

Black Homebuyers and Homeowners in Melrose are More Likely to Be Denied Mortgage Applications

Executive Summary:

In terms of buying a home in Melrose, Black homebuyers were 68% more likely to be denied a mortgage loan than white homebuyers.

In terms of owning a home in Melrose, Black homeowners were 176% more likely to be denied a home improvement loan, 147% more likely to be denied in refinancing their mortgage and 63% more likely to be denied cash-out mortgage refinancing.

Analysis:

Per the [Consumer Financial Protection Bureau website](#), “The Home Mortgage Disclosure Act (HMDA) requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgages. These data help show whether lenders are serving the housing needs of their communities; they give public officials information that helps them make decisions and policies; and they shed light on lending patterns that could be discriminatory. The public data are modified to protect applicant and borrower privacy.”

The act requires that financial institutions submit a quarterly report of the outcomes of loan applications, such as if the loan was denied, approved, or purchased (meaning that the mortgage loan was approved by the bank and then purchased by another bank within that quarter). The data reported include information about applicants and co-applicants, including race, ethnicity, gender and income. In 2017, the Consumer Financial Protection Bureau assumed oversight of HMDA reporting, and that year also marked the addition of new applicant information, such as age, credit score and fees paid. HMDA data from the years 2007-2021 are available to download.

In March 2022, WBUR analyzed HMDA data and found that [Black and Hispanic people are more likely to be denied mortgage loans in Boston](#). For Melrose, the HMDA data show a similar story of denial. Across 2007-2021,

Black applicants in Melrose were 68% more likely to be denied a mortgage loan than white applicants. The likelihood of denial extended to Black homeowners as well. Compared to white homeowners in Melrose, Black homeowners were 176% more likely to be denied a home improvement loan, 147% more likely to be denied in refinancing their mortgage and 63% more likely to be denied cash-out mortgage refinancing.

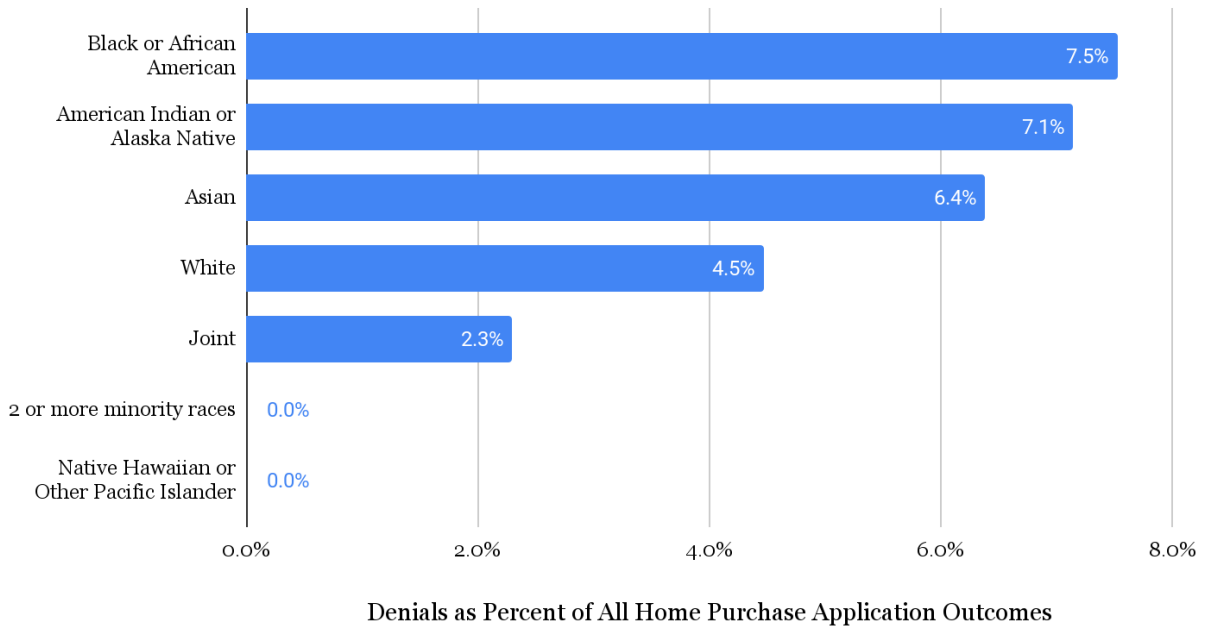
The table below shows the percent of applications that were denied among white applicants and Black applicants. The index is the percent of denials among Black applicants divided by percent of denials among white applicants. The index can be used to calculate likelihood of denial. An index of 100 would be “even odds,” meaning Black applicants would be equally as likely to be denied as white applicants. If the index is above 100, the difference when 100 is subtracted from the total provides the percent more likely. If the index is below 100, the difference of the index subtracted from 100 provides the percent as likely.

