



*Office of the New York State
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Racial Disparities in Homeownership

*How lending practices have prevented
New Yorkers of color from purchasing homes
and deepened wealth inequality*

October 31, 2023

Executive Summary

Homeownership is deeply tied to prosperity, wealth, and the American dream. But the credit needed to achieve homeownership remains out of reach for many people of color, resulting in significant and persistent racial disparities across New York state. An analysis of recent mortgage data by the Office of the New York State Attorney General (OAG) found racial disparities at every phase of the lending process for purchase mortgages: at the submission of loan applications; at the approval or denial of those applications; and, when applications were approved, in the type and pricing of the loan product. In loan applications for home refinancing, our analysis also identified similar racial disparities. Reflecting the real barriers to homeownership experienced by New Yorkers of color, these disparities remained even when controlling for various underwriting considerations, such as credit score and debt-to-income ratio. The disparities are most pronounced for individual Black and Latino borrowers, as well as for neighborhoods of color.

OAG found:

- People of color have lower rates of homeownership in New York
 - » Homeownership in the state is concentrated in white households and neighborhoods. White households are more than twice as likely to own their home as compared to Black or Latino households.
 - » Asian households are also less likely to own their own home as compared to white households.
 - » Lower homeownership rates for people of color are present in every single region in the state, showing the pervasive and systemic challenges to closing the homeownership gap.
- Black and Latino people are underrepresented among those who apply for purchase mortgages
 - » Lenders received disproportionately fewer applications for home purchase loans in 2021 from Black and Latino applicants: Statewide, 7.6% of purchase applications were from Black residents and 9.5% were from Latino residents, approximately half of each group's representation in the overall state population.
- People of color who apply for loans for purchase mortgages were more likely to be denied
 - » Applicants of color in New York are denied home purchase mortgages at higher rates than are white applicants.
 - » This is true even when controlling for credit score, income, size of loan, debt-to-income ratio, loan-to-value ratio, and year of application. When controlling for these factors, the probability of a Black or Asian applicant's purchase application being rejected in 2021 remained 43% higher than for a white applicant; Latino applicants were 33% more likely to be rejected than a white applicant.

- When borrowers of color are approved for purchase mortgage loans, they are charged more interest, costs, and fees
 - » Black and Latino borrowers received more-expensive loans as compared to white and Asian borrowers. On average, Black and Latino borrowers were charged over \$4,200 more in interest-rate payments over the course of the loans and an additional \$900 in other costs and fees.¹ Looking at purchase loans originating between 2018 and 2021, across all loans with terms of 30, 25, 20, 15, or 10 years, Black and Latino borrowers faced an estimated \$200 million more in interest and other costs and fees over the course of their loans as compared to white and Asian borrowers.
 - » Asian borrowers were more likely than white borrowers to have higher average costs and fees across loan types.
- Racial disparities also exist for refinancing
 - » Applicants of color have a 21% greater probability of having their refinancing loan applications denied compared to white applicants with the same application characteristics.
 - » Refinancing with historically low interest rates during the height of the COVID-19 pandemic was unequal, with 16,000 fewer applications from neighborhoods of color as compared to white neighborhoods. This resulted in a loss of an estimated \$44 million in annualized savings for neighborhoods of color across the state.
- A deep legacy of racism and disadvantage has harmed neighborhoods of color, and non-depository lenders have not solved the problem
 - » These disparities exist not only between individual applicants and borrowers of different races, but are also present across neighborhoods: Black and Latino neighborhoods have fewer applications, higher rates of denial, and costlier loans.
 - » New private-sector, non-depository lenders have not solved these challenges. They show similar disparities in rates of applications and denials, as well as costlier fees.

These disparities are not new. They are both persistent and rooted in historic discrimination. Public policy has thus far failed to address these issues; in fact, public policy has at times created or exacerbated them. Moreover, while discrimination by individual lenders explains some of these disparities, the problems reflect systemic failures that will require structural reforms. OAG therefore recommends the following policies to provide robust support for first-generation homeowners, access to affordable credit opportunities, and lending that serves all New York communities.

