Investigation of Republic First Bank: Public Report and Summary of Findings

October 2024

Introduction and Executive Summary

This report summarizes the findings of an investigation conducted by the New Jersey Office of the Attorney General (OAG) and Division on Civil Rights (DCR) into whether Republic First Bank's (Republic) residential mortgage business violated the New Jersey Law Against Discrimination (LAD). In 2022, OAG and DCR—collectively referred to here as the "State"—initiated an investigation into whether Republic engaged in unlawful mortgage redlining and discriminated in residential mortgage lending on the basis of race and national origin in violation of the LAD. In April 2024, during the course of the State's investigation, Republic was closed by the Pennsylvania Department of Banking and Securities, as explained further below. Because Republic is no longer operating in New Jersey, the State is issuing this report outlining the findings of its investigation, as well as the actions it has taken in response to the findings set forth here.

Based on its investigation, the State has concluded that Republic engaged in a pattern and practice of redlining Black, Hispanic, and Asian communities in New Jersey in violation of the LAD. The LAD prohibits lenders from discriminating in making or setting the terms of home loans. One kind of prohibited discrimination is mortgage redlining. Mortgage redlining occurs when, among other things, a lender denies home loans or avoids making home loans in certain neighborhoods based on the race or national origin of the neighborhood's residents. Here, the State's investigation found that Republic systematically avoided originating home loans in majority-Black, Hispanic, and Asian neighborhoods in New Jersey, and that it failed to originate loans in those neighborhoods because it engaged in unlawful redlining practices.

The State found that Republic did disproportionately little lending to borrowers of color in New Jersey. Republic's peer lenders originated loans to Black borrowers at over 1.5 times the rate Republic did, to Asian borrowers at about 2.5 times the rate Republic did, and to Hispanic borrowers at over 3 times the rate Republic did. Republic also did little lending in neighborhoods of color. Just 6 percent of Republic's home loans were originated to residents of majority-Black, Asian, or Hispanic neighborhoods, which is less than one-third the rate at which Republic's peer lenders originated loans to residents of these neighborhoods. Those harms were particularly evident in Burlington, Camden, Gloucester, Atlantic, and Cape May

Counties in southern New Jersey, where Republic engaged in almost no lending in neighborhoods of color but significant lending in predominantly white neighborhoods nearby.

The State's investigation found that Republic knew about the bank's underperformance in generating mortgage applications from people of color and in originating loans to people of color. Nonetheless, the State's investigation concluded that Republic took little corrective action to address these severe disparities. In fact, between 2018 and 2022, those disparities worsened, and Republic continued to generate few applications from, and originate few loans to, people of color.

The State's investigation revealed that Republic's underperformance in lending to communities of color was driven by several unlawful mortgage redlining practices, including:

- Failing to take meaningful or adequate corrective action to address its failure to lend in communities of color, even though the State found that Republic knew of significant redlining risks in its lending practices;
- Concentrating its storefront bank branches and mortgage offices in predominantly white areas, and failing to locate even a single one of its 20 storefront branches or mortgage offices in a neighborhood where the majority of residents are people of color;
- Failing to conduct meaningful advertising in communities of color; and
- Repeatedly making exceptions to underwriting policies for white and high-income borrowers who sought home loans from Republic, while simultaneously denying applications from Black, Hispanic, and Asian applicants at higher rates.

The State's investigation found that these practices collectively resulted in unlawful discrimination based on race and national origin in violation of the LAD.

Based on these findings, the State has filed a claim with the Federal Deposit Insurance Corporation (FDIC), which is the receiver for the failed bank. The State's claim seeks monetary relief for New Jerseyans who were harmed by Republic's unlawful mortgage redlining practices between 2018 and 2022. That claim is currently pending before the FDIC.

In addition, the State has shared the findings from its investigation with Fulton Bank, N.A., which assumed substantially all of Republic's assets and deposits, including its residential mortgage portfolio, following Republic's closure in April 2024. The State urged Fulton to take proactive steps to mitigate any potential redlining risks associated with its acquisition of Republic's assets. At this time, Fulton has not identified additional steps it plans to take to address or mitigate any redlining risks stemming from its acquisition of Republic's assets. The State will monitor Fulton's mortgage loan performance to ensure that Republic's prior redlining practices do not continue to harm Black, Asian, and Hispanic communities in New Jersey.

Background

This section provides a brief overview of the LAD, Republic Bank's operations, and the State's methodology in investigating Republic's mortgage redlining practices.

A. The New Jersey Law Against Discrimination

The LAD prohibits discrimination and bias-based harassment in employment, housing, places of public accommodation, credit, and contracting on the basis of race, color, national origin, and other protected characteristics.[1] Under the LAD, any "person, bank, banking organization, mortgage company, insurance company or other financial institution, lender or credit institution involved in the making or purchasing of any loan or extension of credit" is prohibited from discriminating in making or setting the terms of home loans.[2]

The LAD prohibits lenders from engaging in disparate treatment. This means that lenders cannot maintain an intentional or unintentional policy or practice that treats a person or a group of people—for example, an individual applicant, or an entire community—differently based on a protected characteristic. They also cannot apply a policy differently to different people based on a protected characteristic.

The LAD also prohibits lenders from maintaining policies or practices that have an unlawful disparate impact. This means that lenders may not maintain a policy or practice that has a disproportionately negative effect based on a protected characteristic, unless that policy or practice is necessary to achieve a substantial, legitimate, nondiscriminatory interest and there is not a less discriminatory alternative means of achieving that interest.

"Redlining" is one form of discrimination prohibited by the LAD. Redlining refers to the practice of denying people credit based on the race or national origin of the neighborhood or community where they live. Historically, "redlining" referred to the federal government's practice in the early 20th century of creating maps that deemed certain areas—often areas where Black residents lived—too high-risk for mortgage lending. Today, redlining occurs when lenders avoid providing home loans or other forms of credit to people living in communities of color based on the race, color, or national origin of the residents of those communities. Redlining can also occur when lenders maintain policies or practices that discourage loan applications or deny equal access to home loans or other forms of credit based on race, color, or national origin. Redlining can involve either disparate treatment or disparate impact discrimination in violation of the LAD.