Loan Purpose	Denial as % of outcomes		Index, Black vs. white denial rates
	white applicants	Black applicants	
Home purchase	4.5%	7.5%	168
Home improvement	16.0%	44.0%	276
Refinancing	9.5%	23.5%	247
Other purposes	24.7%	50.0%	202
Cash-out refinancing	7.0%	11.4%	163

Loan Purpose: Home Purchase

The chart below shows the percent of home purchase loan applications that were denied by the race of the applicant. This is based on the derived race field in the HMDA data. The specific categorization is explained [here](#). Only 4.5% of applications from white applicants were denied, compared to 7.5% of Black applicants. The index is 168, meaning that Black applicants were 68% more likely to be denied than white applicants.

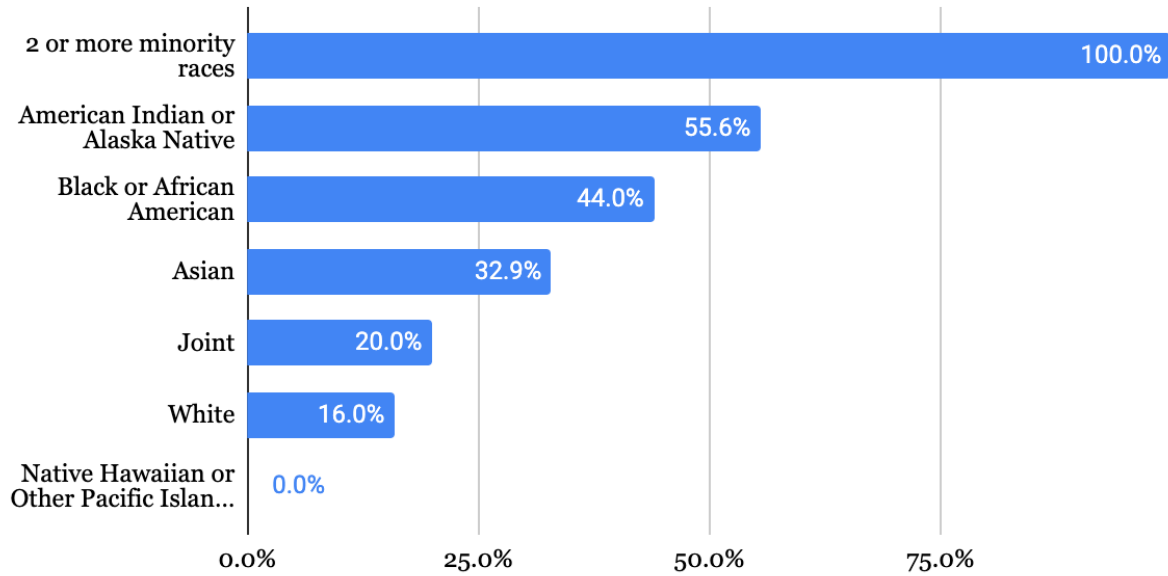
Percent of Home Purchase Applications Denials by Race



Loan Purpose: Home Improvement

Just under half of home improvement applications from Black applicants were denied (44%) compared to 16% among white applicants. This means Black applicants were 176% more likely to be denied than white applicants.

