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Freedom Mortgage Denies Loans To New Moms, Suit Claims

By **David McAfee**

Law360, Los Angeles (December 17, 2012, 6:58 PM ET) -- A California home loan applicant hit Freedom Mortgage Corp. with a putative class action in federal court Monday, claiming the lender discriminates against expectant and new mothers by refusing loans to any applicant with plans to go on maternity leave, regardless of changes to net income.

Plaintiff Poonam Khanna, suing on behalf of a proposed class of women who were denied a home loan by Freedom Mortgage based on maternity leave, argues that the policy "penalizes" mothers for having children and taking maternity leave and violates the Federal Housing Act and the Federal Equal Credit Opportunity Act.

"Freedom Mortgage simply informs the borrower that the loan cannot close until the period of maternity leave has ended, and the borrower has returned to work," the complaint says.

The privately held mortgage provider, which creates and services residential loans with the backing of Fannie Mae, Freddie Mac and Ginnie Mae, routinely rechecks a borrower's income before the closure of a loan to ensure that there have been no negative changes in net income.

"Thus, if a female applicant goes on maternity leave before the loan closes, that sudden change in status may be flagged in the final stages of the underwriting process, before the loan closes," the complaint says. "Importantly, however, in many situations a borrower will take maternity leave but will experience no decrease in net income. ... In such cases, because the borrower's income does not decrease, it is unlawful to reject the loan application."

The complaint, filed in the U.S. District Court for the Southern District of California, alleges that the defendant violated the FHA, which applies to any party that engages in real estate-related transactions, and the ECOA, which regulates the conduct of any creditor. Each regulation prohibits discrimination based on sex, familial status and other protected categories, according to the complaint.

"Expectant mothers face enough challenges as it is. They should not have to contend with the additional challenge of lenders rejecting loan applications based solely on maternity leave, even though their actual income is unchanged," Joseph J. Siprut, founder and managing partner of Siprut PC and counsel to the plaintiffs, said in a Monday email. "The law affords a remedy for this conduct, and we intend to pursue it vigorously. This one is personal for us."

Khanna seeks class certification, recognition of Freedom Mortgage's misconduct, actual damages and statutory and punitive damages based on the company's violations of FHA

and ECOA, according to court filings.

Freedom Mortgage Corp. did not immediately return calls for comment.

Plaintiffs in the current matter are represented by Joseph J. Siprut of Siprut PC.

Counsel to the defendant was not immediately available.

The case is Khanna v. Freedom Mortgage Corporation, case number 3:12-cv-02981, in the U.S. District Court for the Southern District of California.

--Editing by Richard McVay.

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