¹“Other costs and fees” refers to all other costs owed to the lender, including closing costs and points. See definitions in Appendix B for more detail.

These disparities confirm that a multi-pronged approach is needed to shrink the racial wealth gap. New York should:

- » **Subsidize** down-payment support and interest rates for first-generation homeowners to address generations of policy that have led to significant racial disparities in New Yorkers' ability to purchase a home.
- » **Fund** Community Development Financial Institutions that actively deliver responsible, affordable lending to low-income and historically excluded communities.
- » **Pass** public banking legislation to permit local public banking, which can reinvest money locally and support financial entities that in turn provide housing loans and support the construction of affordable housing.
- » **Strengthen** New York's resources and tools to address discriminatory lending practices.
- » **Support** initiatives to explore forms of retail banking at public institutions that would ensure all New Yorkers access to basic local banking services, so they can build credit for mortgage lenders.

While this report focuses on mortgage lending, addressing the effects of discrimination will require public-policy solutions that stretch beyond the availability and affordability of credit. Discrimination in mortgage loans and homeownership is correlated with disparities in educational opportunities, income, healthcare, support for small businesses, and infrastructure investments, among other things. While those public-policy areas are beyond the scope of this report, fully addressing the harms of past discrimination will require significant investments in those areas as well.

Introduction

Homeownership has become a primary source of wealth in our nation.² For many Americans, a home is the most valuable asset they own. While public policy should help make homeownership equally available to members of all races, it has all too often done the opposite. For decades, public policy has often helped cement institutional bias in the lending industry. It has segregated access to intergenerational wealth, driving unacceptable levels of racial inequality. In the 1930s, the practice of refusing loans to people in certain neighborhoods (“redlining,” explained further below) barred Black Americans from wealth creation while giving white Americans a boost.³ Racially restrictive covenants existed as another means to exclude minorities from certain neighborhoods.⁴

This segregation, solidified by redlining and other discriminatory practices, long outlasted the policies that created it. During the subprime lending boom that preceded the 2008 financial crisis, lenders filled communities of color with predatory loan products. During the rampant waves of foreclosures that followed, many Black Americans lost their homes and a significant portion of their wealth and capital. America’s response to the financial crisis was nearly two decades of historically low interest rates. This in turn made it easier for those with access to capital to obtain low-cost financing, allowing them to purchase homes with miniscule interest rates. Those who survived the foreclosure crisis with their credit and capital intact were able to refinance and dramatically decrease their mortgage bills. During the COVID-19 pandemic, many also had ample opportunities to invest in property. These publicly created opportunities were accessible only to those who already had wealth and capital. This group disproportionately consisted of white Americans. The net result was a further increase in the disparity between white homeowners and homeowners of color, and a lock in gains at a time when housing values soared.

² Kuo, F. Y. (2021, February 16). *Homeownership remains primary driver of household wealth*. National Association of Home Builders. <https://www.nahb.org/blog/2021/02/homeownership-remains-primary-driver-of-household-wealth>

³ Aaronson, D., Hartley, D., Mazumder, B. (2021). The Effects of the 1930s HOLC “Redlining” Maps. *American Economic Journal: Economic Policy*, 13 (4): 355-92. <https://doi.org/10.1257/pol.20190414>

⁴ Thompson, C. W., Kim, C., Moore, N., Popescu, R., & Ruff, C. (2021, November 17). *Racial covenants, a relic of the past, are still on the books across the country* [radio broadcast episode]. NPR. <https://www.npr.org/2021/11/17/1049052531/racial-covenants-housing-discrimination>

