

Racial Discrimination in Mortgage Lending - Baltimore

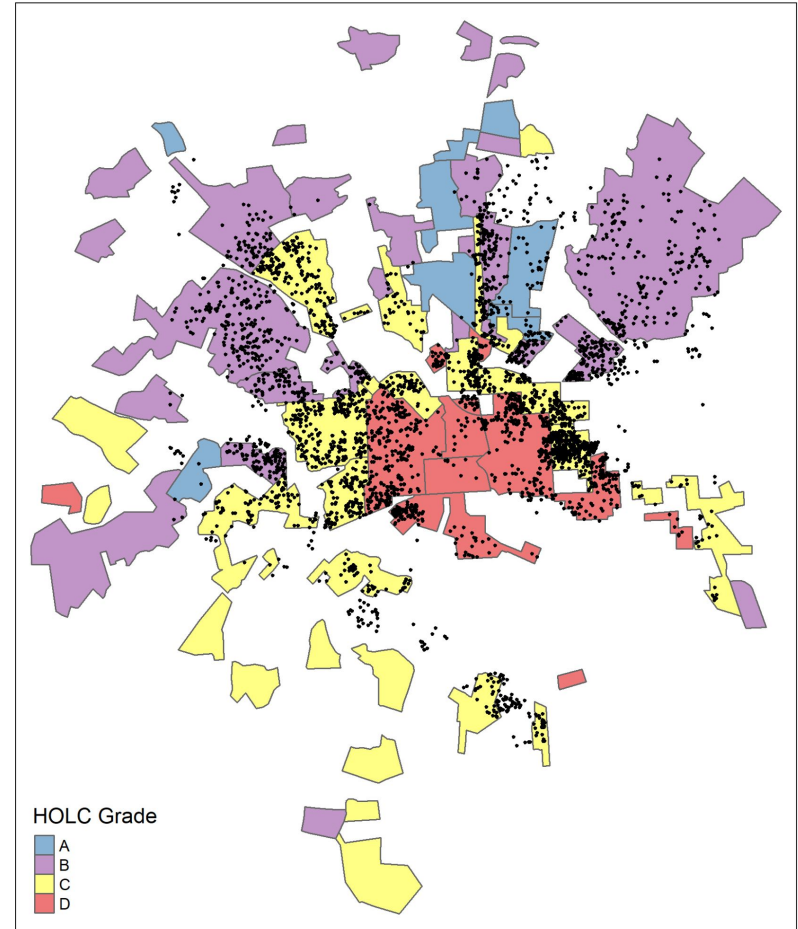


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Department of Housing and
Community Development
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Background & Context

- Previously manufacturing center, connecting to the Midwest
- Deindustrialization and vacancies
- Segregation and redlining
- Predatory lending



