Racial Equity in Lending Was a Promise. It Didn't Last.

After high-profile pledges to close the racial wealth gap, major banks still approve Black and Latino mortgage applicants at lower rates than White borrowers.

In April 2025, President Donald Trump signed an executive order eliminating the use of disparate-impact liability across federal agencies' rules and enforcement. The order targets one of the key enforcement mechanisms of the Fair Housing Act, known as disparate impact, which had allowed regulators to challenge lending policies that produced racial gaps without proof of explicit bias. The White House called it a return to "race-neutral" governance.

For banks and mortgage lenders, the change removes one of the few tools regulators used to hold them accountable for racial gaps in approval rates.

"Discrimination will persist and even grow in the absence of meaningful oversight," said Chi Chi Wu, senior attorney at the National Consumer Law Center.

A pledge that set the tone

JPMorgan Chase is the nation's largest bank and a top mortgage lender.

2020

In 2020, in the months after George Floyd's murder, JPMorgan Chase announced a $30 billion commitment to close the racial wealth gap–one of the largest racial-equity pledges ever made by a U.S. bank. The commitment featured prominently in its 2020 annual report, where the term "racial equity" appeared **17 times** – more than double the year before.

CEO Jamie Dimon called it a response to "deeply felt social and racial injustice" during a year of pandemic, recession, and political turmoil. Other executives at JPMorgan Chase framed it as both a moral responsibility and a strategic investment in communities of color.

> "It was a year of a global pandemic, a global recession, unprecedented government actions, turbulent elections, and deeply felt social and racial injustice"
> — Jamie Dimon, Chairman and Chief Executive Officer

> "Our efforts to close the racial wealth divide include a $30 billion injection of additional capital and other resources for Black and Latinx clients, employees and communities in the U.S. and globally over the next five years. "
> — Daniel E. Pinto, Co-President and Chief Operating Officer, JPMorgan Chase & Co

> “We announced a massive $30 billion commitment to advance racial equity, drive an inclusive recovery, support employees and break down barriers of systemic racism.”
> — Peter L. Scher, Head of Corporate Responsibility

2021

A year later, JPMorgan kept the language strong. The 2021 report contained 16 references to racial equity. The annual report showed measurable progress toward the $30 billion goal. Symbolic commitments were paired with financing for more than 60,000 affordable housing units.

> “The murder of George Floyd in 2020 highlighted what we already knew: More was required by all of us to address systemic racism.”
> — Jamie Dimon, Chairman and Chief Executive Officer

> “By the end of 2021, we had deployed or committed more than $18 billion toward our [$30 billion] goal.”
> — JPMorgan 2021 Annual Report

> “We expanded our global Diversity, Equity and Inclusion department to include three new Centers of Excellence: Advancing Hispanics and Latinos, The Office of Asian and Pacific Islander Affairs, and The Office of LGBT+ Affairs.”
> — JPMorgan 2021 Annual Report

2022

In the 2022 report, the tone shifted. JPMorgan reframed its priority from meeting a numerical target to pursuing “long-term impact.” Mentions of racial equity fell by more than half, to 7 mentions.

> “By the end of 2022, we reported nearly $29 billion in progress toward our original goal. But our focus is not on how much money is deployed — it is on long-term impact and outcomes.”
>
> — Jamie Dimon, Chairman and Chief Executive Officer

> “Over $163 million in loans for Black, Hispanic and Latino households to purchase or refinance a home.”
>
> — JPMorgan 2022 Annual Report

2023

The 2023 report showed no sign of a rebound to endorsing Diversity, Equity and Inclusion language. Mentions of racial equity, justice or wealth inequality remained at 7 times. Floyd's name disappeared, and equity language was folded into broader diversity terms.