In the absence of any systemic attempt to remediate previous discrimination, the racial wealth gap grew larger. Today, white households in New York are more than twice as likely to own their home as compared to Black or Latino households.⁵ Black New Yorkers at all income levels are also more likely to be denied access to mortgage credit than are their white counterparts.⁶ These racial disparities “reflect generations of exploitative practices that have had a lasting impact on wealth and creditworthiness.”⁷

Our existing policy solutions have not effectively addressed the root causes of homeownership disparities and the significant structural barriers faced by Black and Latino families in fulfilling the American dream of homeownership. Nationwide, Black homeownership was among the lowest of any racial or ethnic group and, according to one analysis, “the Black homeownership rate in 2019 had descended to nearly as low as it was when racial discrimination in housing was legal.”⁸ We can do better to ensure that all New Yorkers have access to homeownership. We have the opportunity and responsibility to redress some of these racist harms and start to build a more equitable policy toward housing and wealth. We must proactively provide access to credit to communities that have been locked out of homeownership and wealth creation throughout the history of our country. We can begin by supporting new paths toward homeownership today.

This report explores the structural barriers that restrict borrowers of color at multiple places along the path to homeownership, and afterward. The report looks at racial disparities across the state in several key areas: overall rates of homeownership, the submission of loan applications for home purchases, the likelihood of those applications being denied, the types of loan products and terms, and refinancing opportunities. And the report considers how individual borrowers experience these disparities; how these disparities predominantly affect neighborhoods of color; and how, with only slight variations across markets, they exist across all regions of New York.

This report is not exhaustive. While it focuses on several aspects of the lending process that affect equitable access to home mortgage loans for borrowers of color, it does not explore all of the contributing factors, such

⁵ See Figure 2 (67% for white households as compared to 32% for Black households and 27% for Latino households).

⁶ Reynolds, L., Hyun Choi, J., & Perry, V. G. (2022, April 22). *How people-based special purpose credit programs can reduce the racial homeownership gap*. Urban Institute. <https://www.urban.org/urban-wire/how-people-based-special-purpose-credit-programs-can-reduce-racial-homeownership-gap>

⁷ Reynolds, L., Choi, J. H., & Perry, V. G. (2022, April 22). *How people-based special purpose credit programs can reduce the racial homeownership gap*. Urban Institute. <https://www.urban.org/urban-wire/how-people-based-special-purpose-credit-programs-can-reduce-racial-homeownership-gap>

⁸ Asante-Muhammad, D., Buell, J., & Devine, J. (2021, October 13). 60% black homeownership: A radical goal for Black wealth development. *National Community Reinvestment Coalition*. <https://ncrc.org/60-black-homeownership-a-radical-goal-for-black-wealth-development>

as predatory lending, steering practices, and appraisal bias. This report does not fully address other harmful practices that keep people of color out of homes, such as exclusionary zoning. While these issues are beyond the scope of this report, they are important and justify further analysis and reform.⁹

Closing the racial wealth gap and providing a path to security and stability for all New Yorkers is one of the great moral issues of our time. Having participated in putting up so many barriers, New York state government has a responsibility to act now to tear them down. With these proactive policies, we can begin to remedy decades of wealth inequality, working to create a more just and vibrant New York state community.

Why homeownership matters for racial equality

Homeownership has long been a symbol of economic stability in the United States and a crucial part of the American dream. In a nationwide survey conducted in March 2022, nearly three-quarters of respondents listed homeownership as the defining feature of the American Dream, over having a successful career, earning a college degree, owning a car, having children, or being able to retire.¹⁰

In addition to its symbolic importance, homeownership continues to be a key component of individual and familial wealth,¹¹ and a fundamental asset for growing additional wealth. Homeownership comprises a common — and in some cases, significant — source of the wealth held by American families.¹² Owning a home provides

