**Name**: Mortgage Lending Difference

**Short Description**: Difference in percent of mortgage applications accepted between all applicants and minority applicants.

**Data Source**:

* Name: Home Mortgage Disclosure Act (HMDA) Dataset, Consumer Financial Protection Bureau
* Link to Source: <https://ffiec.cfpb.gov/data-browser/data/2020?category=states>

**Year:** 2020

**Source Geographic Level**: Zip Code Tabulation Area (ZTCA)

**Stratification**: Black population

**Selection Rationale:** The difference between the percent of mortgage applications accepted between all applicants and minority applicants provides information about inequities in access to mortgage loans. Inequities in access to mortgage loans demonstrates the impact of structural racism on an important form of wealth generation that can be supportive of mental wellness. The ability to access mortgage loans determines not only an individual’s ability to purchase a home, but also their ability to achieve financial security and build wealth. Because financial security through homeownership can be a protective factor for mental health, the rate of mortgage application acceptance can contribute towards the mental wellness of a community.

**Strengths and Limitations**

* **Strengths**:
  + [*Importance*] & [*Equity*] Disparate mortgage acceptance rates perpetuate inequity. Historically, disparate mortgage acceptance rates between White and Black Americans have perpetuated racial segregation and a racial wealth gap, and historic redlining and sustained disinvestment have also been correlated with worse physical and mental health, as well as present-day rates of discrimination.[[1]](#footnote-2),[[2]](#footnote-3) Today, Black Americans are denied loans at about twice the rate of White Americans and Hispanic and Asian populations also experience higher mortgage rejection rates, making it more difficult to create wealth through homeownership and home value appreciation.[[3]](#footnote-4) Poor financial security (resulting from a rejected mortgage application) can have intergenerational consequences, especially for communities of color who face other structural and social barriers to wealth-building.[[4]](#footnote-5)
  + [*Relevance and Usability*] Mortgage acceptance is displayed as a simple difference in rates that is easily understandable and usable. This information may be used to identify areas where mortgage discrimination may be taking place, and where efforts are needed to improve mortgage accessibility for minority groups.
  + [*Feasibility*] The HMDA dataset is the most comprehensive source of information on the US mortgage market. Financial institutions that are required to track and publicly report mortgage acceptance rates (stratified by race) report their results to HMDA.[[5]](#footnote-6) HMDA data is released every year and publicly available.
* **Limitations**:
  + [*Scientific Soundness*] There has been some debate over how mortgage acceptance rates should be compared among different racial and ethnic groups. The “observed acceptance rate” used in these data, is a simple comparison of rates by race and ethnicity and does not account for the “creditworthiness” of applicants. When credit is considered, the disparity between mortgage rates for White and Black Americans decreases in magnitude.[[6]](#footnote-7) Because the ability to build credit is directly related to historic discrimination of people of color, however, we have chosen to use the observed rate of mortgage acceptances to account for present-day discrimination as well as historic disenfranchisement.

**Calculation**:

Note – calculations are based on the race of the primary applicant for the mortgage application.

*Overall Population Calculation:*

*Black Population Calculation:*

1. Hanks, A., Solomon, D., & Weller, C. (2018, February 21). *Systemic Inequality: How America’s Structural Racism Helped Create the Black-White Wealth Gap.* Center for American Progress. <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/> [↑](#footnote-ref-2)
2. Lynch, E. E., Malcoe, L. H., Laurent, S. E., Richardson, J., Mitchell, B. C., & Meier, H. C. S. (2021). The Legacy of Structural Racism: Associations Between Historic Redlining, Current Mortgage Lending, and Health. *SSM - Population Health*, *14*, Article 100793. <https://doi.org/10.1016/j.ssmph.2021.100793> [↑](#footnote-ref-3)
3. Harney, K. R. (2018, May 23). Large numbers of loan applications get denied. But for blacks, Hispanics and Asians, the rejection rate is even higher. *The Washington Post.* <https://www.washingtonpost.com/realestate/large-numbers-of-loan-applications-get-denied-but-for-blacks-hispanics-and-asians-the-rejection-rate-is-even-higher/2018/05/22/dac19ffc-5d1b-11e8-9ee3-49d6d4814c4c_story.html> [↑](#footnote-ref-4)
4. Habitat for Humanity. (2020). *Evidence Brief: How does homeownership contribute to wealth building?* <https://www.habitat.org/media/3371/download> [↑](#footnote-ref-5)
5. Federal Reserve. (n.d.). Home Mortgage Disclosure Act Examination Procedures. In *Board of Governors of the Federal Reserve System*. Retrieved September 29, 2021, from <https://www.federalreserve.gov/boarddocs/caletters/2009/0910/09-10_attachment.pdf> [↑](#footnote-ref-6)
6. Goodman, L., & Bai, B. (2018, August 23). *Traditional mortgage denial metrics may misrepresent racial and ethnic discrimination.* Urban Institute. <https://www.urban.org/urban-wire/traditional-mortgage-denial-metrics-may-misrepresent-racial-and-ethnic-discrimination> [↑](#footnote-ref-7)