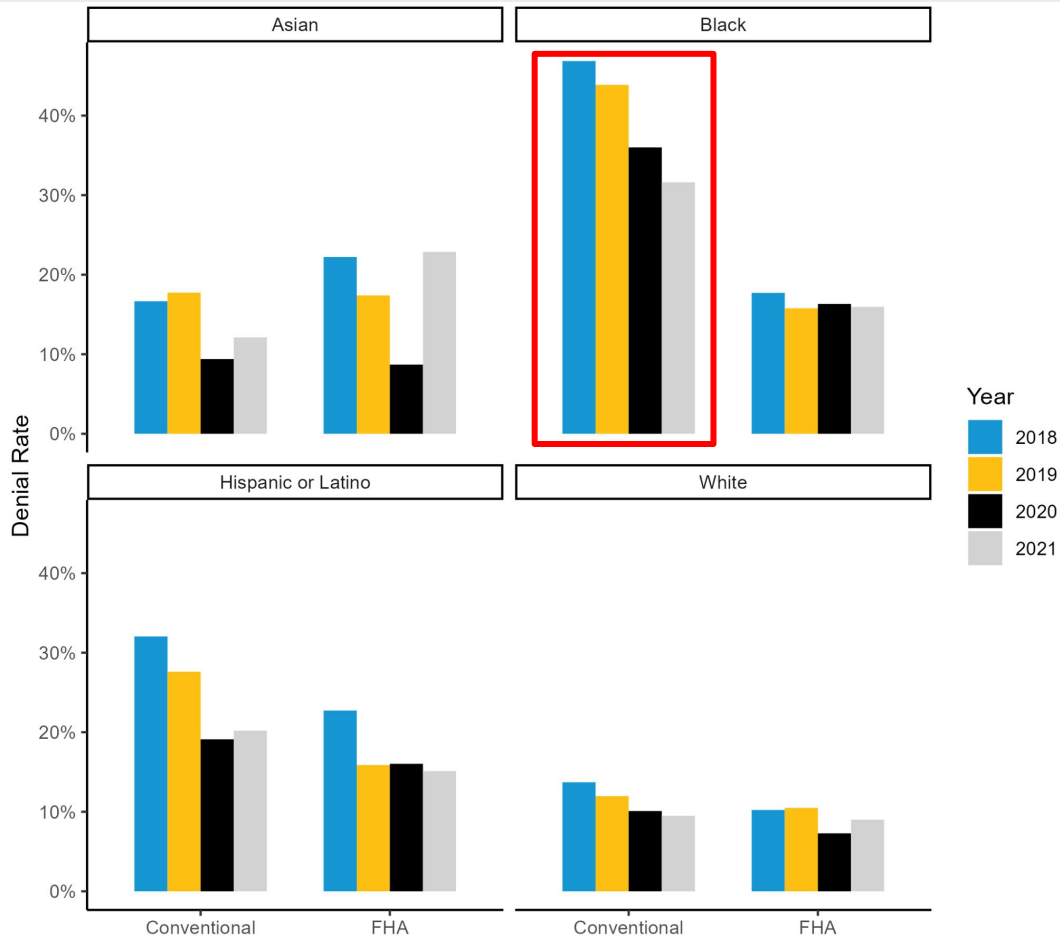
Problem Statement



As outlined in the [2020 Analysis of Impediments](#), racial discrimination in mortgage lending remains **one of the four main factors** contributing to the affordable housing crisis in Baltimore.

- 2020 National Community Reinvestment Coalition Home Mortgage Report
 - Home loan originations in neighborhoods of color declined to 18.5%
 - Several lenders aren't tracking race/ethnicity in home loans since 2018
- Disparities in homeownership rates (as of January 2022)
 - Black homeownership 46.2% vs. White homeownership 76.3% (Census)

Question: *How do mortgage-lending patterns differ across census tracts and race?*



Denial Rates: Conventional vs FHA Loans

Black residents in Baltimore face the steepest denial rates in the private market through conventional loans.

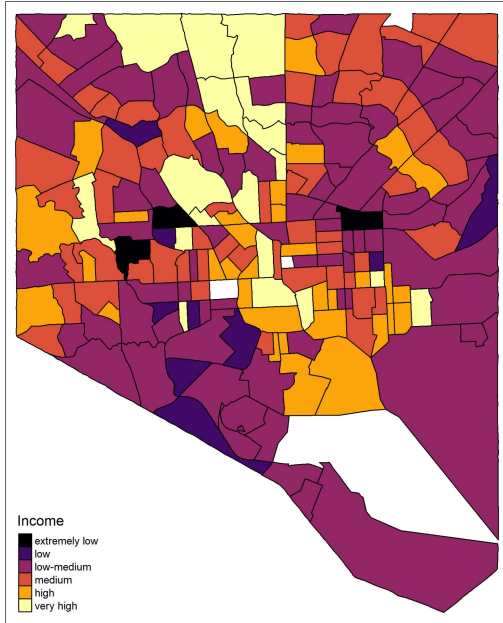
The number of Black and White applications have been steadily increasing, with a significant jump between 2020 and 2021.

Black and White residents experienced similar denial rates for FHA loans between 2018-2021.