The liability imposed by the LAD for mortgage redlining is consistent with the requirements imposed by federal law, which likewise prohibits mortgage redlining. The federal Fair Housing Act (FHA) makes it unlawful to discriminate against any person in residential real estate-related credit transactions on the basis of race, color, national origin,

[1] N.J.S.A. 10:5-12.
[2] N.J.S.A. 10:5-12(i).

and other protected characteristics.[3] And the Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, make it unlawful for a creditor to discriminate in a credit transaction based on race, color, national origin, or other protected characteristics.[4]

B. Background on Republic First Bank

Founded in 1988, Republic First Bank[5] (doing business as Republic Bank) was a full-service commercial bank headquartered in Philadelphia, with physical branch locations in New Jersey, Pennsylvania, and New York. Prior to its closure in 2024, Republic was a depository bank, and its deposits were insured by the FDIC. As of January 2024, Republic Bank had approximately $6 billion in total assets and $4 billion in total deposits.[6]

In 2016, Republic acquired Oak Mortgage and, in so doing, expanded its footprint into residential mortgage lending.[7] Oak Mortgage later became the “Mortgage Division” within Republic. Republic remained in the residential mortgage lending business until May 2, 2023, when it formally exited residential mortgage lending. Its last home mortgage application was taken on May 1, 2023 and its final loan was originated on June 29, 2023.

Prior to its exit from the residential mortgage lending, Republic offered a range of residential loan products, including fixed-rate residential mortgage loans, adjustable rate residential mortgage loans, first-time homebuyer mortgage loans, Federal Housing Administration (FHA) loans, Veterans Administration (VA) loans, U.S. Department of Agriculture loans, and residential mortgage loans associated with state bond programs in Pennsylvania and New Jersey. Republic also held a sizable number of fixed and adjustable rate jumbo loans in its portfolio. And it offered a full range of commercial and consumer loan products.[8]

On September 27, 2023, Republic announced the signing of a non-binding letter of intent with the Norcross Braca Group.[9] Under the terms of that agreement, the Norcross Braca Group would make a new investment of $35 million in Republic. As a condition of the investment, Republic would raise at least $40 million in additional capital from third-party

---

[3] 42 U.S.C. § 3604(a)-(b).
[4] 15 U.S.C. § 1691(a); 12 C.F.R. § 1002.4(b).
[5] The holding company for Republic First Bank is Republic First Bancorp, Inc.
[6] *Fulton Bank, N.A. of Lancaster, Pennsylvania Assumes Substantially All Deposits of Republic First Bank, Philadelphia*, Federal Deposit Insurance Corporation (Apr. 26, 2024), https://www.fdic.gov/news/press-releases/2024/fulton-bank-na-lancaster-pennsylvania-assumes-substantially-all-deposits.
[7] *See Republic Bank to Acquire Marlton-Based Oak Mortgage Company Expands into Residential Mortgage Lending*, PR Newswire (July 26, 2016), https://www.prnewswire.com/news-releases/republic-bank-to-acquire-marlton-based-oak-mortgage-company-expands-into-residential-mortgage-lending-300304197.html.
[8] Commercial loan products include: commercial term loans, commercial real estate loans, commercial credit cards, revolving lines of credit, and small business administration loans. Consumer loan products include real estate secured (1-4 family) home equity loans and home equity lines of credit, consumer credit cards, unsecured loans and lines of credit, new and used automobile loans, deposit-secured loans, and overdraft lines of credit. Republic also offered free checking, coin counting for customers, and ATM/debit cards.
[9] *See Republic Bank and Norcross Braca Group Announce Signing of Letter of Intent*, Nasdaq (Sept. 27, 2023) https://www.nasdaq.com/press-release/republic-bank-and-norcross-braca-group-announce-signing-of-letter-of-intent-2023-09.

investors.[10] On February 28, 2024, however, the Norcross Braca Group announced it was terminating its agreement with Republic, stating that Republic did not meet the terms of the agreement.[11]

On April 26, 2024, the Pennsylvania Department of Banking and Securities closed Republic in order to protect depositors, citing the Bank's "unsafe and unsound condition."[12] The FDIC was appointed the receiver of the failed bank. Shortly thereafter, the FDIC entered into an agreement with Fulton Bank, N.A. Under the agreement, Fulton assumed substantially all of Republic's deposits and purchased substantially all of Republic's assets.[13] As part of the agreement, Fulton Bank assumed Republic's loan portfolio, about one-third of which consisted of residential mortgages. The State estimates that this portfolio is valued at about $957 million. In announcing the agreement, the FDIC also announced that all 32 of Republic's branch locations in New Jersey, Pennsylvania, and New York would reopen as branches of Fulton Bank.[14]

The FDIC, meanwhile, continues to act as the receiver for Republic. In that capacity, the FDIC is processing claims by creditors against Republic.

C. The State's Investigation of Republic First Bank

In 2022, OAG and DCR, represented by DOL, initiated an investigation into whether Republic's residential mortgage policies or practices violated the LAD by discriminating in home lending on the basis of race or national origin.

As part of the investigation, the State requested and reviewed thousands of pages of documents produced by Republic.[15] The State reviewed Republic's loan products, policies for originating residential loans, and advertising and marketing practices, among other documents. The State also retained an expert to analyze Republic's Home Mortgage Disclosure Act (HMDA) data over a five-year period from 2018 to 2022. The State's expert examined Republic's lending in communities of color in New Jersey, as well as the geographic footprint of its offices across this state. In describing the expert's findings, this report uses the term "majority-people of color" census tract or "majority-POC" census tract to refer to a census tract in which fewer than 50% of residents are identified as non-Hispanic white by the

---

[10] *Id.*

[11] *See* Gabrielle Saulsbery, *Investors back out of $35M deal with Republic First*, Banking Dive (Mar. 1, 2024), https://www.bankingdive.com/news/investors-back-out-of-35-milliom-deal-republic-first-norcross-braca/709068/.