> "We remain mindful of the barriers to financial inclusion for historically underserved racial and ethnic groups."
>
> — Jamie Dimon, 2024 Letter to Shareholders

2024

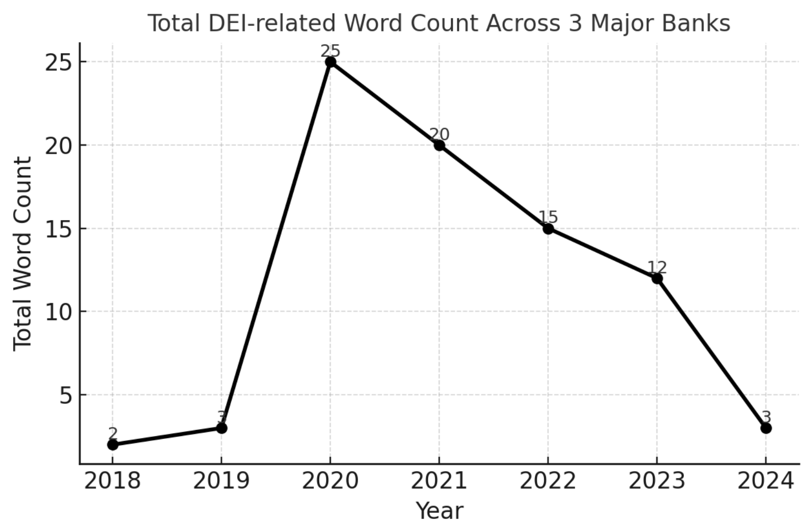
By the 2024 annual report, JPMorgan Chase had retreated from the explicit language it embraced after 2020. The focus shifted to general community outreach without specifying racial disparities.

> "While we have modified our approach to certain corporate responsibilities **to conform to new guidance**, we remain committed to reaching out to all communities in an effort to create a stronger, more inclusive economy, from supporting work skills training programs around the world and financing affordable housing and small businesses to making investments in our people and in cities like Detroit that show how business and government leaders can work together to solve problems."
> — Jamie Dimon, 2024 Letter to Shareholders

Bloomberg later reported leaked audio from a 2025 town hall in which Dimon dismissed some diversity spending as "stupid" and said he had never been a firm believer in bias training.

A shift in tone

Among the three largest U.S. mortgage banks, references to racial equity with phrases like 'racial equity', 'racial equality', in annual reports spiked in the early 2020s, then fell sharply. JPMorgan and Bank of America peaked in 2020, while Wells Fargo's use of racial equity language reached its high point in 2022, before a sharp decline in 2024.



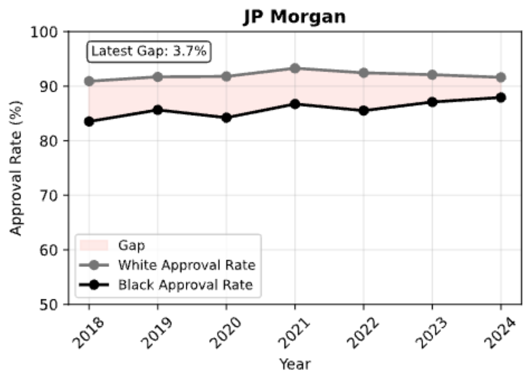
Bank of America pledged $1 billion for racial equity in 2020, later raising it to $1.25 billion. Early reports named specific racial gaps in homeownership and credit access. By 2023, those references were replaced by terms like “economic mobility” and “financial inclusion” for “underserved communities.”

Wells Fargo’s most prominent racial-equity pledge came in April 2022, when it committed $210 million to help minority families buy or refinance homes, alongside expanded partnerships with civil-rights groups. The 2022 annual report also featured more references to racial equity than in previous years, with 4 mentions, within a dedicated Environmental, Social, and Governance (ESG) section, before mentions declined in later filings.

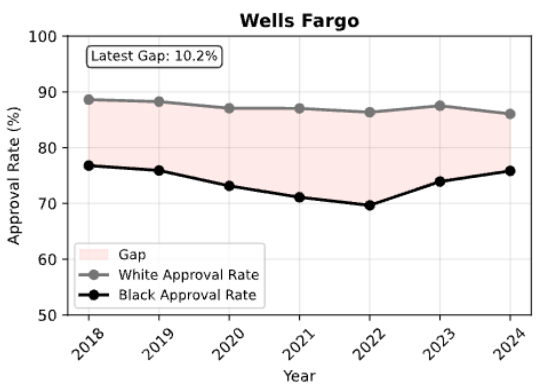
When promises don’t match performance

Despite public pledges to address inequality in lending, gaps in approval rates remained stubbornly persistent. Our analysis of 15 million mortgage records from the Home Mortgage Disclosure Act (HMDA) database, declared by mortgage lenders, shows that from 2018 to 2024, JPMorgan’s mortgage-approval rate for Black borrowers was about six percentage points lower than for White borrowers.