⁹ Although this report is focused on lending, solutions that promote fair access to mortgage credit must go hand in hand with reforms to our nation's housing markets. Public investments in affordable housing and other policies that combat segregation and promote affordable development are necessary for many first-generation and first-time homeowners to find a home within their financial reach. See, e.g., Mironova, O., Stein, S., Hornbach, C., & Udell, J. (2022, November). *Pathways to social housing in New York: 20 policies to shift from private profit to public good*. Community Service Society. <https://www.cssny.org/publications/entry/pathways-social-housing-new-york-20-policies-private-profit-public-good>. We must also examine the factors that have led to soaring rental costs, including multi-family lending practices, that further segregate communities of color and entrench economic inequality. See, e.g., Association for Neighborhood & Housing Development. (2017, August 15). *How to Not End Up on the Public Advocate's "The Money Behind the Worst Landlords" List*. <https://anhd.org/blog/how-not-end-public-advocates-money-behind-worst-landlords-list>

¹⁰ Ostrowski, J. (2023, April 19). *73% of aspiring homeowners cite affordability as their primary obstacle*. Bankrate. <https://www.bankrate.com/mortgages/homeownership-remains-centerpiece-of-american-dream/>

¹¹ Shapiro, T., Meschede, T., & Osoro, S. (2020, February). *The roots of the widening wealth gap: Explaining the Black-white economic divide*. Institute on Assets and Social Policy. <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>; Schuetz, J. (2020, December 9). *Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap*. Brookings. <https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap>

¹² Shapiro, T., Meschede, T., & Osoro, S. (2020, February). *The roots of the widening wealth gap: Explaining the Black-white economic divide*. Institute on Assets and Social Policy. <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>. Schuetz, J. (2020, December 9). *Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap*. Brookings. <https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap>. *Closing the gaps: Building Black wealth through homeownership*. Urban Institute. https://www.urban.org/sites/default/files/publication/103267/closing-the-gaps-building-black-wealth-through-homeownership_1.pdf

borrowers with an asset that can accumulate wealth. Homeownership can provide financial flexibility to not only withstand financial emergencies, but also support opportunities for economic growth, like providing for children's higher education. In addition, children of homeowners are more likely to receive financial support from parents and information about the homebuying process.¹³ Through these and other mechanisms, homeownership and wealth can reinforce each other and can also be transferred down to future generations within a family.¹⁴

Given the close relationship between housing and wealth, the persistence of a racial homeownership gap contributes to a larger racial wealth gap. In 2019, white families in the United States had a median wealth of \$188,200, while Latino families had a median wealth of \$36,100, and Black families had a median wealth of \$24,100.¹⁵ The wealth gap is even larger in households with children, where, according to a 2016 study, Black households hold approximately one cent for every dollar held by white households.¹⁶ Furthermore, homeownership disparities have only slightly decreased since the COVID-19 pandemic.¹⁷

¹³ McCargo, A. & Choi, J. H. (2020, December). *Closing the gaps: Building Black wealth through homeownership*. Urban Institute. https://www.urban.org/sites/default/files/publication/103267/closing-the-gaps-building-black-wealth-through-homeownership_1.pdf

¹⁴ See, e.g., Choi, J. H., Zhu, J., & Goodman, L. (2018, October). *Intergenerational homeownership: The impact of parental homeownership and wealth on young adults' tenure choices*. Urban Institute. https://www.urban.org/sites/default/files/publication/99251/intergenerational_homeownership_0.pdf

¹⁵ See Bhutta, N., Chang, A. C., Dettling, L. J., & Hsu, J. W. (2020). *Disparities in wealth by race and ethnicity in the 2019 survey of consumer finances*. The Federal Reserve. <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html>

