

# Racial and Ethnic Disparities in 2011 Ohio Mortgage Lending

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March 2013

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### About the Authors

KRISSIE WELLS is the Housing Center's Fair Housing Research Associate. Her responsibilities include designing, undertaking, and writing research reports related to fair housing and fair lending matters, including reports detailing housing trends, population trends, mortgage lending trends, foreclosure trends, and related matters. She received her M.S.S.A. from Case Western Reserve University's Mandel School of Applied Social Sciences.

KI-DUK PARK is the Housing Center's Fair Housing Intern and is responsible for researching housing patterns in Northeast Ohio to produce research reports and assisting in fair housing enforcement. He received his Masters of Urban Studies from Cleveland State University's Levin School of Urban Affairs.

### About the Housing Research & Advocacy Center

The Housing Research & Advocacy Center (the "Housing Center") is a 501(c)(3) non-profit organization whose mission is to promote fair housing and diverse communities, and to work to eliminate housing discrimination in Northeast Ohio by providing effective research, education and advocacy. The Housing Center works to achieve its mission through work in three primary areas: research and mapping, education and outreach, and enforcement of fair housing laws through testing, advocacy, and litigation. In addition to addressing traditional issues of housing discrimination and segregation, the Housing Center also provides research, education, and analysis of lending practices and trends in the region.

## Executive Summary

This report examines mortgage lending applications and originations in 2011 (the most recent data available) for the State of Ohio and its seven largest Metropolitan Statistical Areas (MSAs) – Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown – to determine if there are racial and/or ethnic disparities in mortgage loan denials and, for those who obtain loans, who receives “high-cost” loans.

Statewide, the overall number of home purchase and refinance lending originations decreased significantly over the last five years, from 774,401 loan originations in 2007 to 236,435 in 2011, a 69.47% decrease. Although members of all racial groups received fewer loans, the 2011 data reveal continuing disparities in mortgage lending in Ohio based on both race and ethnicity. In particular, African Americans and Hispanics continue to have limited access to fair and equal credit. Both racial and ethnic groups faced higher denial rates and high-cost lending rates than Whites in the state of Ohio and in almost all of the MSAs that the Housing Center studied.

In 2011, African Americans in Ohio were denied home purchase loans 27.04% of the time, compared to 19.20% for Hispanics, 17.33% for Asians, and 14.83% for Whites. For refinance loans, African Americans were denied loans 53.28% of the time, compared to 41.85% of the time for Hispanics, 28.68% for whites, and 19.23% for Asians.

Statistics are similar for high cost loans. In the state of Ohio, African Americans received high cost home purchase loans at the highest rate (8.43%), followed by Hispanics at 6.85%, Whites at 5.51%, and Asians at 1.81%. For high cost refinance loans, African Americans received the highest rate at 6.74%, followed by Hispanics at 4.52%, Whites at 3.00%, and Asians at 0.99%.

The results of the analysis of mortgage lending presented in this report reveal the same disturbing pattern that has been found in every study conducted by the Housing Center on racial and ethnic disparities since 2006: in almost every MSA, African Americans were denied mortgage loans at disproportionate rates compared to whites and, when they did obtain loans, they received high-cost loans more often than whites. In addition, Hispanics were denied mortgage loans and obtained high-cost loans at greater rates than whites, although not at rates as high as African Americans. This data raises great concerns that African Americans and Hispanics/Latinos are not obtaining equal access to the mortgage lending market in Ohio compared to whites.

## Introduction

Historically, many lending institutions engaged in discrimination against racial and ethnic minorities and in “redlining,” in which individuals living in minority neighborhoods were denied access to mortgage credit.<sup>1</sup> Although discrimination in mortgage lending and redlining were made illegal by the Fair Housing Act in 1968 and are also prohibited by Ohio law,<sup>2</sup> many recent studies have found continuing racial disparities in mortgage lending based on race.<sup>3</sup> In the past seven years, the Housing Research & Advocacy Center (the “Housing Center”) has examined mortgage lending in Ohio and discovered similar racial and ethnic disparities.<sup>4</sup>

To assess whether such disparities continue to exist in Ohio, the Housing Center analyzed 2010 mortgage lending data (the most recent available) for the State of Ohio and its seven largest Metropolitan Statistical Areas (MSAs) – the Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown MSAs.<sup>5</sup>

This report focuses on two aspects of the 2011 Home Mortgage Disclosure Act (HMDA) data: loan denial rates and “high-cost” lending<sup>6</sup> rates based on race, ethnicity, and income.<sup>7</sup> These two measures were selected to examine if there were racial and/or

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<sup>1</sup> See, e.g., HUD Preamble I, 53 Fed. Reg. 44998 (Nov. 7, 1988).

<sup>2</sup> 42 U.S.C. Sec. 3605; O.R.C. Sec. 4112.02(H)(3). Such discrimination is also prohibited by the Equal Credit Opportunity Act (ECOA) 15 U.S.C. Sec. 1691.

<sup>3</sup> See, Appendix 1 for recommended studies.

<sup>4</sup> Previous reports on racial and ethnic disparities can be found on our website at [www.thehousingcenter.org](http://www.thehousingcenter.org) under Publications.

<sup>5</sup> The boundaries of the Cincinnati and Youngstown MSAs include non-Ohio counties. For purposes of this report, we examined only the Ohio counties of those MSAs. The counties examined for each MSA in this report are: Akron MSA: Portage and Summit Counties; Cincinnati MSA: Brown, Butler, Clermont, Hamilton, and Warren Counties; Cleveland MSA: Cuyahoga, Geauga, Lake, Lorain, and Medina Counties; Columbus MSA: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union Counties; Dayton MSA: Greene, Miami, Montgomery, and Preble Counties; Toledo MSA: Fulton, Lucas, Ottawa, and Wood Counties; Youngstown MSA: Mahoning and Trumbull Counties.

<sup>6</sup> The criteria changed for “high-cost” loans in 2009. For loan applications taken beginning on October 1, 2009 (and for all loans originated after January 1, 2010), a loan is considered “high-cost” if it has an APR that is more than 1.5% (or, for second-lien mortgages, 3.5%) above the “average prime offer rate” (APOR) that a high-quality prime borrower would receive on a loan of a comparable type (e.g. 30-year fixed term). See the Federal Financial Institutions Examination Council’s website at <http://www.ffiec.gov/ratespread/default.aspx> for rule change and a rate spread calculator. This rule change was to “address concerns that had arisen about the distortive effects of changes in the interest rate environment on the reporting of higher-priced lending under the original methodology.” Avery, Robert B., Neil Bhutta, Kenneth Brevoort, and Glenn B. Canner. December 2010. “The 2009 HMDA Data: The Mortgage Market in a Time of Low Interest Rates and Economic Distress,” *Federal Reserve Bulletin*.

<sup>7</sup> For purposes of this report, we examined the following racial and ethnic categories: African Americans, Asians, Hispanics/Latinos, and Whites. Each race is “non-Hispanic.” American Indians/Alaska Natives were not included because of the relatively small numbers of applications submitted by these groups in the areas studied. The “Asian” category includes both Asian Americans as well as “Native Hawaiians/Other Pacific Islanders.” According to the Census Bureau,

ethnic disparities in who was denied loans and, for those who actually received loans, who received high-cost loans. Denial rates are important in determining whether individuals of different races or ethnic groups have fair access to credit in order to purchase a home or to refinance their mortgage. High-cost lending rates provide further evidence of possible biases in the lending industry for those individuals who are approved for loans. Loans made for home purchases and refinancing were examined separately to determine if there were any significant differences between the two groups.