[12] *See Pennsylvania Department of Banking and Securities Takes Possession of Republic First Bank D/B/A Republic Bank*, Pennsylvania Pressroom (Apr. 26, 2024), https://www.media.pa.gov/pages/banking_details.aspx?newsid=394.

[13] *Fulton Bank, N.A. of Lancaster, Pennsylvania Assumes Substantially All Deposits of Republic First Bank, Philadelphia*, Federal Deposit Insurance Corporation (Apr. 26, 2024), https://www.fdic.gov/news/press-releases/2024/fulton-bank-na-lancaster-pennsylvania-assumes-substantially-all-deposits.

[14] *Id.* Fulton has since announced that it is closing at least nine former Republic offices in Burlington, Camden, and Gloucester Counties in November 2024. *See* Josh Bakan, *Bank to Close 16 of Its Philly-Area Branches*, Patch (July 25, 2024), https://patch.com/new-jersey/cherryhill/fulton-bank-close-13-philly-area-branches.

[15] Those documents were produced to the State pursuant to a confidentiality agreement. The State does not cite confidential documents in this report.

U.S. Census Bureau, and it uses the term "majority-white" census tract to refer to a census tract in which more than 50% of residents are identified as non-Hispanic white.

In conducting its investigation, the State focused on Republic's residential mortgage loan policies and practices. Accordingly, for purposes of this report, all references to Republic's lending performance relate specifically to its residential mortgage lending.

Summary of Findings

Republic engaged in unlawful mortgage redlining by avoiding lending in predominantly Black, Hispanic, and Asian neighborhoods. Republic did very little lending to people of color and significantly underperformed relative to other peer lenders in generating mortgage applications from people of color and in originating loans to people of color. In fact, between 2018 and 2022, these disparities only worsened. The State's investigation revealed that these disparities were driven by several unlawful redlining practices that violated the LAD. The findings reported here are based on the State's and the expert's analysis of publicly available data.

I. Republic Did Little Mortgage Lending to Communities of Color.

Between 2018 and 2022, Republic generated very few applications for residential mortgage loans from borrowers of color, including Black, Hispanic, and Asian borrowers, in New Jersey. And it originated even fewer loans to these communities. Republic's peers, by contrast, generated applications from, and originated loans to, communities of color at much higher rates than Republic did. Indeed, Republic's performance made it a significant outlier among its peers. The data suggests that Republic avoided lending to communities of color in New Jersey.

A. Republic Did Little Lending to Borrowers of Color.

Republic regularly failed to generate residential mortgage applications from, or originate residential mortgage loans to, people of color in New Jersey, including Black, Hispanic, and Asian borrowers. The State examined Republic's lending to people of color, comparing Republic's lending to a group of "peer lenders," defined as all lenders in New Jersey with between 50 and 200 percent of the number of applications or originations as Republic. The State's investigation found that Republic significantly underperformed compared to peer lenders in generating residential mortgage applications from, and originating residential mortgage loans to, people of color.

Start with Republic's underperformance in generating applications from people of color. Between 2018 and 2022, just 15 percent of Republic's mortgage applications were from people of color, compared to 31 percent for Republic's peers. In other words, Republic's peers generated applications from prospective borrowers of color at more than twice the rate Republic did. Disaggregating those disparities by race and ethnicity, Republic's peers generated applications from Black prospective borrowers at 1.8 times the rate Republic did, and they generated applications from Hispanic and Asian prospective borrowers at more than twice the rate Republic did. All of those differences were statistically significant.[16] Moreover, the rate at which Republic generated applications from prospective borrowers of color did not improve during the five-year period the State analyzed in its investigation. In fact, the share of Republic's applications that came from Black applicants decreased—from 5.5% in 2018 down to 3.7% in 2022.

	Republic: Percentage of Total Applications	Peer Lenders: Percentage of Total Applications
Black	4.2%	7.6%
Hispanic	4.1%	11.1%
Asian	4%	8.6%
Overall People of Color	**15%**	**31.2%**

Table 1: Percentage of Total Applications by Demographic Group, Republic vs. Peer Lenders.

Republic also originated comparatively few loans to people of color. Between 2018 and 2022, approximately 14% of Republic's loan originations went to persons of color. By comparison, nearly 29% of the loans originated by Republic's peers—more than double Republic's rate—went to borrowers of color. That difference was statistically significant. And the differences between Republic and its peers in loan originations were statistically significant among Black, Hispanic, and Asian borrowers. From 2018 to 2022, Republic's peers originated loans to Black borrowers at over 1.5 times the rate Republic did. And Republic's peers originated loans to Hispanic borrowers at over 3 times the rate, and to Asian borrowers at approximately 2.5 times the rate, at which Republic originated loans to those communities.

	Republic: Percentage of Total Originations	Peer Lenders: Percentage of Total Originations
Black	4%	6.2%
Hispanic	3.5%	8.7%
Asian	3.5%	10.4%
Overall People of Color	**13.7%**	**28.9%**

Table 2: Percentage of Total Originations by Demographic Group, Republic vs. Peer Lenders.

Notably, as was true with Republic's application volume from Black applicants, the rate at which Republic originated loans to Black prospective borrowers decreased between 2018 and 2022—from 5.5% in 2018 to 3.3% in 2022. That decrease occurred even as the rate at which Republic's peers originated loans to Black borrowers *increased* during that period.

B. Republic Did Little Lending in Neighborhoods or Communities of Color.

Not only did Republic avoid lending to individual borrowers of color, but it also failed to generate mortgage applications from and originate loans in neighborhoods where a majority

[16] Statistical significance means that the outcome is unlikely to be the result of random chance. All disparities discussed in this report that were tested for statistical significance were found to be statistically significant.

of the residents were persons of color. The State examined Republic's lending in census tracts where a majority of residents were people of color. The State's investigation found that Republic significantly underperformed compared to peer lenders in generating mortgage applications from and originating loans to residents of majority-POC census tracts:

- Applications: Republic generated applications from residents of majority-POC census tracts at less than one-third the rate of its peer lenders across the state. Between 2018 and 2022, just 6.9% of Republic's residential mortgage applications came from majority-POC census tracts. By contrast, during that same period, 24.1% of the applications received by Republic's peers came from majority-POC census tracts. This difference is statistically significant.