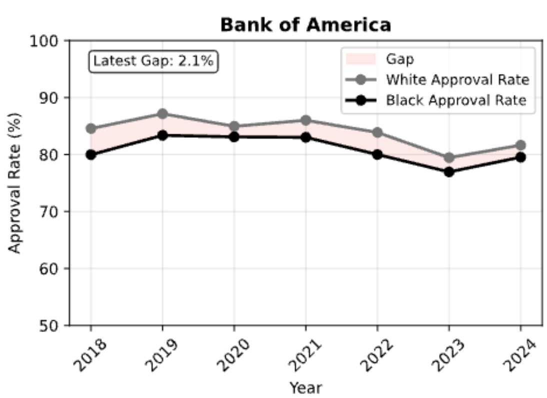
This analysis uses publicly available HMDA data, which does not include borrower credit scores or other underwriting variables commonly used by lenders and regulators to assess fair-lending risk, as commented by Fairway Mortgage. Without this information, it is not possible to determine whether lenders treated similarly situated applicants differently. Despite the US showing consistent credit scores from 2018-2024, according to Experian data, the findings should therefore be interpreted as descriptive of general approval-rate trends rather than definitive evidence of lending discrimination.



From 2018 to 2024, JPMorgan's mortgage-approval gap between Black and White borrowers hovered around six percentage points.



Wells Fargo's racial-approval gap remained in double digits, but began to narrow slightly after the announcement in early 2023, that the bank would stop buying mortgages from other lenders and scale back its mortgage business, to focus on existing customers and minority communities.



Bank of America posted the smallest gap, about two percent points , between White and Black borrowers. The gap widened slightly in 2022, before narrowing again in subsequent years.

devin michelle bunten, an Associate Professor of Urban Economics and Housing at MIT, says the disparities persist for two main reasons: direct discrimination by employees and structural racism that shapes borrowers' financial profiles before they ever apply.

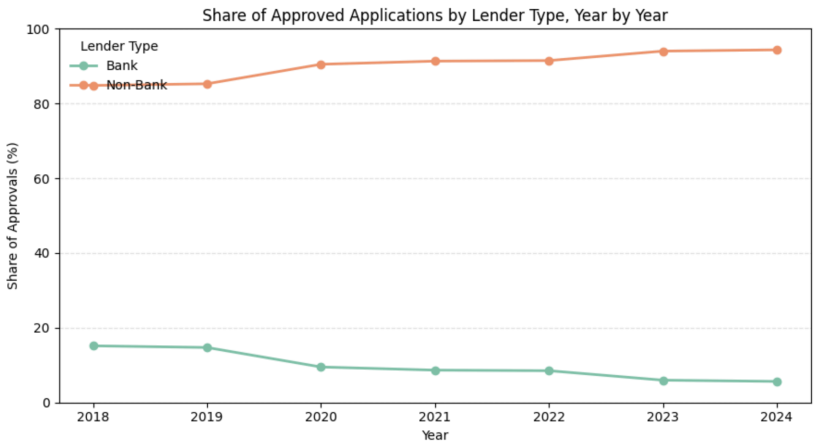
Some gaps start with how staff handle applications. Black and other minority borrowers may be asked for more documentation. They may be steered toward mortgages with low "teaser rates" that later become unaffordable. "Neither pathway requires the employee to act in a self-consciously discriminatory way," bunten said. "They may have intuitions, grounded in cultural ideas and social norms, that race plays a functional role in determining creditworthiness."

The second reason is structural racism in labor markets, education and wealth accumulation. Black borrowers typically have less family wealth or savings to draw on when buying a home. Lenders sometimes treat these financial disadvantages as unrelated to their decision on whether to approve a mortgage. In reality, bunten said "they are channels through which disparity is reproduced."