Differences in wealth, credit scores, the loan-to-value (LTV) and debt-to-income (DTI) ratios of borrowers may explain some racial and ethnic disparities. However, national research studies have found that discrimination is very likely a large component of why racial and ethnic disparities do exist.<sup>8</sup> For example, an analysis of the national 2009 HMDA data by the Center for Responsible Lending found that “across all categories of loans, African-American and Latino borrowers were more likely to be turned down for a mortgage compared to whites, even after controlling for factors such as income and location of property.” Additionally, African Americans and Latinos “received a large, disproportionate share of abusive subprime mortgages – even after controlling for risk factors such as income and credit scores.”<sup>9</sup> Although this research applies to 2009 data, it is reasonable that these factors still hold true in 2011.

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“Hispanic” and “Latino” are not racial designations, and individuals listed in this category may be of any race. This report does not examine HMDA data on individuals who listed two or more races or ethnicities or for whom racial and ethnic data is not available.

<sup>8</sup> See Appendix I for recommended studies.

<sup>9</sup> Center for Responsible Lending, “A National Tragedy,” p. 1.

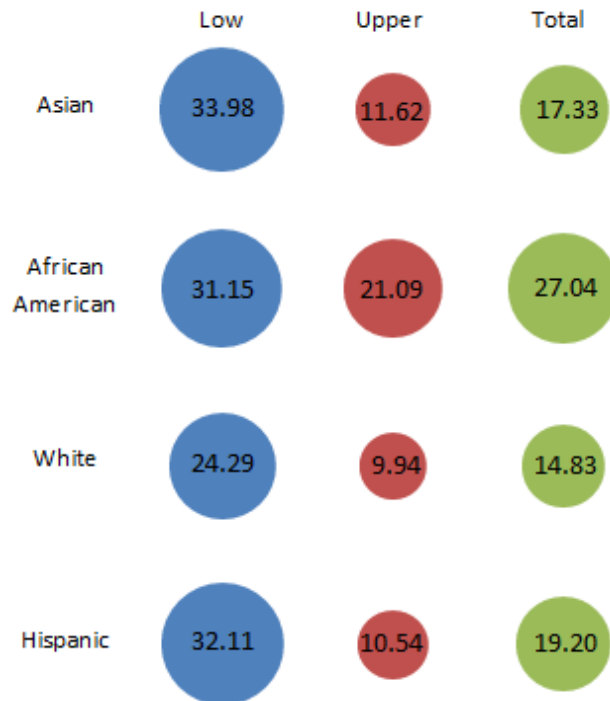




## Denial Rates of Home Purchase Loans

Figure 1 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Ohio. Low-income Asian applicants were denied at the highest rate (33.98% of applications were denied), followed closely by Hispanics (32.11%) and African Americans (31.15%). Amongst upper-income individuals, African Americans suffered the highest rate of denial (21.09%). Overall, African Americans and Hispanics were denied the most (27.04% and 19.20%) while Whites were denied 14.83% of the time.

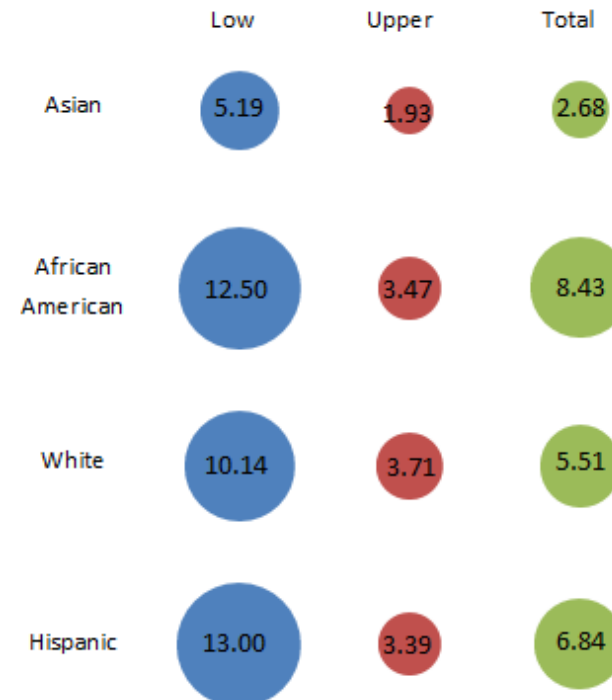
Figure 1. HP Denial Rates of Lower and Upper-Income Individuals, Ohio, 2011.



## Rates of High Cost Home Purchase Loans

Figure 2 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. Low-income Hispanic borrowers were given high cost loans at the highest rates of any race (13.00%). All upper-income borrowers, excluding Asians, were given high cost loans at similar rates (African Americans at 3.47%, Whites at 3.71%, and Hispanics at 3.39%). However, African Americans received the highest total number of high home purchase loans (8.43%).

Figure 2. HP High Cost Rates of Lower and Upper-Income Individuals, Ohio, 2011.



## Denial Rates of Refinance Loans

Figure 3 shows low-income African Americans were denied refinance loans at the highest rate (70.29%) while low-income White applicants were denied 48.18% of the time. Upper-income African Americans were also denied at the highest rate in its categories (44.00%) while upper-income Asian were denied at the lowest rate (19.23%).

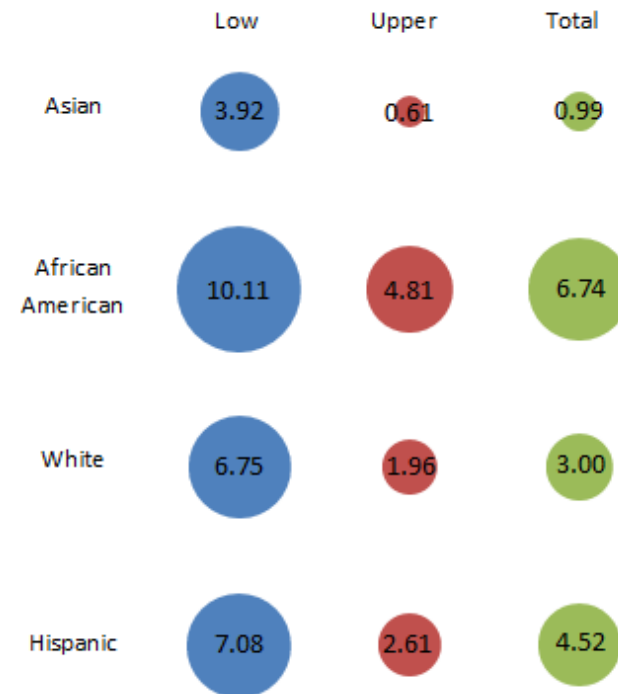
Figure 3. Refinance Denial Rates of Lower and Upper-Income Individuals, Ohio, 2011.



## Rates of High Cost Refinance Loans

Figure 4 shows 2011 rates of high cost refinance loans amongst low-income and upper-income applicants. Low-income African Americans received the highest rate of high cost refinance loans (10.11%) while Asian borrowers received the lowest rate (3.92%). Upper-income African Americans also received the highest rate amongst other similar income racial and ethnic groups at 4.81%.

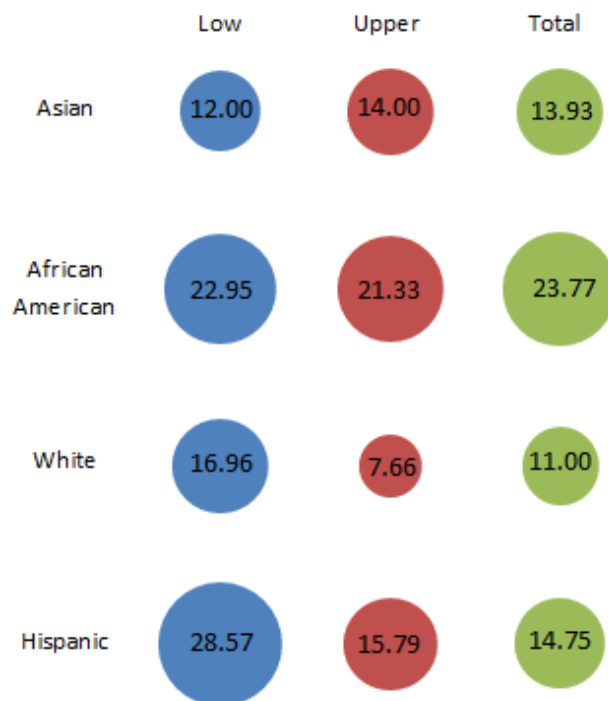
Figure 4. Refinance High Cost Rates of Lower and Upper-Income Individuals, Ohio, 2011.