- Originations: Republic also originated loans to residents of majority-POC census tracts at less than one-third the rate of its peer lenders across the state. Between 2018 and 2022, just 6.2% of Republic's residential mortgage loans were originated to residents in majority-POC census tracts. By contrast, during the same period, 21.1% of loans originated by Republic's peers came from residents of these census tracts. Again, that difference is statistically significant.

Moreover, even in the limited instances where Republic did originate loans in neighborhoods of color, it issued those loans at a significantly higher rate to white borrowers than peer lenders did. From 2018 to 2022, Republic originated loans to white borrowers in majority-POC census tracts at approximately 1.4 times the rate of Republic's peers. Nearly 40% of the loans Republic issued in majority-POC census tracts went to white borrowers, compared to 27% for Republic's peers. This difference was statistically significant and may help explain why Republic's underperformance among borrowers of color is so stark.

Republic's failure to reach communities of color is particularly evident in southern New Jersey, where most of Republic's mortgage loan offices were concentrated.

Take, for example, Republic's performance in neighborhoods of color in Burlington, Camden, and Gloucester Counties. Figure 1 below shows applications generated by Republic Bank between 2018 and 2022 in these counties; the blue dots in Figure 1 show mortgage applications, while the areas shaded in dark yellow and brown show census tracts with higher concentrations of Black and Hispanic residents. The figure shows that, between 2018 and 2022, Republic generated very few applications from the city of Camden or from other census tracts with large concentrations of Black and Hispanic residents. Most of the applications Republic received in these counties were from majority-white census tracts in suburbs around the city of Camden or in rural parts of these counties. Applications were also concentrated around Republic's bank branches and loan offices, all of which were in majority-white census tracts in these counties, as discussed in Part III below.

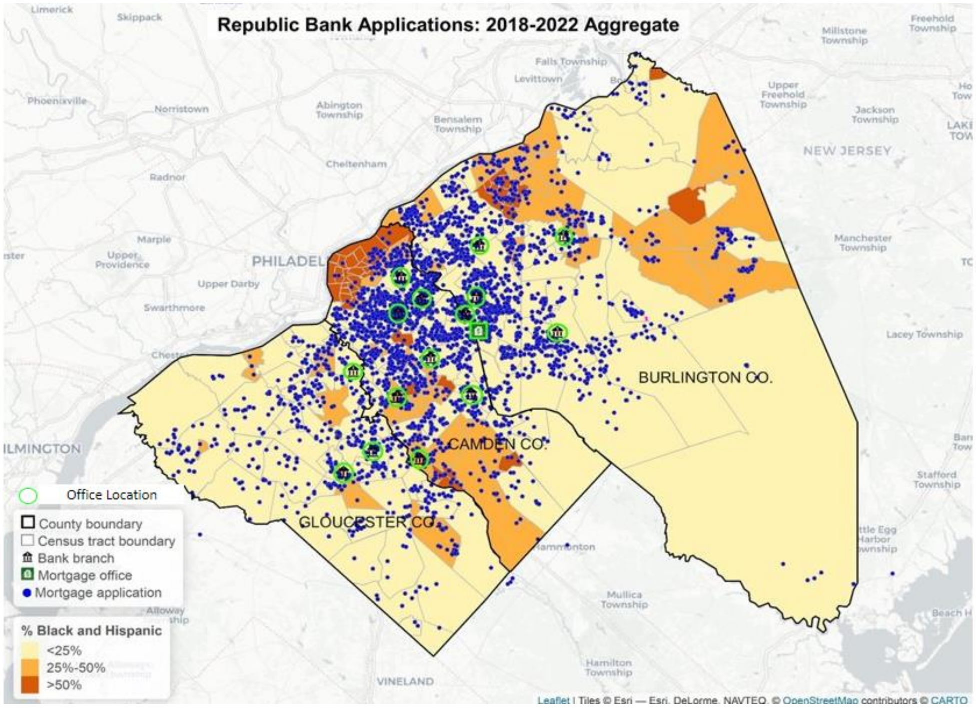

Figure 1: Republic Bank Mortgage Applications, 2018-2022, in Burlington, Camden, and Gloucester Counties

Republic, moreover, also originated few loans to communities of color in Burlington, Camden, and Gloucester Counties. Figure 2 shows mortgage loans originated in these counties between 2018 and 2022. The figure shows much the same pattern as Figure 1: Republic originated almost no mortgages in the City of Camden and in other census tracts with high concentrations of Black and Hispanic residents. Almost all of the mortgages Republic originated in these counties were in majority-white census tracts located in suburbs outside of Camden or in rural areas. The maps show a pattern of lending that suggests Republic engaged in mortgage redlining practices that harm predominantly Black and Hispanic communities—namely, little lending within those communities, and substantial lending in majority-white census tracts in the surrounding area.