Percent of Home Improvement Denials by Race

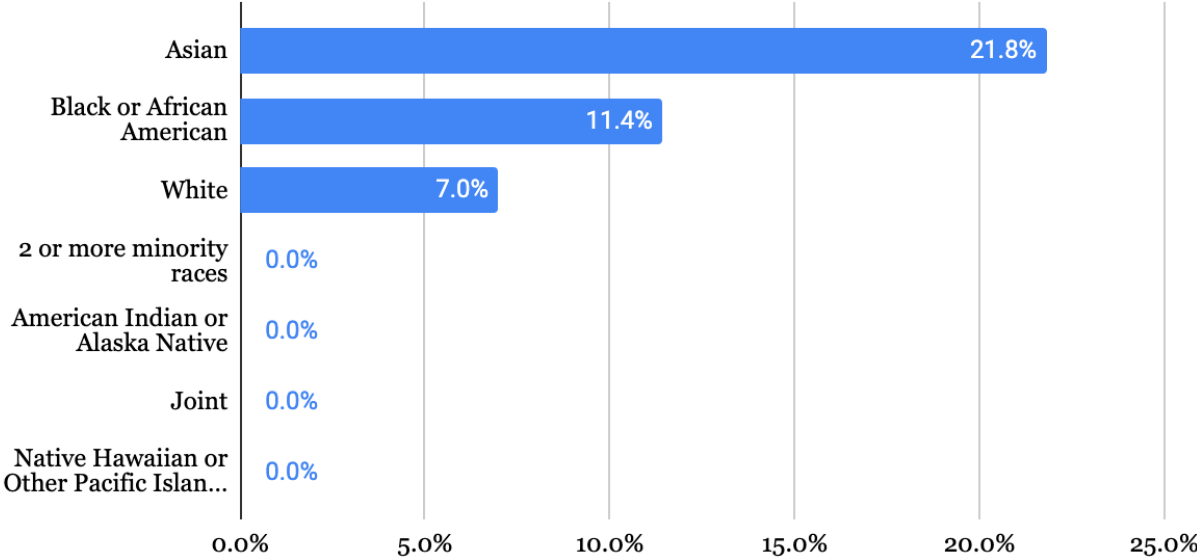


Denials as Percent of All Home Improvement Application Outcomes

Loan Purpose: Cash-Out Refinancing

For cash-out refinancing, 11.4% of Black applicants were denied compared to 7% for white applicants, meaning Black applicants were 63% more likely to be denied than white applicants.