## Denial Rates of Home Purchase Loans

Figure 5 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Akron. Home purchase loan denials showed disparities across races in similar income brackets. Low-income Hispanic applicants were denied at the highest rate (28.57% of applications were denied) while low-income Asian applicants were denied at the lowest rate (12.00%). Amongst upper-income individuals, African Americans suffered the highest rate of denial (21.33%) while upper-income Whites were denied the least (7.66%).

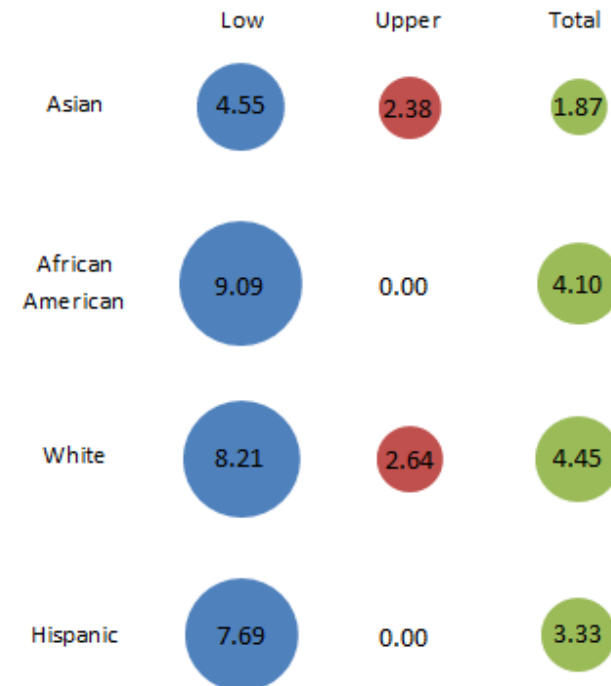
Figure 5. HP Denial Rates of Lower and Upper-Income Individuals, Akron, 2011.



## Rates of High Cost Home Purchase Loans

Figure 6 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. African American low-income borrowers were given high cost loans at the highest rates of any race (9.09%). Two groups of upper-income applicants were given high cost loans at similar rates (Whites at 2.64%, Asians at 2.38%, none for Hispanics or African Americans).

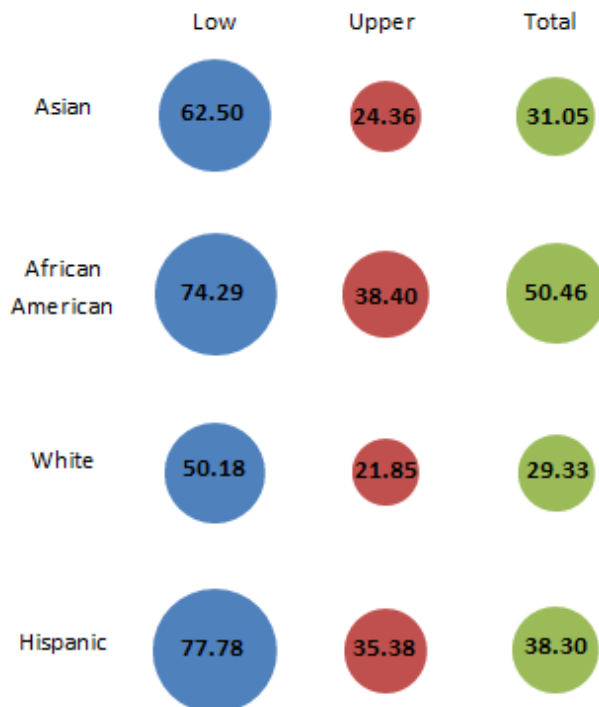
Figure 6. HP High Cost Rates of Lower and Upper-Income Individuals, Akron, 2011.



## Denial Rates of Refinance Loans

Figure 7 shows low-income Hispanics were denied refinance loans at the highest rate (77.78%) while low-income White applicants were denied at the lowest rate (50.18%). Upper-income African Americans were denied at the highest rate in its category (38.40%), followed closely by Hispanic borrowers (35.38%) while upper-income Whites were denied at the lowest rate (21.85%).

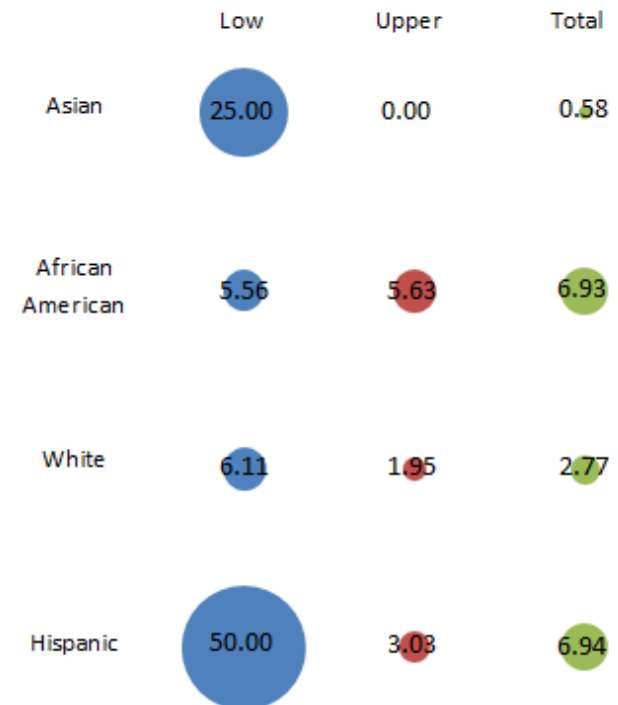
Figure 7. Refinance Denial Rates of Lower and Upper-Income Individuals, Akron, 2011.



## Rates of High Cost Refinance Loans

Figure 8 displays 2011 high cost refinance loans across race and income. Low-income Hispanics were given high cost refinance loans at the highest rates (50.00%) while low-income African American applicants received the lowest rate (5.56%). In total, Hispanics were given high cost refinances loans at the highest rate (6.94%) and African Americans were a closed second (6.93%), compared to 0.58% of Asians.

Figure 8. Refinance High Cost Rates of Lower and Upper-Income Individuals, Akron, 2011.



## Denial Rates of Home Purchase Loans

Figure 9 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Cincinnati. Low-income Hispanic applicants were denied at a very high rate compared to other races in the same economic category (45.61%). Among upper-income individuals, African Americans suffered the highest rate of denial (15.33%) while upper-income Hispanics were denied the least (4.60%).