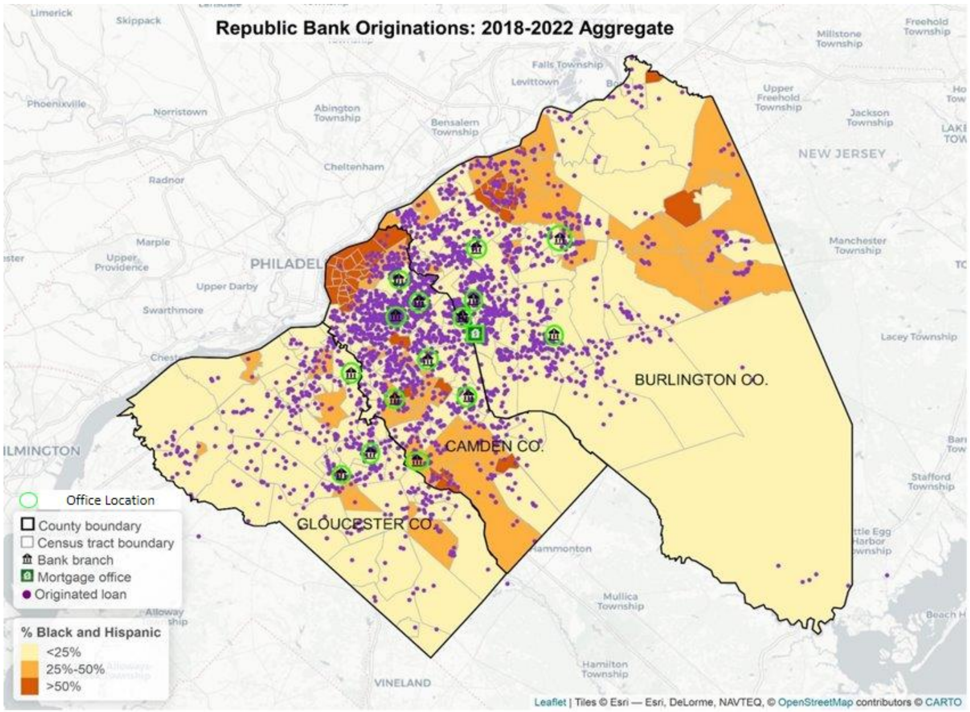

Figure 2: Republic Bank Mortgage Originations, 2018-2022, in Burlington, Camden, and Gloucester Counties

Republic's lending activity also followed similar patterns in Atlantic and Cape May Counties. Figure 3 shows mortgage loan applications Republic generated in Atlantic and Cape May Counties between 2018 and 2022, while Figure 4 shows mortgage loans originated by Republic in those same areas during the same period. Both Figures show that Republic generated few applications and did little lending in majority-Black and Hispanic census tracts in Atlantic County, including in Atlantic City. Instead, much of Republic's lending was concentrated in majority-white census tracts that border or surround the majority-Black and Hispanic census tracts in and around Atlantic City, as well as in majority-white census tracts along the Jersey Shore in both counties. Again, these figures suggest that Republic engaged in mortgage redlining practices that resulted in little lending to communities of color, and a significant volume of lending in the majority-white census tracts that are nearby those communities of color.

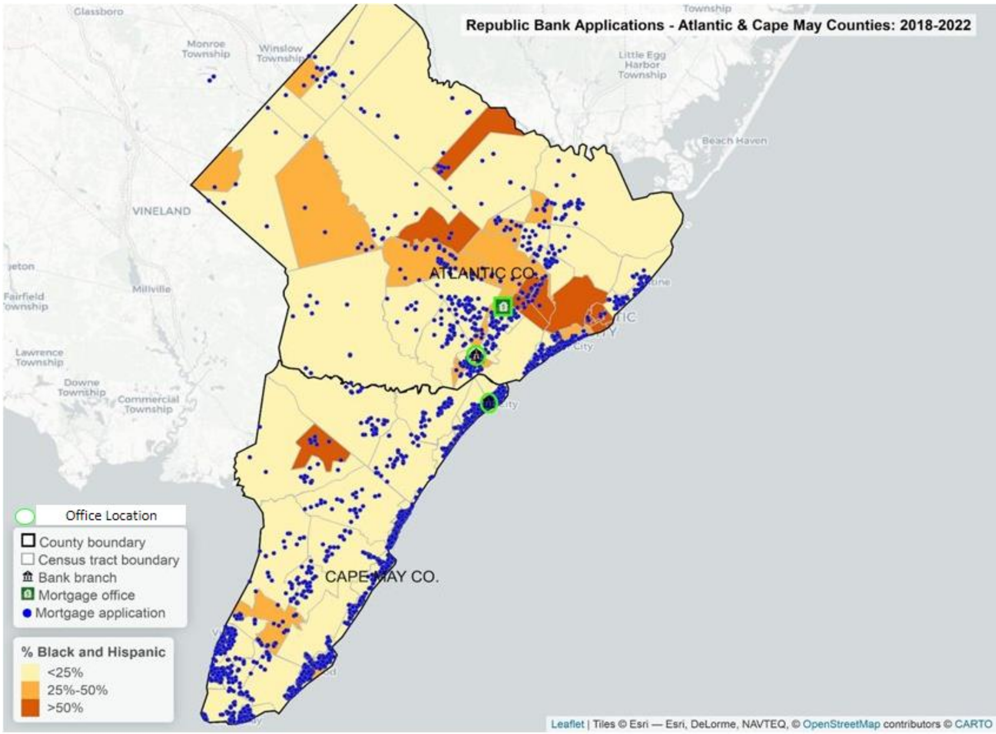

Figure 3: Republic Mortgage Applications, 2018-2022, in Atlantic and Cape May Counties.

