

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

CONNOLLY, *et al.*

Plaintiffs

v.

LANHAM, *et al.*

Defendants

Civil Action No. 1:22-cv-2048-SAG

SETTLEMENT AGREEMENT

I. INTRODUCTION

Plaintiffs Nathan Connolly and Shani Mott (the “Plaintiffs”) and Defendant loanDepot.com, LLC (“loanDepot”) (collectively the “Parties”), through undersigned counsel, jointly agree to this Settlement Agreement. Plaintiffs allege in this civil action that the third-party appraisal performed in connection with their application for a residential mortgage loan was discriminatory on the basis of race, and that loanDepot discriminated and retaliated against them by failing to overturn that appraisal and/or order them a new appraisal in violation of the Fair Housing Act (“FHA”), 42 U.S.C. §§ 3601 *et seq.*; the Equal Credit Opportunity Act (“ECOA”), 15 U.S.C. §§ 1691 *et seq.*; and other federal and state laws as described in greater detail in the First Amended Complaint (Dkt. 25) (the “Matter”).

At all times loanDepot has denied, and continues to deny, the allegations made by Plaintiffs, denies that it has violated any fair lending or other laws, and maintains that it has been and remains committed to treating all customers fairly and to engaging in lending practices in a manner that ensures compliance with the FHA, ECOA, and other federal and state laws.

The Parties understand and agree that this Settlement Agreement is entered into solely for the purpose of compromising and settling the Matter. The Parties further understand and agree that this Settlement Agreement does not constitute, nor shall it be construed as or represented to any person as, an admission of liability or responsibility with respect to the allegations asserted in the Matter.

The Settlement Agreement fully and finally resolves all claims filed by Plaintiffs against loanDepot in the Matter.

There have been no factual findings in this case. The Parties enter this Settlement Agreement to voluntarily resolve all claims as between Plaintiffs and loanDepot arising from the conduct alleged in the First Amended Complaint.

II. TERMS OF THE SETTLEMENT AGREEMENT

A. DEFINITIONS

1. For purposes of this Settlement Agreement:
 - a. “Applicant” means any person who applies for or receives an extension of credit from loanDepot for a home purchase or refinance closed-end loan secured by a residential property.
 - b. “Coded Words” are words or phrases that may suggest demographic characteristics despite not explicitly indicating such characteristics as may be defined by the Government Sponsored Enterprises (“GSEs”) (e.g., the Federal Home Loan Mortgage Corporation).
 - c. The “Effective Date” is the date that this Settlement Agreement is signed by all Parties.

- d. “Reconsideration of Value” (“ROV”) is the process whereby a home valuation that an applicant or loanDepot believes to be inaccurate is reconsidered.

B. CLOSED-END HOME MORTGAGE APPRAISAL POLICIES AND PROCEDURES

2. loanDepot understands the importance of best-in-class appraisal policies and practices to ensuring fair lending protections for customers. As part of its commitment to fair lending, loanDepot commits to maintaining and/or continuing to maintain the appraisal practices and policies set out below.

3. To the extent not already implemented, and unless otherwise specified, loanDepot will implement enhancements to satisfy the below within 120 days of the Effective Date.

i. Reconsideration of Value Practices and Policies

4. loanDepot shall communicate clearly to applicants that they have a right to request an ROV. loanDepot shall, in clear and plain language, inform applicants about how to request an ROV, the process by which loanDepot handles ROV requests, who will review an ROV request, and the standards that trigger a second appraisal. This language shall be prominently featured in communications with applicants wherever practicable and appropriate. Applicants shall receive a copy of the appraisal as soon as practicable after loanDepot receives it to ensure an adequate opportunity to prepare an ROV request as needed.

5. loanDepot shall maintain timelines and protocols for regularly communicating the status of ROV requests and results to applicants. If an ROV request is denied or the valuation is unchanged, loanDepot shall explain the reasons in writing, including how the supporting information submitted by the applicant was considered.

6. loanDepot shall provide information to applicants about their right to file a complaint with the Consumer Financial Protection Bureau and the U.S. Department of Housing and Urban Development as part of the ROV process.