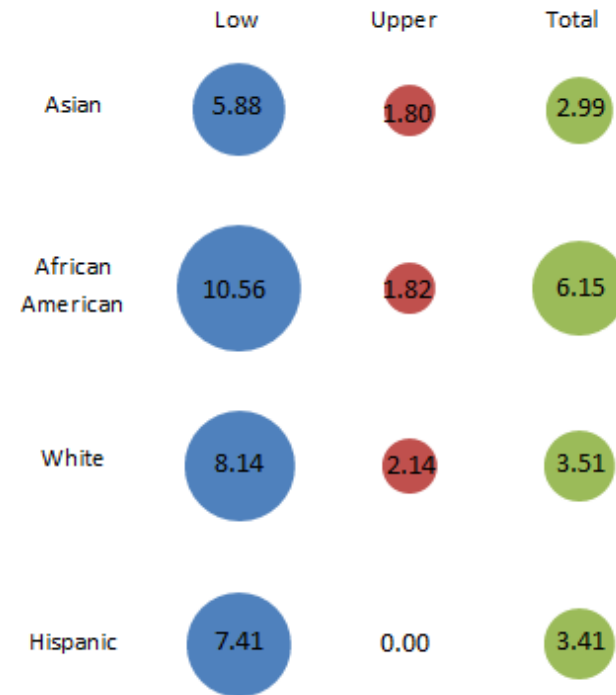
Figure 9. HP Denial Rates of Lower and Upper-Income Individuals, Cincinnati, 2011.



## Rates of High Cost Home Purchase Loans

Figure 10 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. African American low-income borrowers were given high cost loans at the highest rates in its category (at 10.56%). However, upper-income White individuals were given high cost home purchase loans at the highest rate of 2.14%. Overall, African Americans were given high cost loans 6.15% of the time.

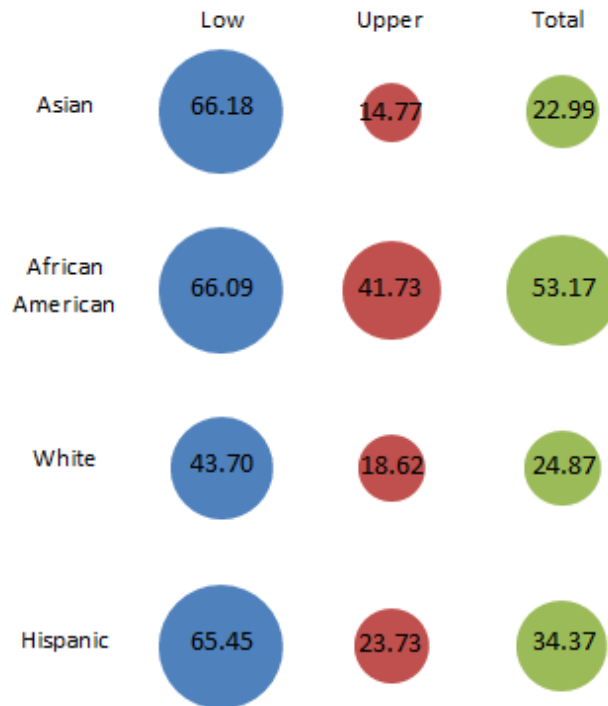
Figure 10. HP High Cost Rates of Lower and Upper-Income Individuals, Cincinnati, 2011.



## Denial Rates of Refinance Loans

Figure 11 shows low-income Asians were denied refinance loans at the highest rate (66.18%), followed closely by African American applicants at 66.09% and Hispanics at 65.45%. Upper-income African Americans were denied at the highest rate amongst racial and ethnic groups (41.73%) while upper-income Asians were denied at the lowest rate (14.77%).

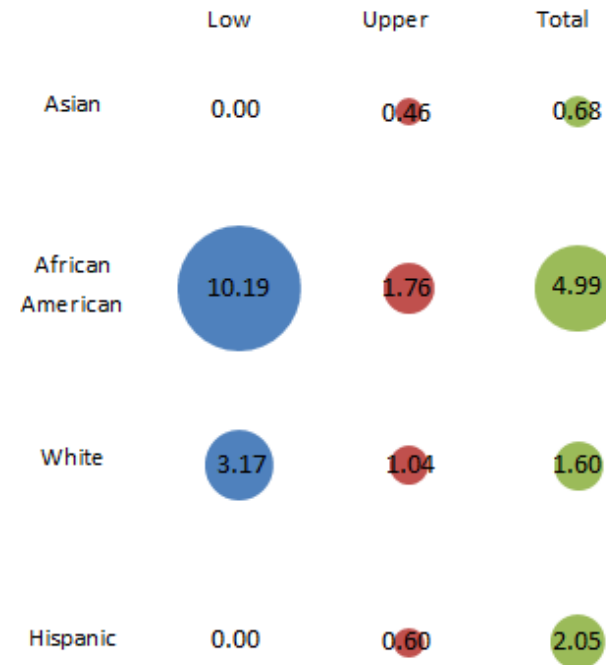
Figure 11. Refinance Denial Rates of Lower and Upper-Income Individuals, Cincinnati, 2011.



## Rates of High Cost Refinance Loans

Figure 12 shows that low-income African Americans were given high cost refinance loans 10.19% of the time compared to 3.17% for Whites. All upper income borrowers were given relatively few high costs loans, but African Americans were still given the highest rate of high cost refinance loans (1.76%) while Asians received the lowest (0.46%).

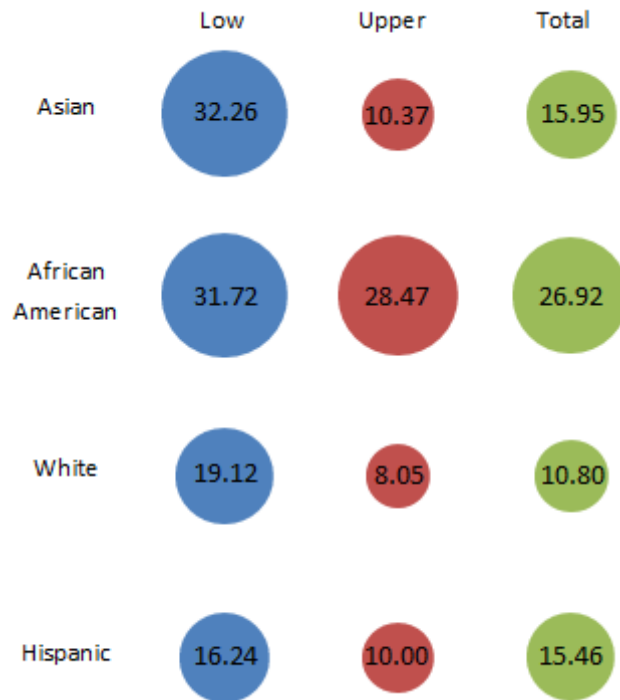
Figure 12. Refinance High Cost Rates of Lower and Upper-Income Individuals, Cincinnati, 2011.



## Denial Rates of Home Purchase Loans

Figure 13 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Cleveland. Low-income Asians were denied at the highest rate (32.26%) followed closely by African Americans (31.72%). Upper-income African Americans were denied at the highest rate (28.47%), a rate *even higher than low-income White borrowers* (19.12%).

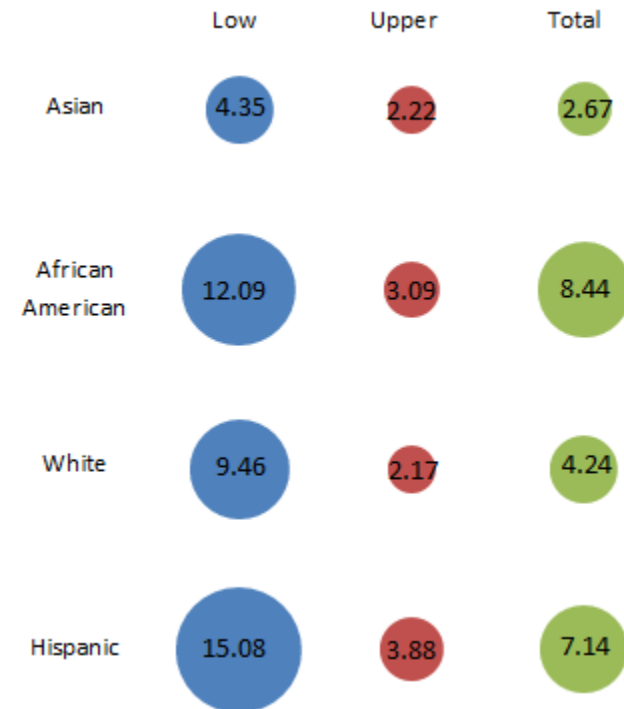
Figure 13. HP Denial Rates of Lower and Upper-Income Individuals, Cleveland, 2011.