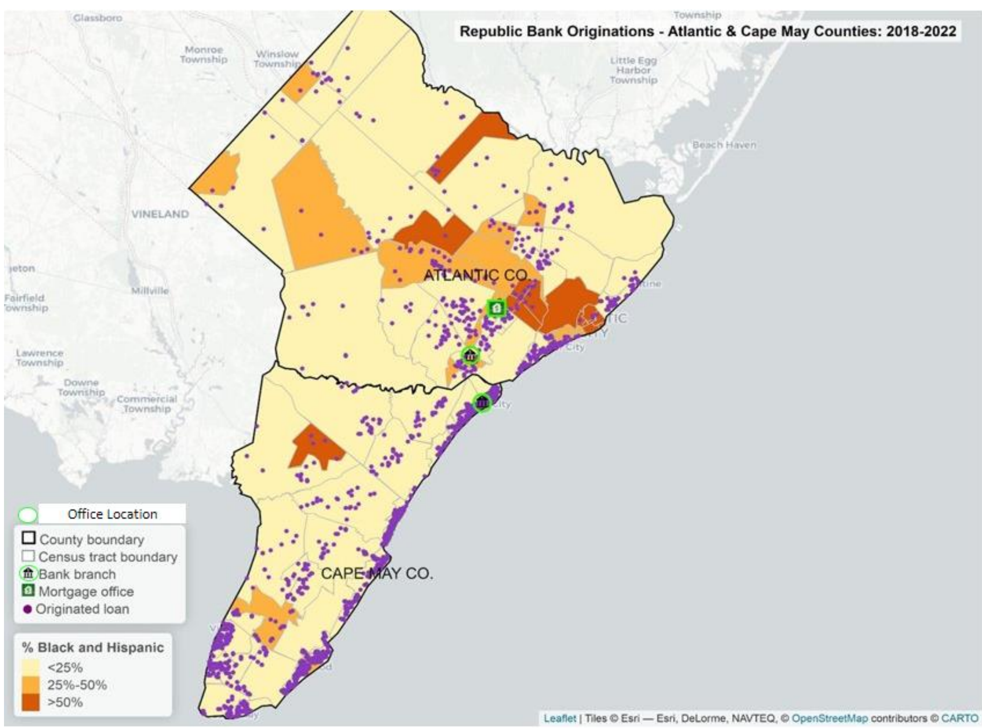

Figure 4: Republic Mortgage Originations, 2018-2022, in Atlantic and Cape May Counties.

In sum, the maps show that Republic did not meaningfully lend to borrowers of color and communities of color in New Jersey.

II. Republic Engaged in a Pattern or Practice of Mortgage Redlining That Harmed Black, Hispanic, and Asian Borrowers in New Jersey.

Republic failed to generate applications from and originate loans to Black, Hispanic, and Asian borrowers in New Jersey because it maintained unlawful redlining policies and practices. The State's investigation found that these policies and practices lacked a substantial, legitimate, non-discriminatory justification. And even if they were supported by such a justification, Republic had available less discriminatory alternatives that could serve its purported interests. The State's investigation found that these policies and practices violated the LAD.

A. Republic Was Aware of Significant Redlining Risks, But It Failed to Take Measures to Meaningfully Address or Mitigate Those Risks.

The State's investigation found that Republic knew that it was failing to lend to borrowers of color and communities of color in New Jersey. The State concluded that Republic knew about its underperformance in census tracts where the majority of residents were persons of color, and that Republic knew that its performance in majority-POC census tracts had not improved over time. Indeed, Republic's publicly reported data showed such extreme disparities in Republic's lending over the course of several years that there is no way Republic could have been unaware of its severe and persistent failure to lend to borrowers of color in New Jersey. Nonetheless, the State's investigation found that Republic failed to take action to remedy its underperformance. It did not implement adequate or appropriate policies or practices to address or mitigate its significant underperformance. As a result, Republic's underperformance among borrowers of color grew substantially worse between 2018 and 2022.

B. Republic Concentrated All of Its Bank Branches and Mortgage Offices in Predominantly White Areas.

The State's investigation found that Republic's mortgage lending in New Jersey occurred at mortgage offices and storefront bank branch locations. All were in majority-white census tracts.

Prior to Republic's exit from residential mortgage originations in 2023, Republic maintained 18 "full-service" storefront bank branches in New Jersey, as well as two mortgage office locations in Marlton and Northfield. Republic fielded and solicited inquiries regarding residential mortgage products at its bank branch locations and its mortgage office locations.

Table 3 shows the location of Republic's 18 storefront bank branches, as well as the two mortgage office locations. As the table shows, none of these branches or offices was located in a majority-POC census tract. In fact, of the 18 branch locations, 16 were located in census tracts where the white population was greater than 75%. Just two—the branches in

Clementon and Sicklerville—were in tracts where the white population was between 50 and 75%.

NJ Branch Location	Office Type	Census Tract Designation
Berlin	Storefront Location	Majority-White Tract
Cherry Hill	Storefront Location	Majority-White Tract
Cherry Hill Mall	Storefront Location	Majority-White Tract
Deptford	Storefront Location	Majority-White Tract
Evesboro	Storefront Location	Majority-White Tract
Glassboro	Storefront Location	Majority-White Tract
Clementon	Storefront Location	Majority-White Tract
Haddonfield	Storefront Location	Majority-White Tract
Lumberton	Storefront Location	Majority-White Tract
Marlton	Storefront Location	Majority-White Tract
Medford	Storefront Location	Majority-White Tract
Moorestown	Storefront Location	Majority-White Tract
Northfield	Storefront Location	Majority-White Tract
Ocean City	Storefront Location	Majority-White Tract
Sicklerville	Storefront Location	Majority-White Tract
Somers Point	Storefront Location	Majority-White Tract
Voorhees	Storefront Location	Majority-White Tract
Washington Township	Storefront Location	Majority-White Tract
Marlton	Mortgage Office/ Commercial Loan Office	Majority-White Tract
Northfield	Mortgage Office	Majority-White Tract

Table 3: Republic Bank's Storefront Bank Branch and Mortgage Office Locations

Notably, Republic located its bank branches and its mortgage offices in majority-white census tracts even though the State found that Republic knew it was doing little lending to communities of color. Between 2017 and 2023, Republic increased in total number of bank branches in New Jersey from 11 to 18. All were located in majority-white census tracts.

What's more, Republic located its bank branches and mortgage offices in majority-white census tracts even though there were communities of color nearby where it could have located its branches instead. Figure 5 shows Republic's offices in Burlington, Camden, and Gloucester Counties, overlaid on the percentage of Black and Hispanic residents by census tract, with brown areas in the map indicating census tracts with a majority of Black and Hispanic residents. The map shows that Republic located its storefront branches and its mortgage office in predominantly white suburban communities surrounding the City of Camden—but had no presence in Camden or any other majority-POC tracts in these counties.