A 2022 analysis by the Consumer Financial Protection Bureau found that when consumer complaints about mortgage lending were made public, racial disparities in approval rates narrowed. Public scrutiny can disrupt these lending patterns, said Dr. Linh Nguyen, a finance professor at the University of St Andrews. "Social pressure after incidents such as George Floyd may produce stronger effects on bank minority lending than regulatory pressure." That influence has limits, said Dr. José Loya, an urban planning scholar at UCLA. "Some of the largest mortgage lenders are not public-facing, so media scrutiny may not have a large impact on their practices. Black and Latino home seekers continue to face large obstacles in the homeownership market, especially when trying to buy a home in predominantly minority neighborhoods."

Non-banks pick up the slack, and charge more

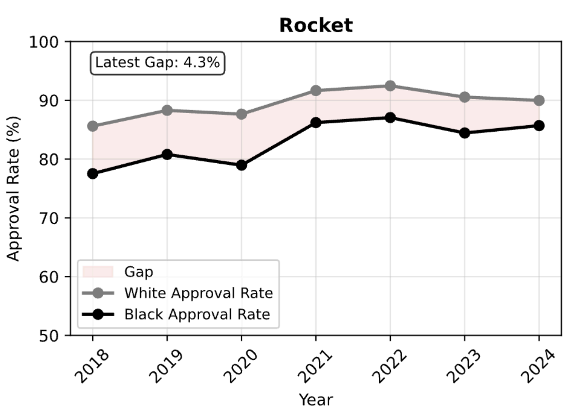
As big banks scaled back, non-bank lenders, including independent mortgage companies, online finance firms, and brokers, filled much of the gap. By 2022, they originated more than 61 percent of all single-family home types such as mortgage, refinancing and non-primary residence. For owner-occupied single-family homes, they dominated the market, accounting for roughly nine out of every ten loans.



From 2018 to 2020, non-bank lenders issued more mortgages in total than banks for every major racial group. They approved a higher share of applicants with weaker or more complicated credit profiles than traditional banks, making it easier to apply. However, strict underwriting meant many applications were still denied, and approved loans often carried higher costs in the form of upfront fees, broker premiums, or higher interest rates. A 2022 Consumer Financial Protection Bureau report documented these patterns.

Non-banks step in and charge more

Most non-bank lenders are privately held and are not required to publish detailed annual reports. Rocket Mortgage, one of the largest non-bank lenders in the United States, offers a small window into the sector.



Rocket Mortgage's approval gap between Black and White borrowers is narrower than most of the U.S. banks, including JPMorgan and Wells Fargo. However, its public filings focus largely on financial results, with diversity commitments limited to workplace culture statements.

For borrowers, the more noticeable difference is not the racial equity gap but the cost. A JPMorgan Chase Institute report found that loan setup fees from non-bank lenders averaged 24.7 percent (about $487) higher than banks, with broker premiums adding about $718 on average.