## Rates of High Cost Home Purchase Loans

Figure 14 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. Hispanic applicants were given high cost home purchase loans at the highest rate (15.08%), slightly higher than African American borrowers (12.09%). In total, African Americans received the highest number of high cost loans at 8.44%, followed by Hispanics at 7.14%, Whites at 4.24%, and Asians at 2.67%.

Figure 14. HP High Cost Rates of Lower and Upper-Income Individuals, Cleveland, 2011.

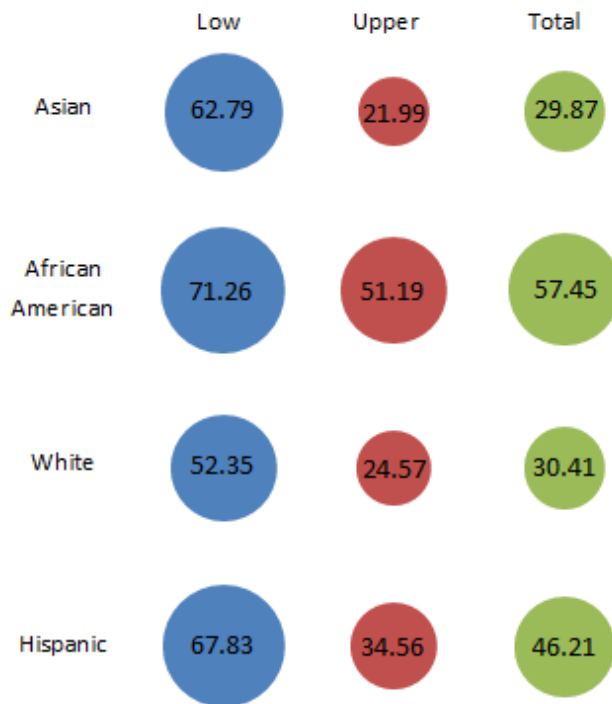




## Denial Rates of Refinance Loans

Figure 15 shows low-income African Americans were denied refinance loans at the highest rate (71.26%) followed by Hispanics (67.83%). Upper-income African Americans were also denied at the highest rate (51.19%) followed by 34.56% of Hispanic, 24.57% of Whites, and 21.99% of Asians. Notably, **upper-income African American applicants were denied at a rate just slightly below low-income Whites** (52.35%).

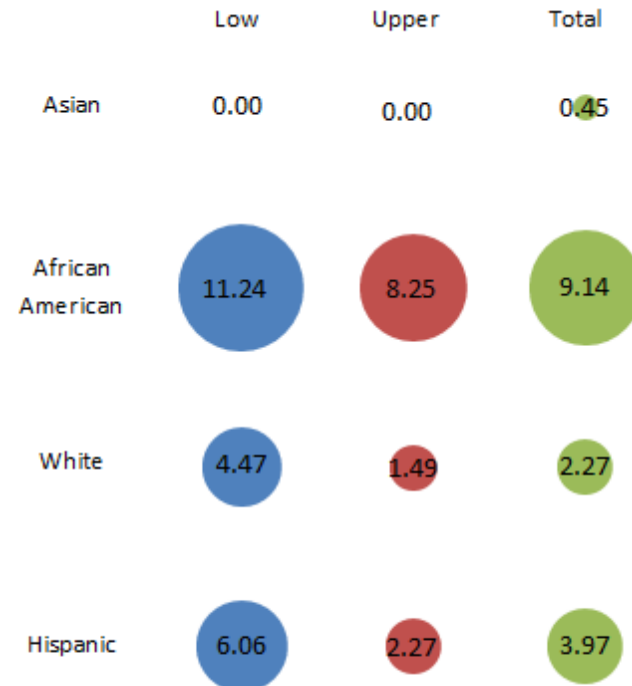
Figure 15. Refinance Denial Rates of Lower and Upper-Income Individuals, Cleveland, 2011.



## Rates of High Cost Refinance Loans

Figure 16 shows low-income African American borrowers were given high cost refinance loans at the highest rates of any race (11.24%). The same is true for upper-income borrowers, where African American individuals were given high cost refinance loans at 8.25% compared to 2.27% of Hispanics and 1.49% of Whites.

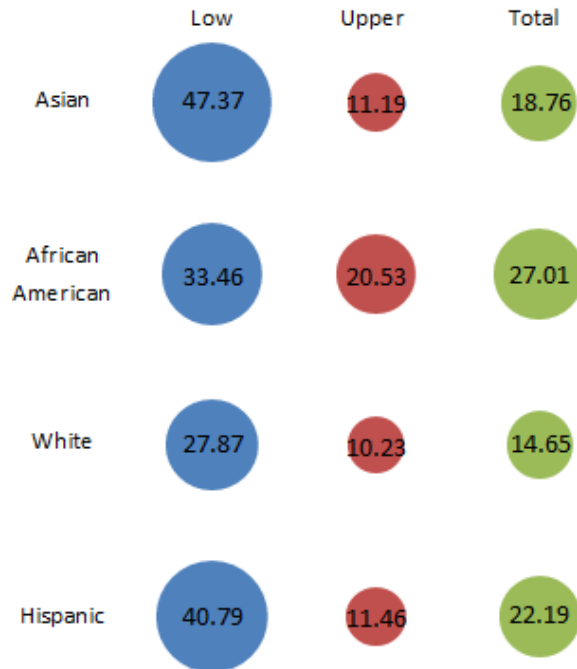
Figure 16. Refinance High Cost Rates of Lower and Upper-Income Individuals, Cleveland, 2011.



## Denial Rates of Home Purchase Loans

Figure 17 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Columbus. Low-income Asian applicants were denied at the highest rate (47.37% of applications were denied) while low-income White applicants were denied at the lowest rate (27.87%). Among upper-income individuals, African Americans experienced the highest rate of denial (20.53%) while upper-income Whites were denied the least (10.23%).

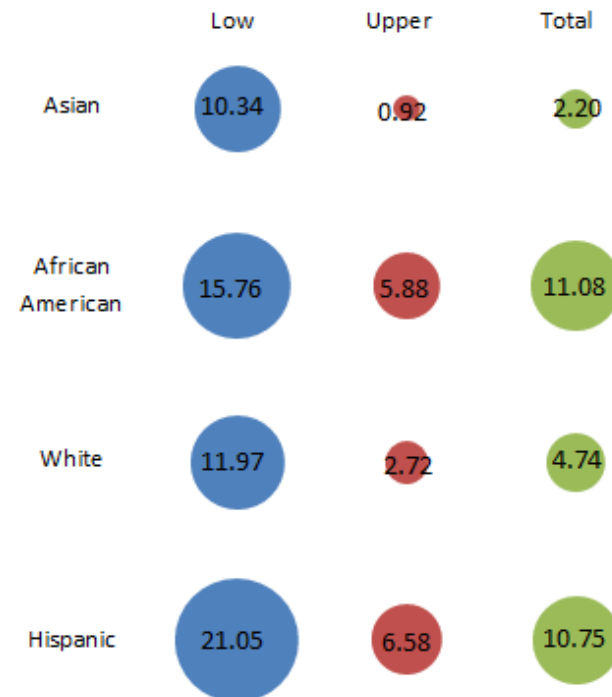
Figure 17. HP Denial Rates of Lower and Upper-Income Individuals, Columbus, 2011.