Percent of Cash-Out Refinancing Denials by Race

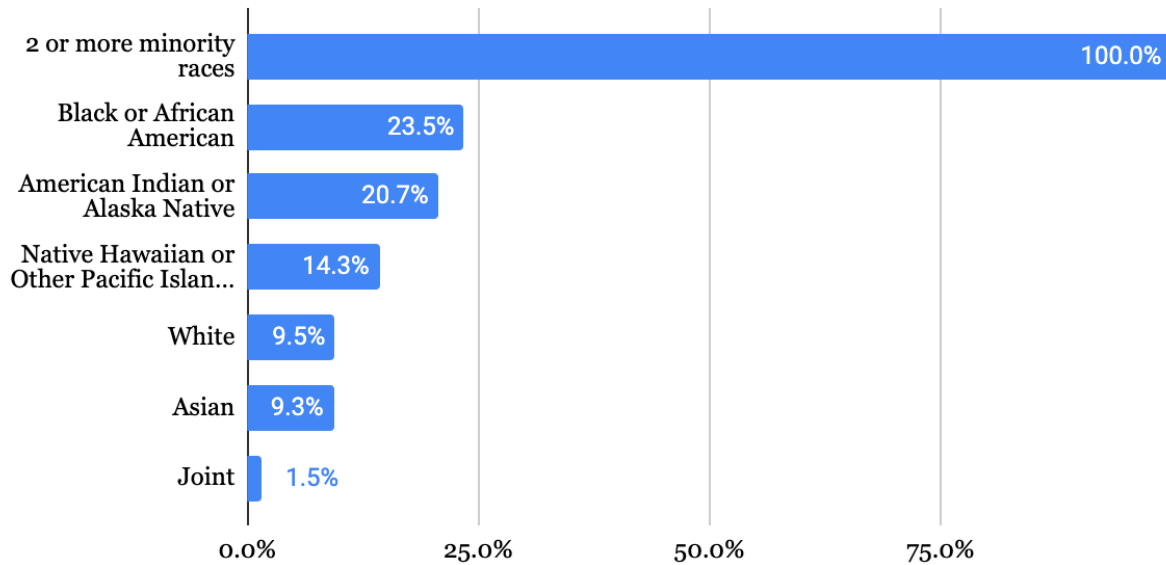


Denials as Percent of All Cash-Out Refinancing Application Outcomes

Loan Purpose: Refinancing

Just under a quarter of Black applicants had their refinancing applications denied (23.5%) compared to 9.5% of white applicants, meaning Black applicants were 147% more likely to be denied.

Percent of Refinancing Denials by Race

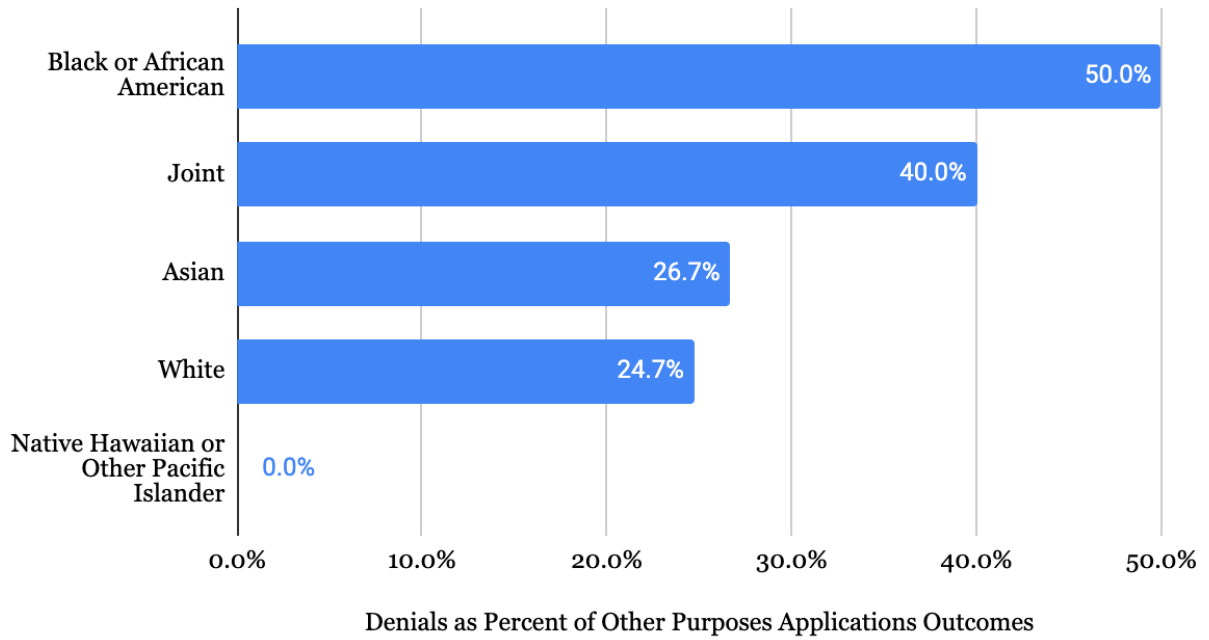


Denials as Percent of Refinancing Application Outcomes

Loan Purpose: Other Purposes

Half the loan applications for Other Purposes from Black applicants were denied, compared to a quarter of the white applicants.

Percent of Other Purposes Denials by Race



Acknowledgements:

This report is a product of Reparations for Melrose. Cory Allen analyzed the data and wrote the report. Thanks to Carolyn Cronin, David Valade, Grace Berte, Jane Allen and Jim Bennett for their edits and feedback.