortgage Insurance Company
Respondent

Date 8/5/13

L. APPROVAL

Amy M. Frisk
Region VIII Director
Office of Fair Housing and
Equal Opportunity

Date