## Rates of High Cost Home Purchase Loans

Figure 18 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. Low-income Hispanics were given high cost loans at the highest rates (21.05%) in its category. Upper-income Hispanic borrowers were also given high cost loans at the highest rate (6.58%) followed by African Americans (5.88%).

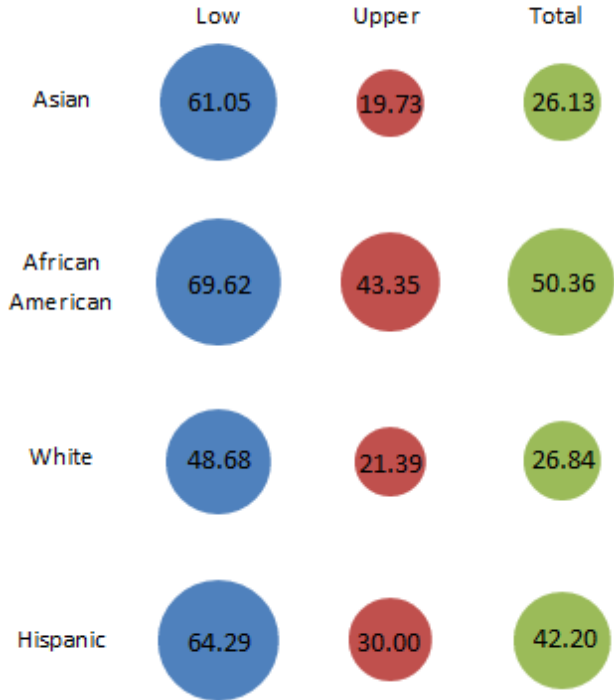
Figure 18. HP High Cost Rates of Lower and Upper-Income Individuals, Columbus, 2011.



### Denial Rates of Refinance Loans

Figure 19 shows low-income African Americans were denied refinance loans at the highest rate (69.62%) followed closely by Hispanics (64.29%) and Asians (61.05%). White applicants were denied significantly lower than minority races (48.68%). Upper-income African Americans were denied at the highest rate (43.35%) while upper-income Asians were denied at the lowest rate (19.73%) in its category.

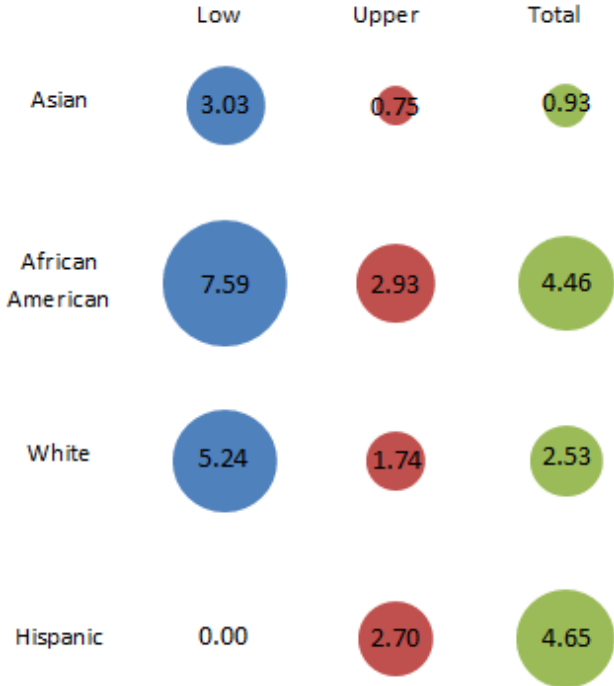
Figure 19. Refinance Denial Rates of Lower and Upper-Income Individuals, Columbus, 2011.



### Rates of High Cost Refinance Loans

Figure 20 shows African Americans were given high cost refinance loans at the highest rate among both low-income and upper-income borrowers (7.59% and 2.93%, respectively). However, in total Hispanic borrowers received high cost refinance loans 4.65% of the time, followed by African Americans (4.46%) and Whites (2.53%).<sup>10</sup>

Figure 20. Refinance High Cost Rates of Lower and Upper-Income Individuals, Columbus, 2011.

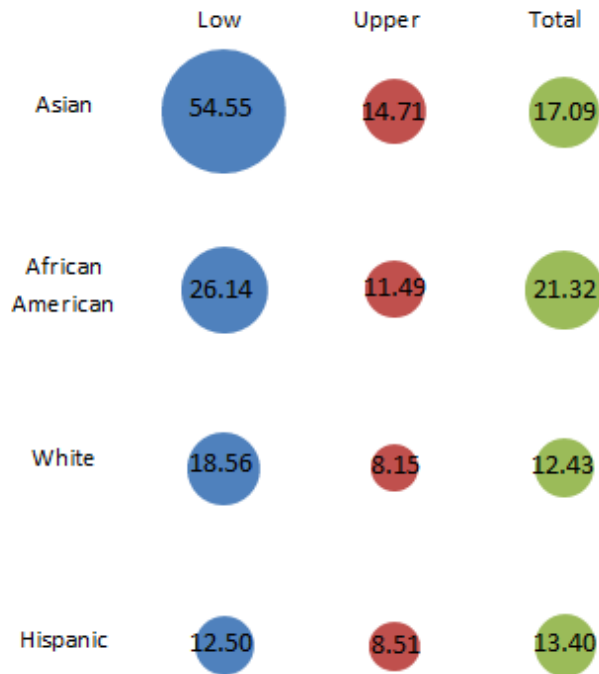


<sup>10</sup> This data shows a significant number of middle-income Hispanic applicants were given high cost refinance loans (8.44% of Hispanics with moderate income and 10.00% with middle income).

## Denial Rates of Home Purchase Loans

Figure 21 displays 2011 home purchase denial rates to lower and upper-income individuals sorted by race in Dayton. Low-income Asian applicants were denied at the highest rate (54.55%) while low-income Hispanic applicants were denied at the lowest rate (12.50%). Among upper-income individuals, Asians also had the highest rate of denial (14.71%) while upper-income Whites were denied the least (8.15%).

Figure 21. HP Denial Rates of Lower and Upper-Income Individuals, Dayton, 2011.



## Rates of High Cost Home Purchase Loans

Figure 22 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. African American low-income borrowers were given high cost loans 6.49% of the time while White borrowers were given high cost loans 2.83% of the time. The data reveals that upper-income Asians who were given home purchases loans were given high cost loans 100% of the time.<sup>11</sup>

Figure 22. HP High Cost Rates of Lower and Upper-Income Individuals, Dayton, 2011.

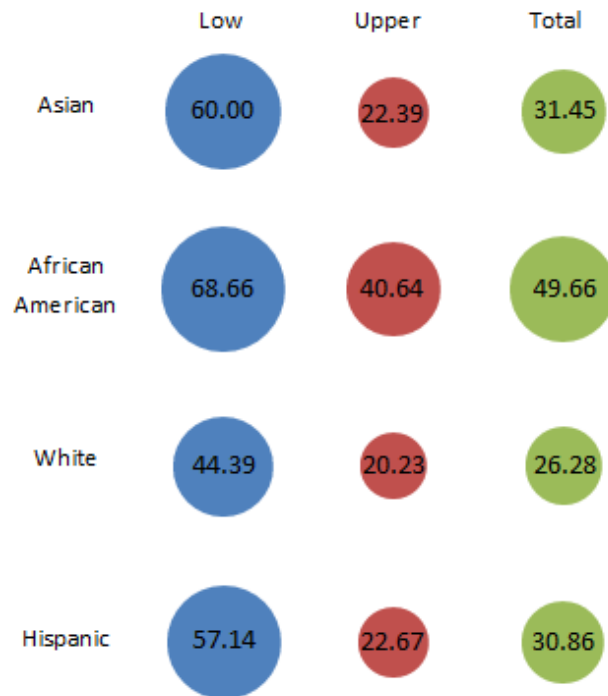


<sup>11</sup> Any conclusions from the data in Dayton are difficult to derive, because of its relative few number of borrowers.