The gap between private market denial rates and FHA denial rates are closing for Black residents.

Overall Trends:

Income by Census Tract



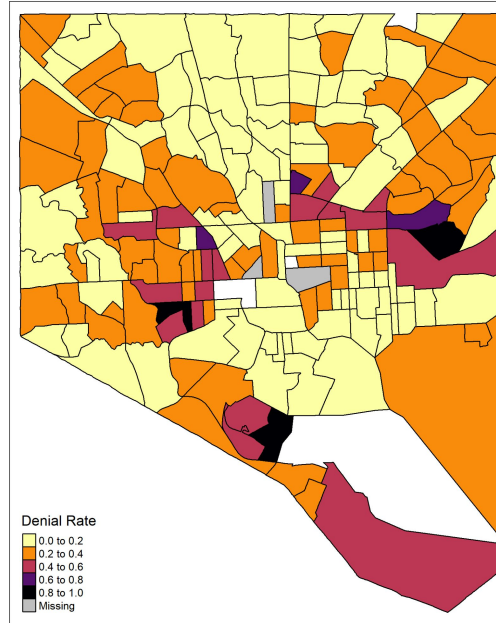
Extremely Low:

< \$15,000

Low:

\$15,000 to
\$29,999

Denial Rates for Conventional Loans



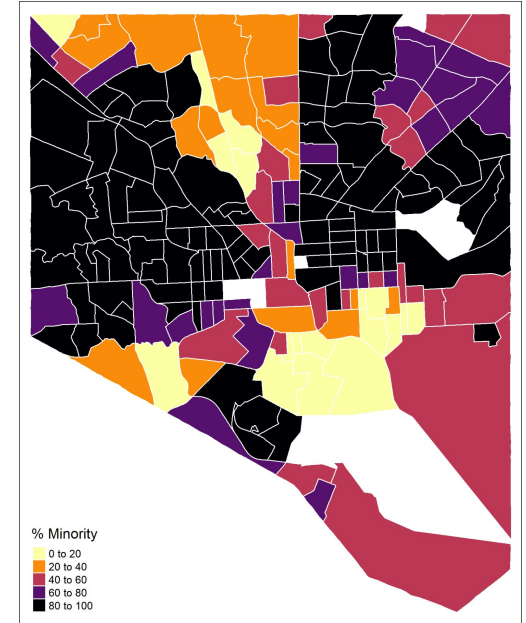
Low-Medium:

\$30,00 to
\$59,999

Medium:

\$60,000 to
\$89,999

% Minority by Census Tract



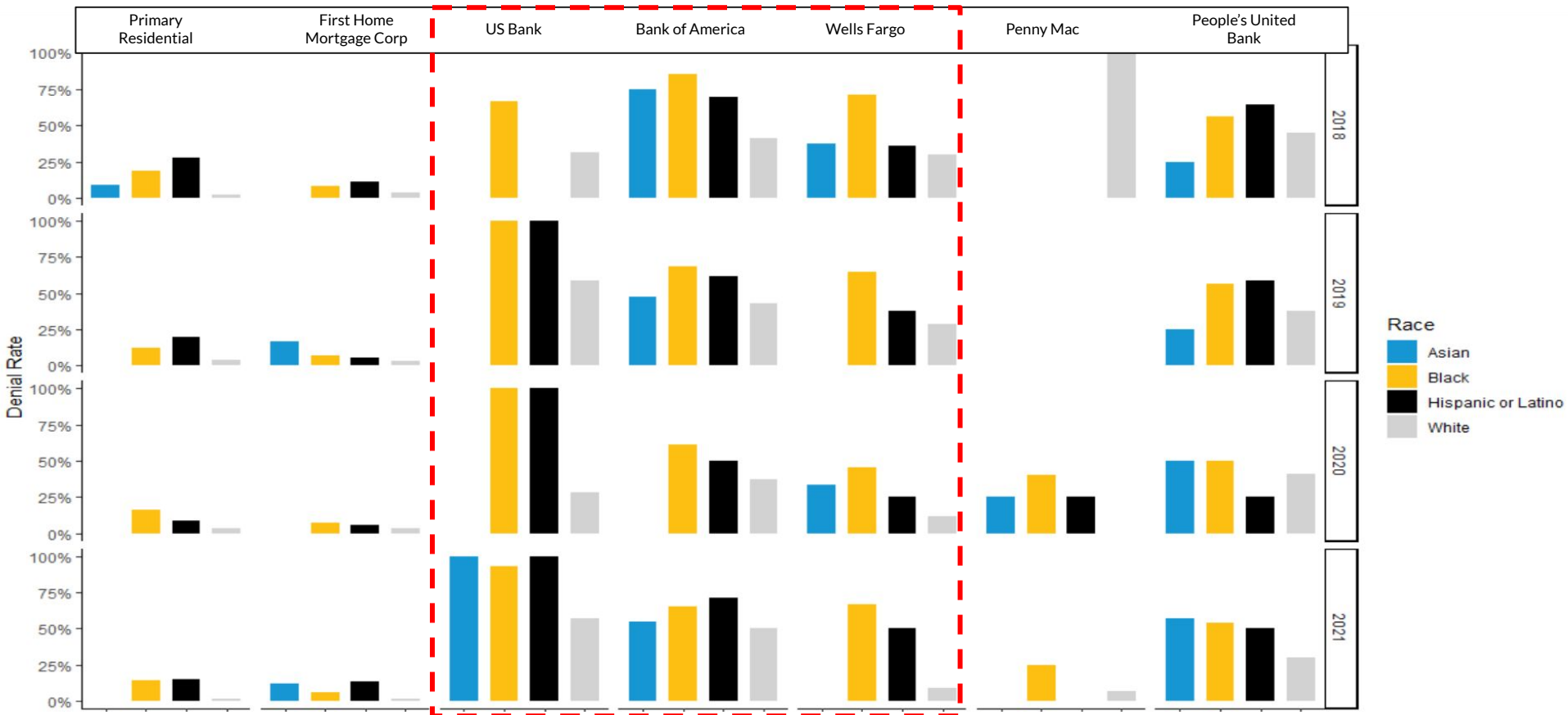
High:

\$90,000 to
\$149,999

Very High:

> \$150,000

Denial Rates by Race and Top Lenders 2018-2021



Top Denial Reasons:



Credit history



Debt-to-income ratio



Collateral



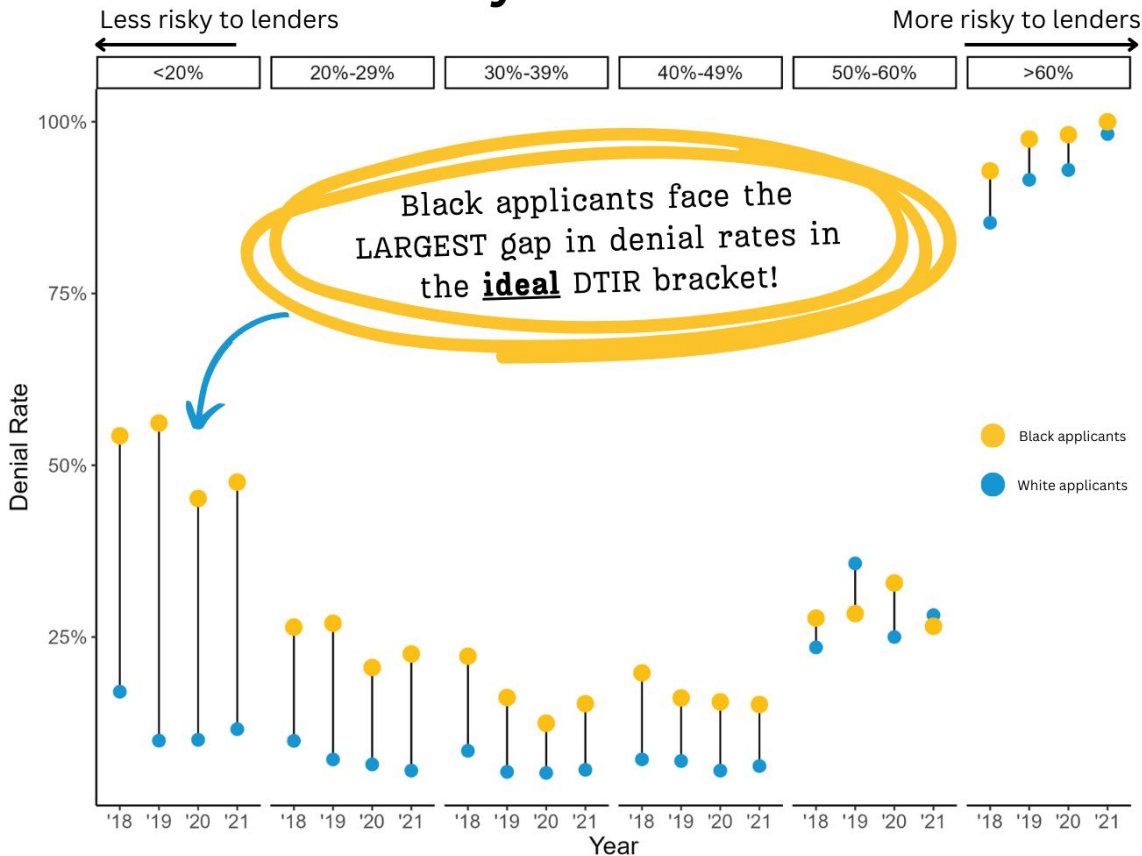
Other

INCOMPLETE

Incomplete credit applications

Possible Evidence of Discrimination?

Denial Rates by Debt-to-Income Ratio

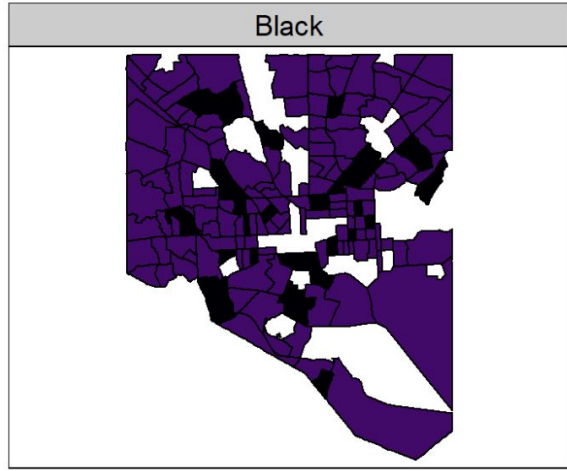
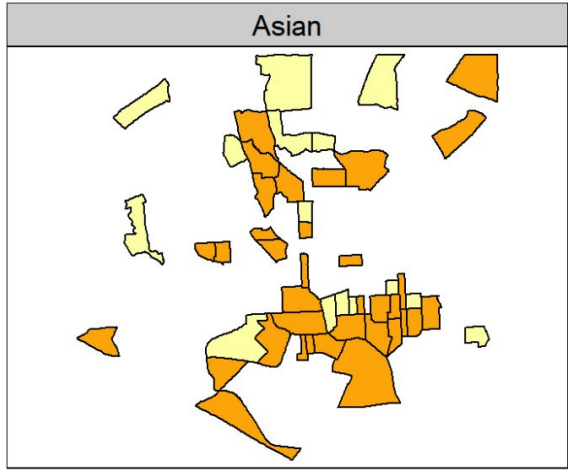


Data: Home Mortgage Disclosure Act

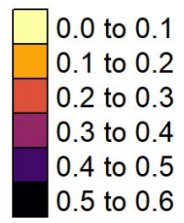
Why is there such a dramatic disparity not only between Black and White denial rates in the ideal DTIR bracket,

but also between Black applicants in the ideal DTIR and Black applicants in the 20-60% DTIR brackets who are seen as potentially riskier to lenders?