7. loanDepot shall inform applicants how to raise concerns about a valuation sufficiently early in the valuation process for any errors or issues to be resolved before a final decision on the application is made. This may include suggesting to applicants the type of information they may provide when communicating with loanDepot about potential valuation deficiencies. Any information or process requirements may not create unreasonable barriers or discourage applicants from making ROV requests, but may instruct applicants to make such requests as soon as possible. This includes avoiding placing strict limitations or requirements on the types of supporting information that loanDepot will consider.

8. loanDepot shall identify internally its relevant stakeholder business units and clearly outline each stakeholder's roles and responsibilities for processing an ROV request (e.g., loan origination, processing, underwriting, collateral valuation, compliance, customer experience or complaints).

9. loanDepot shall ensure that requests for ROVs or complaints about potential bias or discrimination in valuations are identified across all relevant lines of business and from various channels and sources (such as letters, phone calls, in person, regulators, third-party service providers, emails, and social media) and routed to the appropriate business unit.

10. loanDepot shall ensure that all complaints or ROV requests that allege appraisal discrimination are escalated to the Appraisal Department and Fair Lending group to research and respond to the complaint or request.

11. loanDepot shall adhere to timelines in the ROV process for when milestones need to be achieved.

12. loanDepot shall review appraiser responses to ROV requests for completeness, accuracy, and indicia of bias or discrimination.

13. loanDepot shall establish clear standards for when it will offer a second appraisal. At minimum, loanDepot shall offer a second appraisal when a first appraisal is deemed defective, including when it is found by loanDepot to have indicia of bias or discrimination. loanDepot's standards for offering a second appraisal shall comply with applicable laws and investor agency guidelines, including those issued by the GSEs, the Federal Housing Administration, the Department of Veterans Affairs, or the United States Department of Agriculture.

14. For applicants with an interest rate that is locked, loanDepot shall ensure that the applicant's interest rate will remain locked during the ROV process.

15. loanDepot shall ensure that applicants are not charged the cost of an ROV or second appraisal as part of the appeal process.

16. loanDepot will provide, via its website, educational information about how to read and understand an appraisal report and will provide contact information for customer care or other loanDepot representatives who may be contacted with questions or concerns about the appraisal report.

ii. Internal Review of Appraisals

17. loanDepot shall review appraisals internally for indicia of discrimination and flag appraisals if such indicia are present. At minimum, appraisals shall be flagged when: (i) an undervalue flag is present from GSEs (e.g., Fannie Mae); or (ii) the appraisal contains Coded Words. When there are indicia of discrimination, loanDepot shall agree to order a second

appraisal in accordance with paragraph 13.

iii. Training

18. loanDepot shall require annual training for all appropriate credit, valuation, and customer service staff (including staff involved in the ROV process or internal appraisal review process) on fair housing and fair lending laws and regulations, the history of discrimination in residential mortgage lending and appraisals, the continuing nature of appraisal discrimination as reflected in studies and reports, implicit bias, and anti-discrimination principles.

19. loanDepot shall require annual training for all appropriate credit, valuation, and customer service staff (including staff involved in the ROV process or internal appraisal review process) on all policies related to the ROV process and internal review of appraisals, including the appropriate use of value adjustments based on particular factors.

20. loanDepot shall ensure that all appropriate newly hired credit, valuation, and customer service staff are trained on fair housing and fair lending laws and regulations, appraisal discrimination, implicit bias, anti-discrimination principles, and all policies related to the ROV process and internal review of appraisals, including the appropriate use of value adjustments based on particular factors.

iv. Statistical Tracking

21. Using Home Mortgage Disclosure Act (“HMDA”) reportable-data collected for 2024 applications, and thereafter for the duration of this Settlement Agreement, loanDepot shall conduct statistical analyses of appraisal practices by protected class.

22. The statistical analyses shall track appraisal outcomes by protected class and neighborhood demographics, including whether the loan was denied.

23. The statistical analyses shall track ROV outcomes by protected class and

neighborhood demographics, including whether a second appraisal was ordered and whether there was a change in the valuation as a result of the ROV process.

24. The statistical analyses shall track data related to individual appraisers utilized by loanDepot, including appraisal outcomes, ROV outcomes, ROV requests, and appraisal-related bias or discrimination complaints. All such data shall be tracked by protected class and neighborhood demographics.

v. **Appraisers**

25. loanDepot shall include, in any contract with an appraisal management company or appraiser, requirements for appraisers to receive training in fair housing laws and regulations, as required by the appraisers' state licensing board.