## Denial Rates of Refinance Loans

Figure 23 shows low-income African Americans were denied refinance loans at the highest rate (68.66%) while low-income White applicants were denied 44.39% of the time. Upper-income African Americans were denied at the highest rate (40.64%), over twice as often as upper-income Whites (20.23%).

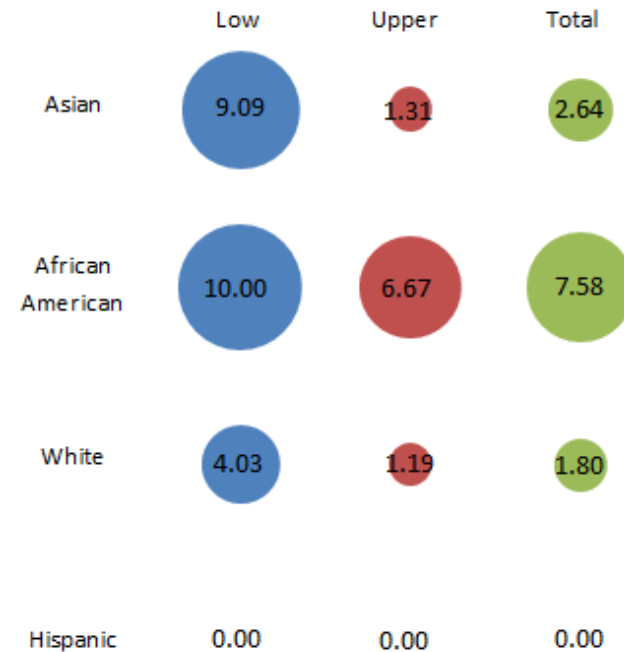
Figure 23. Refinance Denial Rates of Lower and Upper-Income Individuals, Dayton, 2011.



## Rates of High Cost Refinance Loans

Figure 24 shows that African American borrowers were given the highest rate of high cost loans among both low income and upper income borrowers (10.00% and 6.67%, respectively), followed by Asians (9.09% and 1.31%).

Figure 24. Refinance High Cost Rates of Lower and Upper-Income Individuals, Dayton, 2011.



## Denial Rates of Home Purchase Loans

Figure 25 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Toledo. Low-income Hispanic applicants were denied at the highest rate (43.33%), followed closely by Asians (42.86%). Amongst upper-income individuals, African Americans were denied loans the most (20.00%) while upper-income Hispanics were denied the least (7.89%).

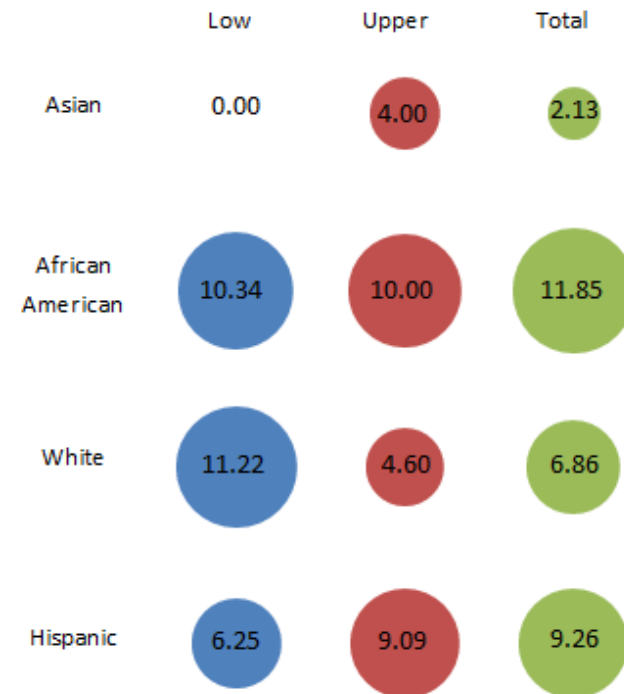
Figure 25. HP Denial Rates of Lower and Upper-Income Individuals, Toledo, 2011.



## Rates of High Cost Home Purchase Loans

Figure 26 shows 2011 rates of high cost home purchase loans to low-income and upper-income borrowers. White low-income borrowers were given high cost loans at the highest rates of any race (11.22%) followed by African Americans at 10.34% and Hispanics at 6.25%. Among upper-income applicants, African Americans were given high cost loans at the highest rate (10.00%) followed closely by Hispanic borrowers (9.09%).

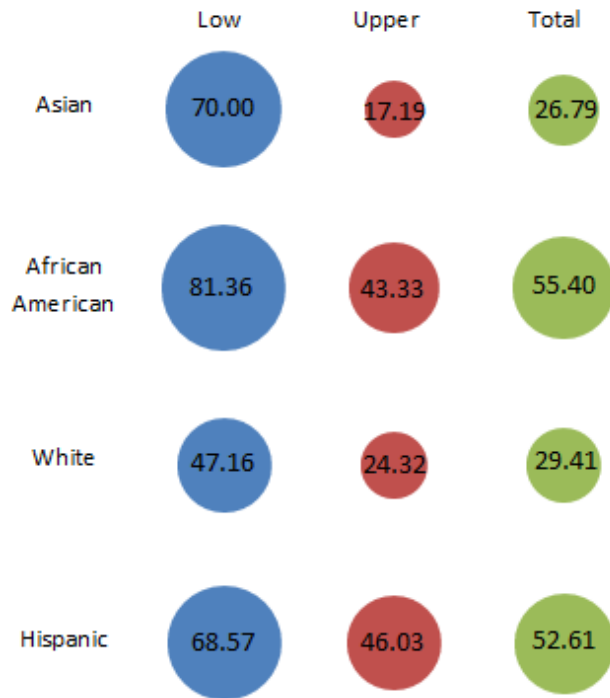
Figure 26. HP High Cost Rates of Lower and Upper-Income Individuals, Toledo, 2011.



## Denial Rates of Refinance Loans

Figure 27 shows low-income African Americans were denied refinance loans at the highest rate (81.36%), followed by Asians (70.00%), and Hispanics (68.57%). Low-income white applicants were denied at a rate significantly lower than minority groups (47.16%). Upper-income Hispanics were denied at the highest rate in the category (46.03%) while upper-income Asians were denied at the lowest rate (17.19%).

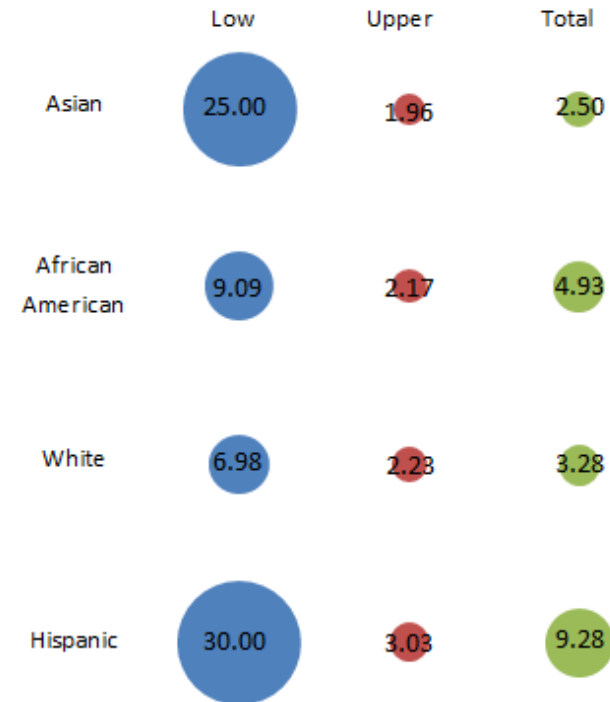
Figure 27. Refinance Denial Rates of Lower and Upper-Income Individuals, Toledo, 2011.