<20% Debt-to-Income Ratio, with ALL Denial Reasons

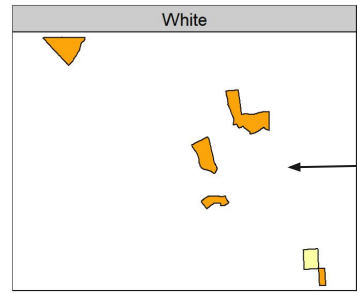
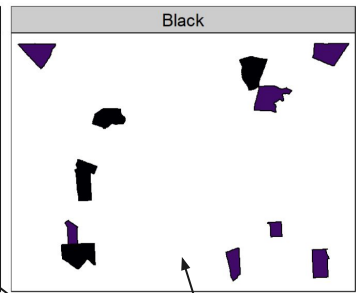
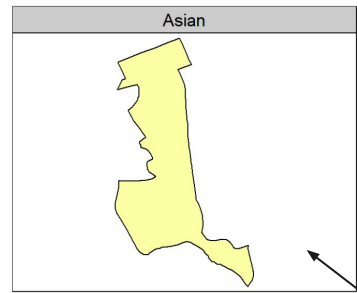
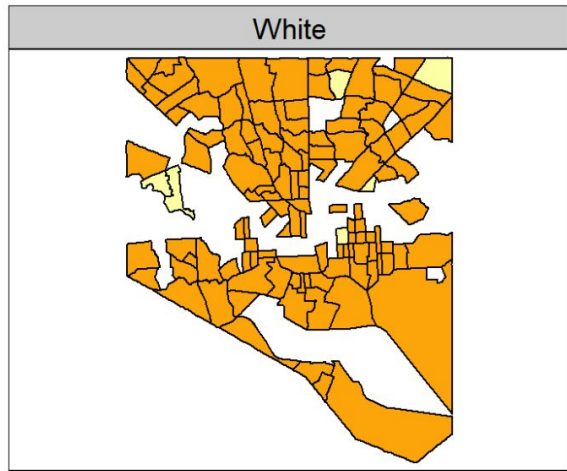
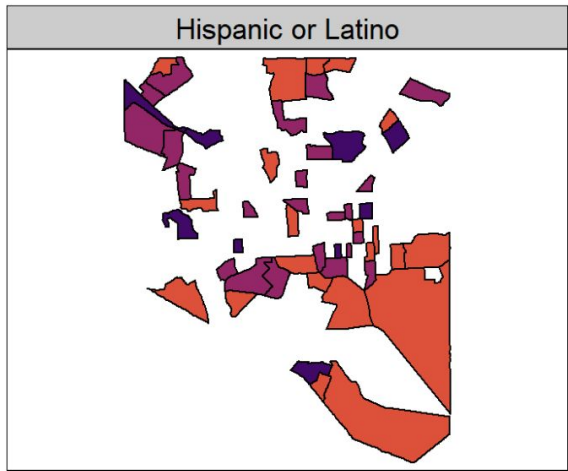


Denial Rate



Same TDIR, same census tract:

Possible evidence of discrimination?



<20% DTIR applicants denied based on DTIR

Recommendations

Focusing on high-impact regions, the city of Baltimore should look to expand housing choice for all protected classes by:

- **creating programs to educate residents** on mortgage lending, predatory practices, and resources describing how to report;
- **establishing a subdepartment** in the Department of Housing & Community Development dedicated for monitoring and enforcing fair mortgage lending; and
- **updating local fair housing laws** establishing a strong, central fair housing agency recognized and funded by HUD to enforce compliance and investigate complaints.

Lenders to Investigate:



Census tracts to monitor:

272005 260700
271600 070200
150800 2709022
160801 70802
200701 270703
030200

<20% DTIR

250203
260401
200400
260303
090400
150100

Highest denial rates