26. loanDepot shall include, in any contract with an appraisal management company or appraiser, requirements for appraisers to certify that they have not been the subject of any adverse finding related to a complaint of bias or discrimination in a regulatory body or court of law and, where they are unable to do so, to list and describe all such findings.

27. loanDepot shall not utilize appraisers who have previously been found to have discriminated in an appraisal by a regulatory body or court of law.

28. loanDepot shall not utilize appraisers who, according to the statistical analysis in Section II.B.iv, have received multiple complaints from minority applicants or applicants in minority neighborhoods alleging appraisal bias or discrimination, or whose appraisals have a pattern of undervaluing homes owned by minority applicants or homes in minority neighborhoods, or who have been found to have discriminated in an appraisal.

vi. **Fair and Responsible Lending Policy**

29. loanDepot's Fair and Responsible Lending Policy shall explicitly prohibit

discrimination in appraisals and in the appraisal process in violation of the Fair Housing Act, the Equal Credit Opportunity Act, and other related fair lending laws and regulations on the basis of race, color, religion, sex, familial status, national origin, disability, marital status, or age (provided the applicant has the capacity to contract).

C. RECORDKEEPING AND REPORTING

30. loanDepot shall maintain all records related to the policies and procedures required under Section II.B during the period in which this Settlement Agreement is in effect.

31. loanDepot shall provide to Plaintiffs' counsel annually copies of the policies and procedures required under Section II.B.

32. loanDepot shall confirm to Plaintiffs' counsel annually that the requirements of Section II.B.iii (Training) have been completed.

33. loanDepot shall provide to Plaintiffs' counsel annually the results of the statistical tracking required by Section II.B.iv.

D. PAYMENT

34. loanDepot shall make payment to Plaintiffs in an amount Plaintiffs and loanDepot have separately agreed upon in writing to resolve all claims for damages and attorneys' fees and costs (the "Payment") within 10 business days of the Effective Date. The payment shall be sent by overnight check or wire. Counsel for Plaintiffs will provide mailing and/or wire instructions to counsel for loanDepot no later than one day after the Effective Date.

35. Plaintiffs shall promptly provide a W-9 form to loanDepot in connection with the Payment no later than 2 business days after the Effective Date.

E. ADMINISTRATION

36. The requirements of this Settlement Agreement will remain in effect for 3 years from the Effective Date, except for the requirements of Section II.B.iv which shall remain in effect for 4 years from the Effective Date.

37. Plaintiffs release any and all claims they have asserted or may have asserted against loanDepot, its parents, affiliates, assigns, representatives, employees, officers, agents, or successors, whether known or unknown, arising from or related to the subject matter of this civil action up to the Effective Date of the Settlement Agreement, including but not limited to claims for attorneys' fees, costs, and expenses. The only claims excluded from this paragraph include claims that may not be released as a matter of law and the ability of Plaintiffs to take legal action with respect to a breach of this Settlement Agreement.

38. Plaintiffs shall dismiss the claims they have asserted against loanDepot in this civil action with prejudice within ten business days of the Effective Date by filing a stipulated dismissal with prejudice in court pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii), with the Parties to pay their own costs. The Parties shall timely cooperate in executing the stipulation.

39. loanDepot releases any and all claims it may have against Plaintiffs, their assigns, representatives, employees, officers, agents, or successors, whether known or unknown, arising from or related to the subject matter of this civil action up to the Effective Date of the Settlement Agreement, including but not limited to claims for attorneys' fees, costs, and expenses.

40. The Settlement Agreement does not resolve or release any claims in this civil action by or against Shane Lanham or 20/20 Valuations, LLC.

41. The Parties shall endeavor, in good faith, to resolve informally any differences regarding interpretation of and compliance with the Settlement Agreement prior to bringing such matters to court for resolution.

42. The Parties and their counsel shall not disclose the amount of the Payment to any third parties except that disclosure may be made: (1) as needed to accountants, other persons providing financial services, and legal representatives so long as any such parties who receive such information shall agree in advance to protect the confidentiality of the information and not permit any additional disclosure; and (2) as required by law.

Agreed on the date(s) set forth below:

For Plaintiffs Nathan Connolly and Shani Mott on February 28, 2024:



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