## Rates of High Cost Refinance Loans

Figure 28 shows low-income Hispanics received the highest number of high cost refinance loans (30.00%) followed by Asians (25.00%). Upper-income borrowers received high cost loans at similar rates. Overall, Hispanics were given high costs loans the most often at 9.28%.

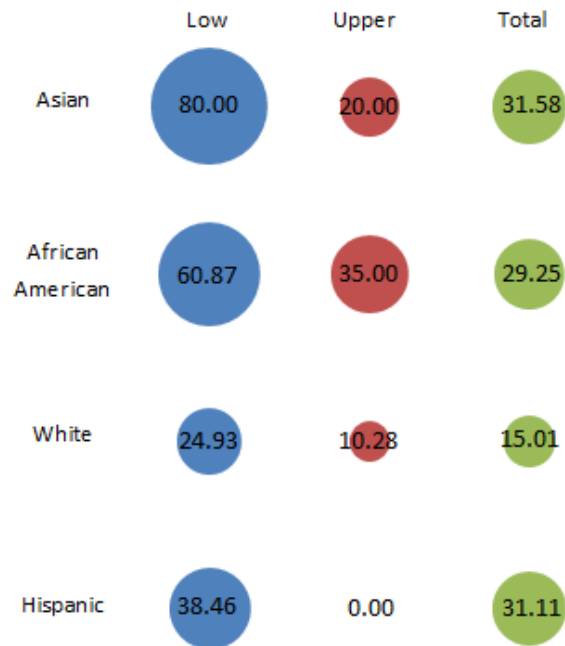
Figure 28. Refinance High Cost Rates of Lower and Upper-Income Individuals, Toledo, 2011.



## Denial Rates of Home Purchase Loans

Figure 29 displays 2011 home purchase loan denial rates of lower and upper-income individuals sorted by race in Youngstown. Low-income Asian applicants were denied at the highest rate (80.00% of applications were denied), and African American applicants followed behind at 60.87%. Among upper-income individuals, African Americans experienced the highest rate of denial (35.00%), followed by Asians (20.00%) and Whites (10.28%).

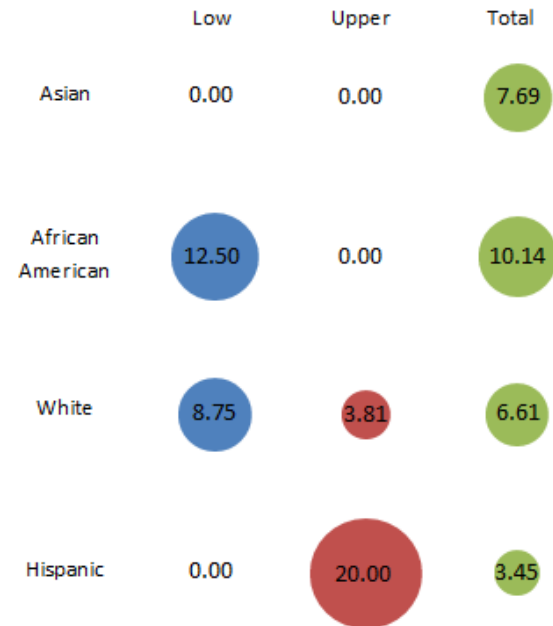
Figure 29. HP Denial Rates of Lower and Upper-Income Individuals, Youngstown, 2011.



## Rates of High Cost Home Purchase Loans

Figure 30 shows African American low-income borrowers were given high cost loans at the highest rates of any race (12.5%). Hispanic upper-income borrowers were given high cost loans at the highest rates (20.00%) in its category. In total, African Americans received the highest number of high cost home purchase loans (10.14%), followed by Asian applicants (7.69%).<sup>12</sup>

Figure 30. HP High Cost Rates of Lower and Upper-Income Individuals, Youngstown, 2011.



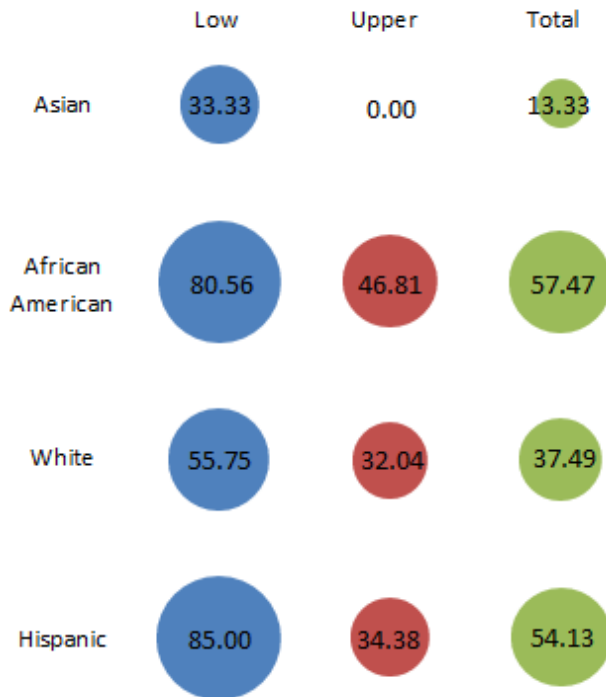
<sup>12</sup> Data shows that a relatively large number of middle-income Asians were given high cost loans.



## Denial Rates of Refinance Loans

Figure 31 shows low-income Hispanics were denied refinance loans at the highest rate (85.00%) followed closely by African American applicants (80.56%). Upper-income African Americans were denied at the highest rate (46.81%) followed by Hispanics (34.38%) and Whites at (32.04%).

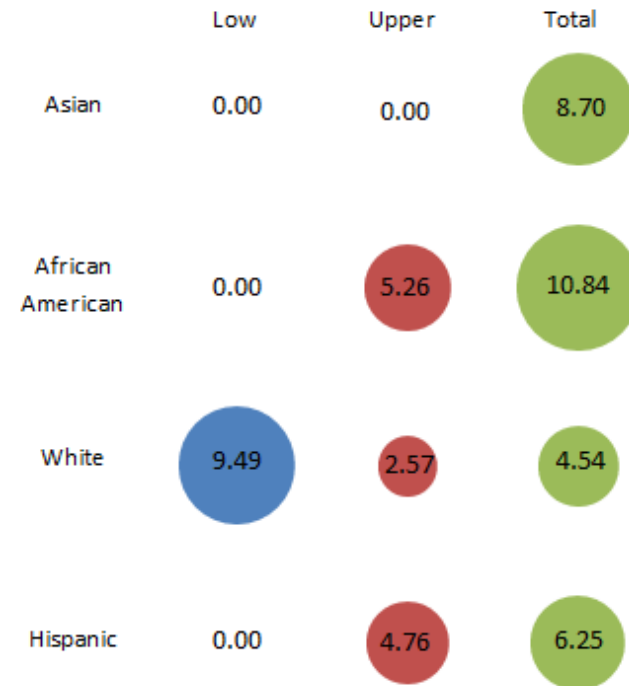
Figure 31. Refinance Denial Rates of Lower and Upper-Income Individuals, Youngstown, 2011.



## Rates of High Cost Refinance Loans

Figure 32 shows only low-income whites were given high cost refinance loans (9.49% of borrowers), however, this is likely because there were very few originations amongst other low-income groups in 2011. African American received high cost refinance loans at the highest rate among upper-income applicants (5.26%) and in total (10.84%).

Figure 32. Refinance High Cost Rates of Lower and Upper-Income Individuals, Youngstown, 2011.



## Appendix 1

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