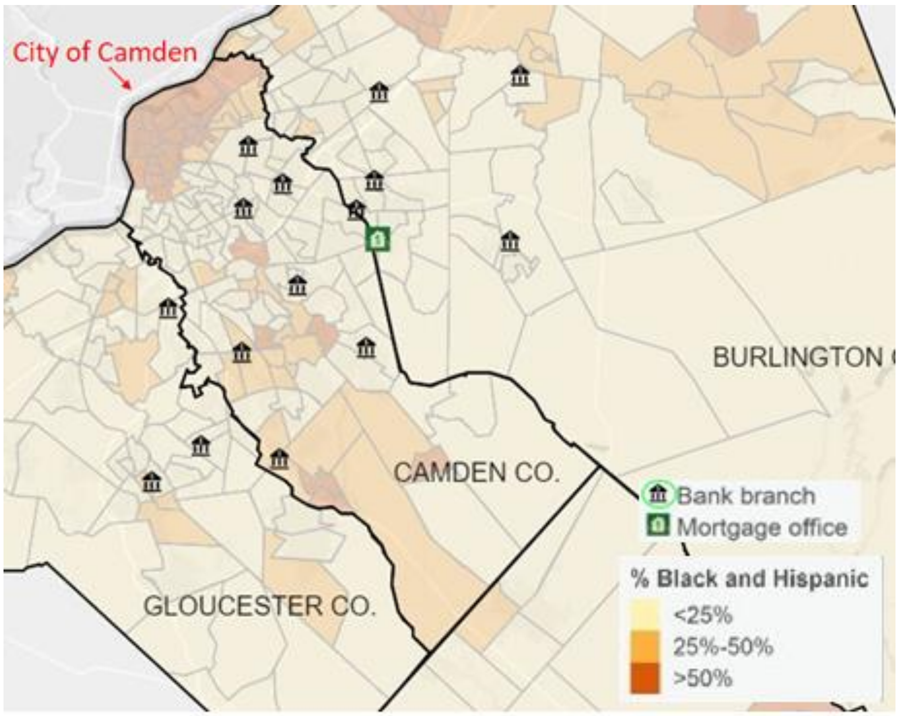

Figure 5: Republic Storefront Bank Branches and Mortgage Offices in Burlington, Camden, and Gloucester Counties, 2018-2022.

Republic's failure to locate its storefront bank branches and its mortgage offices in communities of color played a critical role in driving its underperformance among borrowers of color. Republic generated applications and conducted marketing out of these physical locations. It solicited residential mortgage applications at its branch locations, and it held events at its storefront bank branches and mortgage offices to advertise its products. Had Republic located even a few of its offices in neighborhoods of color, Republic likely would have been able to generate additional applications from Black, Hispanic, and Asian community members. Instead, however, when Republic added new offices, it continued to add them in majority-white tracts.

C. Republic's Marketing Practices Were Ineffective in Reaching People of Color.

Republic's marketing practices also did not reach people of color or residents of neighborhoods of color. The State's investigation found that Republic knew it was underperforming in generating loan applications from communities of color, and that its marketing practices therefore were not effective in reaching those communities. Nonetheless, Republic did not develop new marketing and advertising initiatives to address disparities in its lending.

The State's investigation found that Republic relied on its mortgage loan officers to conduct outreach to customers and to advertise and market Republic's loan products. As noted, Republic did not have mortgage offices in majority-POC census tracts, and the State's investigation did not find evidence that any of Republic's loan officers were specifically assigned to conduct outreach or solicit applications from these census tracts.

In addition to relying on mortgage loan officers to generate loan applications, Republic also provided residential loan services to customers at its storefront bank branch locations across New Jersey. Republic conducted marketing events, including homebuying seminars, at its storefront bank branch locations to advertise its residential mortgage products. And it advertised in community newspapers in areas surrounding the stores' locations. As noted, however, all of Republic's 18 storefront branch locations in New Jersey were located in majority-white census tracts. As a result, these walk-in loan services, marketing events, and community advertising were not available in majority-Black, Hispanic, and Asian neighborhoods.

Ultimately, during the State's investigation, Republic failed to provide the State with evidence that it engaged in meaningful advertising or marketing in majority-Black, Hispanic, or Asian neighborhoods in New Jersey, or that it took meaningful steps to supplement its advertising or marketing efforts based on its failure to generate mortgage applications in those neighborhoods.

D. Republic Regularly Made Exceptions to Underwriting Policies for White Borrowers, Exacerbating Racial Disparities in Republic's Lending.

The State's investigation also found that Republic maintained a practice of regularly making exceptions to underwriting criteria for certain borrowers, originating loans to those borrowers by deviating from these criteria. Those exceptions exacerbated the racial and ethnic disparities in Republic's lending.

Of particular note, Republic often made exceptions when it originated "jumbo loans"—that is, high-dollar amount loans that exceed loan servicing limits set by Freddie Mac and Fannie Mae. Republic's jumbo loan lending dramatically increased from 2018 to 2022, nearly quadrupling during that period. In 2018, jumbo loans represented just 6% of Republic's overall origination volume. But by 2022, jumbo loans represented almost 28% of Republic's origination volume—nearly eight times the volume of jumbo loans carried by Republic's peers.

Many of these jumbo loans were primarily issued to high-income earners, and almost exclusively to white borrowers. From 2018 to 2022, 94 percent of Republic's jumbo loan originations were to white borrowers. By contrast, Black borrowers made up just 0.6% of Republic's jumbo loan originations, and Hispanic borrowers made up just 0.4% of jumbo loan originations. Indeed, compared to Republic's loan originations overall, the racial and ethnic disparities in Republic's jumbo loan originations were even more severe. And they were also more severe than among Republic's peer lenders: Republic's peers originated almost 20% of jumbo loans to borrowers of color, compared to just 6% at Republic.

At the same time Republic was granting loan exceptions for jumbo loans to white borrowers, it was also denying the applications of borrowers of color at significantly higher rates. The State's investigation found significant differences in denial rates for borrowers of color compared to white borrowers. Yet Republic continued to make exceptions to underwriting policies and issue jumbo loans to white and high-income borrowers.