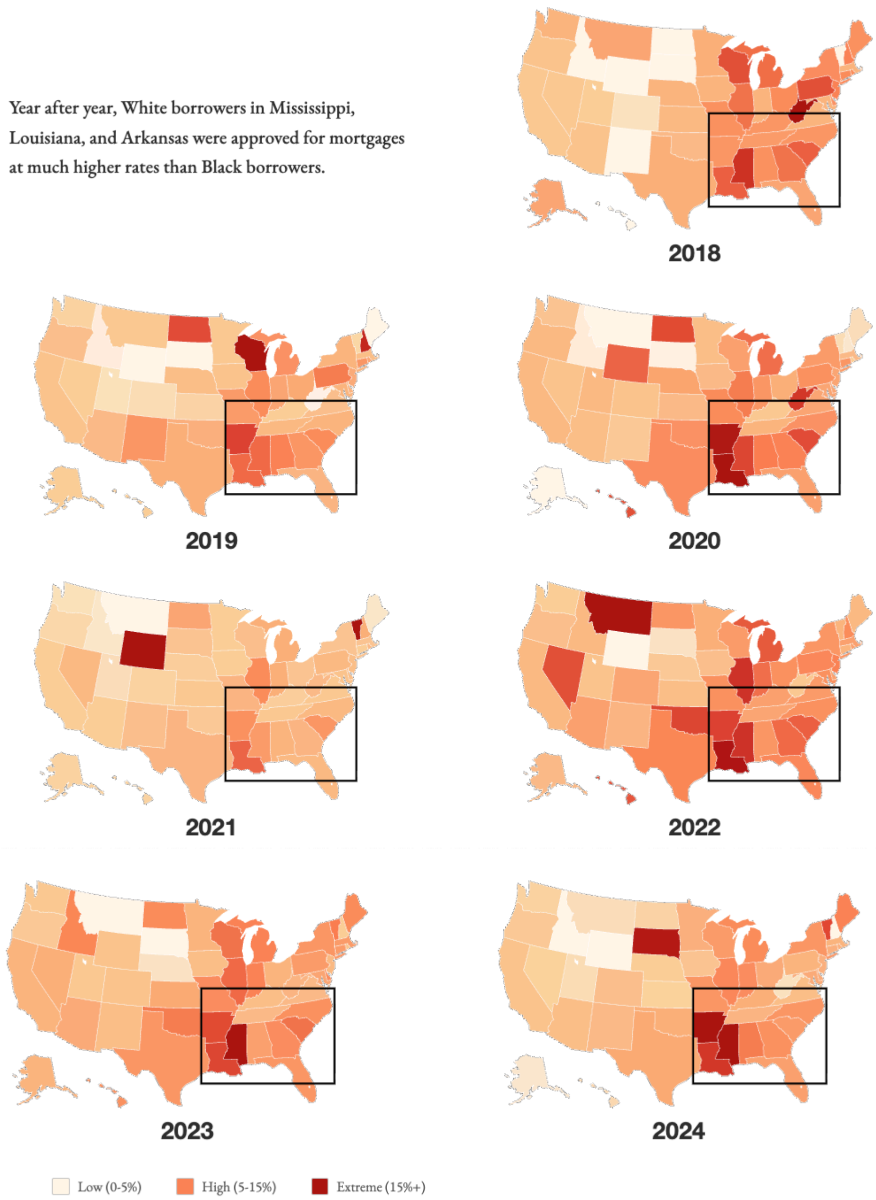
Consumer advocates see troubling parallels to the 2000s subprime crisis, when predatory loans flooded minority communities.

Reliance on mortgage revenue and short-term funding leaves these lenders vulnerable to shocks. The Federal Reserve Bank of New York has warned that if the normal flow of lending between financial institutions were to stall during a crisis, the heavy reliance on a few large non-banks could cut off access to loans for entire groups of borrowers, particularly minority borrowers who depend on them.

A map of inequality

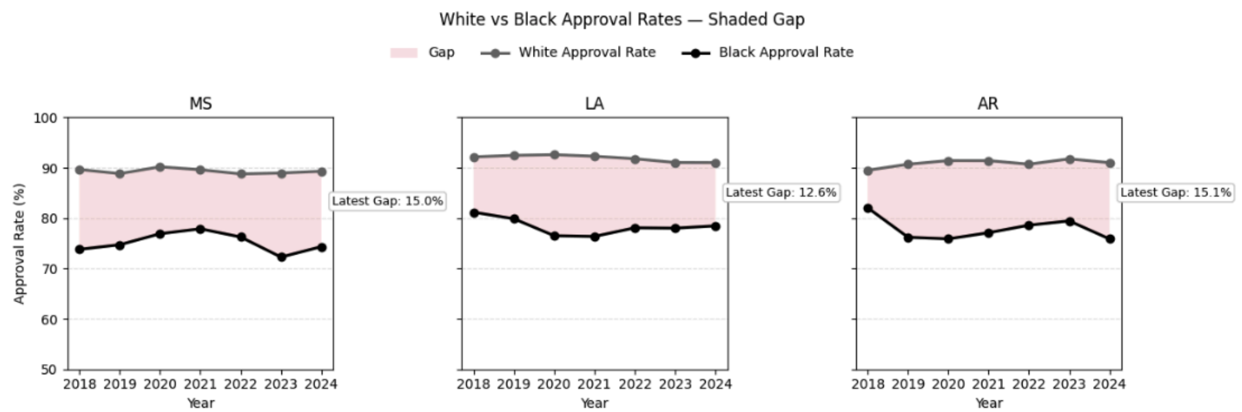
Geography is another important factor that shapes lending outcomes. Denial rates are highest in states with histories of racial exclusion.