E. Republic Appeared to Steer Non-White Applicants to Federal Housing Administration (FHA) Loans and Away From Conventional Loans.

Finally, the State's investigation suggests that Republic's loan officers engaged in racial steering of non-white and low-income applicants to higher-cost loan products, such as Federal Housing Administration (FHA) loans, instead of conventional loan products. The investigation revealed that Black and Hispanic applicants were more likely than white applicants to be directed to FHA loans, which are often more expensive than conventional loan products. The State's investigation found that Republic did not take appropriate actions to correct or mitigate the potential for racial steering in its lending practices.

III. Republic Engaged in Mortgage Redlining in Violation of the LAD.

The State has concluded that Republic systematically avoided providing home loans to majority-Black, Hispanic, and Asian communities across New Jersey in violation of the LAD. As detailed above, Republic engaged in a variety of mortgage redlining practices. Those practices denied Black, Hispanic, and Asian communities equal access to home loans in New Jersey.

The State found that Republic's mortgage redlining practices treated borrowers of color differently based on race and national origin in violation of the LAD. The disparities in Republic's lending to borrowers of color were severe—so severe that Republic should have known that its practices were systematically resulting in the exclusion of borrowers of color. Yet Republic continued to maintain these practices. In fact, between 2018 and 2022, the disparities resulting from these practices only continued to worsen. All of this supports the conclusion that Republic intended to deny loans to these borrowers in violation of the LAD.

Republic's redlining practices also had a disparate impact based on race and national origin in violation of the LAD. Republic generated few applications from and originated few home loans to Black, Hispanic, and Asian borrowers or to majority-Black, Hispanic, and Asian communities in New Jersey. Those redlining practices were not necessary to achieve a substantial, legitimate, non-discriminatory interest. And there were less discriminatory alternatives to each of these redlining practices that would have served Republic's interests.

Actions to Address Republic First's Mortgage Redlining Practices

In April 2024, during the course of the State's investigation of Republic's redlining practices, Republic ceased operations and closed. As a result, the State could not bring litigation directly against Republic in connection with the findings set forth above.

Nonetheless, the State has filed a claim against Republic with the FDIC, which has assumed most of Republic's liabilities. The State's claim with the FDIC alleges that Republic engaged in a pattern or practice of unlawful mortgage redlining in violation of the LAD, and it seeks monetary relief for New Jersey residents based on the harms resulting from Republic's mortgage redlining practices. The State filed its claim with the FDIC in August 2024, and that claim remains pending with the FDIC.

The State has also presented the findings of its investigation to Fulton Bank, which assumed substantially all of Republic's assets, including Republic's existing home loan portfolio. Because Fulton inherited Republic's existing loan portfolio, its bank branches, and its employees, Fulton may bear at least some possible redlining risks in connection with its acquisition of Republic's portfolio. The State has identified steps that Fulton should take to mitigate those redlining risks. At this time, however, Fulton has not identified any additional steps it plans to take to redress potential issues associated with Republic's redlining conduct, and Fulton has maintained that its existing initiatives are adequate to address any potential redlining risks. The State will monitor Fulton's mortgage loan performance to ensure that Republic's prior redlining practices do not continue to harm Black, Asian, and Hispanic neighborhoods in New Jersey.

The findings of the State's investigation of Republic Bank are just the latest example of ongoing federal and state efforts in New Jersey to combat mortgage redlining by residential mortgage lenders in the state. For example, in 2022, the State of New Jersey—working in partnership with the Consumer Financial Protection Bureau and the U.S. Department of Justice, as well as Pennsylvania and Delaware—reached a settlement with home mortgage lender Trident Mortgage Company LP that provided more than $20 million in loan subsidies and other relief to resolve allegations that Trident and real estate broker Fox & Roach LP engaged in racially discriminatory redlining in their lending practices in New Jersey, Pennsylvania, and Delaware.[17] The Department of Justice, U.S. Attorney's Office for the District of New Jersey, and U.S. Department of Housing and Urban Development also announced an agreement in 2024 with OceanFirst Bank, N.A., to resolve allegations that OceanFirst had "engaged in a pattern or practice of lending discrimination by redlining predominantly Black, Hispanic and Asian neighborhoods in Middlesex, Monmouth, and Ocean Counties in New Jersey."[18] And the Justice Department and U.S. Attorney's Office for the

[17] *Acting AG Platkin Announces Major Settlement with Trident Mortgage Company LP and Fox & Roach LP Over Allegations of Race-Based 'Redlining' in Lending Practices in the Camden Area*, New Jersey Office of the Attorney General (July 27, 2022), https://www.njoag.gov/acting-ag-platkin-announces-major-settlement-with-trident-mortgage-company-lp-and-fox-roach-lp-over-allegations-of-race-based-redlining-in-lending-practices-in-the-camden-area/.

[18] *Justice Department and Department of Housing and Urban Development Secure Over $15M from OceanFirst Bank to Resolve Redlining Claims in New Jersey*, U.S. Department of Justice (Sept. 18, 2024),

District of New Jersey announced an agreement in 2022 with Lakeland Bank to resolve allegations that Lakeland had "engaged in a pattern or practice of lending discrimination by 'redlining' in the Newark metropolitan area, including neighborhoods in Essex, Somerset and Union counties in New Jersey."[19] These allegations of mortgage redlining against lenders in New Jersey underscore the continuing and urgent need for strong oversight and robust state and federal enforcement of fair lending laws to combat modern-day redlining.

---

https://www.justice.gov/opa/pr/justice-department-and-department-housing-and-urban-development-secure-over-15m-oceanfirst.

[19] *Justice Department Secures Agreement with Lakeland Bank to Address Discriminatory Redlining*, U.S. DEPARTMENT OF JUSTICE (Sept. 28, 2022), https://www.justice.gov/opa/pr/justice-department-secures-agreement-lakeland-bank-address-discriminatory-redlining.