State Approval Rate Gaps



In Mississippi, Louisiana and Arkansas, White borrowers were consistently approved for mortgages far more often than Black borrowers – by an average of roughly 14 percentage points between 2018 and

2024.



In 2024, Mississippi recorded the highest rate in the nation at 25.7 percent denial rate, the highest in the nation. Arkansas followed at 24.1 percent, Louisiana followed at 22.5 percent.

The legal record

Since 2022, the Department of Justice's (DOJ) Combatting Redlining Initiative has filed and settled more than a dozen mortgage discrimination cases, together yielding over $153 million for impacted communities.

One of the most high-profile settlements came in 2023, when City National Bank in Los Angeles agreed to pay more than $31 million after investigators found it avoided marketing and lending in majority-Black and Latino neighborhoods. Federal prosecutors called it the largest redlining settlement in DOJ history. The agreement required the bank to open new branches in underserved communities, invest in loan subsidies, and expand outreach. "This settlement should send a strong message to the financial industry that we will not tolerate modern-day redlining and that all lenders must be held accountable when they fail to provide equal access to credit in communities of color," said Assistant Attorney General Kristen Clarke in a statement, announcing the largest case to date.

In 2024, Citadel Federal Credit Union in Pennsylvania paid $6 million in the first redlining case ever brought against a credit union.

From 2023 to 2025, Ameris Bank, Fairway Independent Mortgage, and Draper & Kramer reached settlements with federal prosecutors in joint redlining enforcement actions across Georgia, Alabama, Florida, Illinois, and Massachusetts, resulting in millions in loan subsidies, targeted outreach, and new hiring mandates.

In 2025, The Mortgage Firm in Miami agreed to pay $1.75 million for loan subsidies and expanded services in Black and Hispanic neighborhoods.

Despite these high-dollar settlements and court-mandated reforms, gaps in mortgage approval rates for Black and Latino applicants remain entrenched. Experts studying fair lending litigation on mortgage markets on past fair-lending cases show that approval gaps often shrink right after a settlement. However, "This settlement is a stark reminder that redlining is not a problem from a bygone era" said Assistant Attorney General Kristen Clark in a statement, and can widen again once oversight ends or without sustained enforcement.

The fading doctrine

Trump's executive order does more than ending Diversity Equity and Inclusion programs. It stopped federal use of the disparate-impact standard, a pillar of civil-rights law. The doctrine allowed regulators and plaintiffs to challenge practices that produced racially unequal outcomes without proving intent.

By directing agencies to eliminate its use "to the maximum degree possible," the order raises the bar for discrimination cases. Without disparate impact, plaintiffs must show explicit bias, a task made harder when lending decisions are driven by algorithms and automated underwriting systems.

“"In some markets, moving away from it is likely to mean that fewer minorities obtain loans or other financial services." said the former Comptroller of the Currency and Founder and CEO of Ludwig Advisors. "A fair regulatory regime should ensure that the same outcome standards apply to all customers and that anyone who qualifies economically has equal access to a given product."

While federal agencies will no longer enforce the disparate impact doctrine, it remains on the books. State attorneys general and private individuals can still use it to bring fair housing cases, and complaints can still be filed with Housing and Urban Development, state assemblies, or in federal court.

Associate Professor devin michelle bunten says the rollback sends two very different messages within lending institutions. "For institutional leaders, the rollback–combined with other administration actions, such as the targeting of universities and demands for admissions data on race–signals that they may face heightened scrutiny for working towards racial equity in lending," she said. "For mortgage agents and other employees, the rollback signals free rein to discriminate. Of course, many such agents will have no interest in doing so, and may remain committed to equity work regardless."