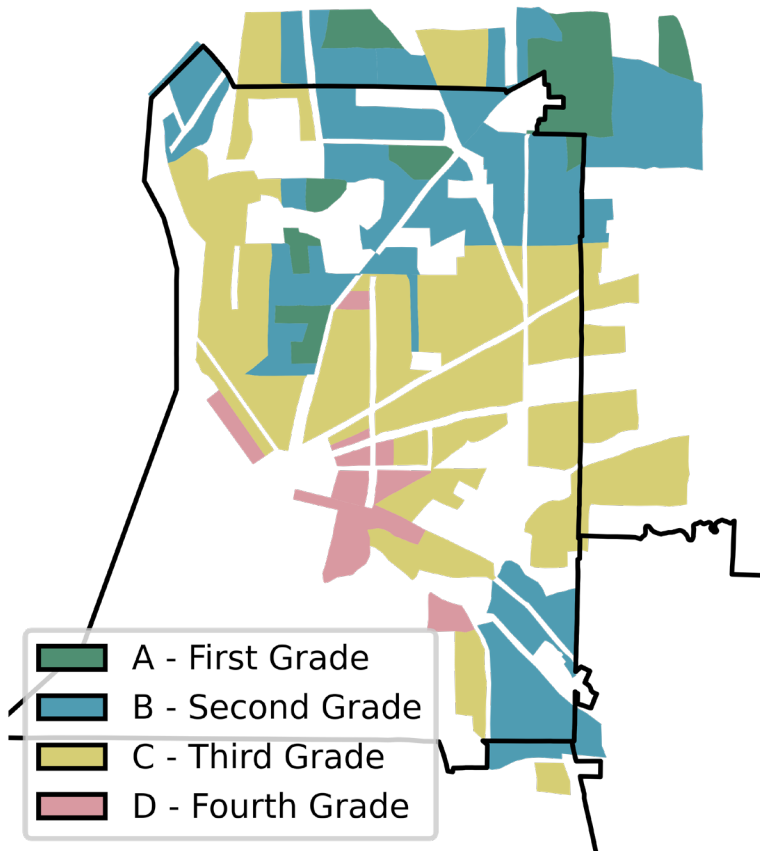
¹⁶ Percheski, C. & Gibson-Davis, C. (2020). A Penny on the dollar: Racial inequalities in wealth among households with children. *Socius*, 6. <https://doi.org/10.1177/2378023120916616>

¹⁷ Choi, J. H. & Zinn, A. (2022, October 7). *New data show Black and Latino homeownership rates increased during the pandemic*. Urban Institute. <https://www.urban.org/urban-wire/new-data-show-black-and-latino-homeownership-rates-increased-during-pandemic>. It is important to note that, as research indicates, homeownership comes with its own risks and is not a panacea for closing the racial wealth gap. See, e.g., Schuetz, J. (2020, December 9). *Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap*. Brookings. <https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap/> (noting risks of homeownership and proposing policies in addition to increased homeownership to address the racial wealth gap). During the Great Recession, for example, low-income homeowners and homeowners of color saw much of their wealth destroyed by high-risk and predatory loan products. Black households lost half of their collective wealth, and Latino households lost two thirds. Shapiro, T., Meschede, T., & Osoro, S. (2020, February). *The roots of the widening wealth gap: Explaining the Black-white economic divide*. Institute on Assets and Social Policy. <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>. Nevertheless, there remains strong evidence that addressing racial homeownership disparities can play a major role in building wealth and reducing racial inequality.

A history of public and private discrimination

The stark disparities revealed in this report are the direct result of a history of racism. Discrimination in housing and homeownership have defined our neighborhoods in New York and around the country for generations.

Figure 1: Buffalo



Historical Redlining Map²⁰

After the Depression of the 1930s, discrimination in homeownership was cemented in federal policy with the advent of the Home Owners' Loan Corporation (HOLC). HOLC was a government-sponsored corporation created to assist homeowners who were on the verge of foreclosure. In fulfilling that mandate, however, HOLC canvassed neighborhoods in 239 cities, including New York City, Albany, Rochester, Syracuse, Buffalo, and several smaller cities in New York, and created color-coded maps for lenders.¹⁸ Green-colored neighborhoods were treated as low risk and desirable. Other colors indicated that neighborhoods were “high risk,” frequently due to “threat of infiltration of foreign-born, negro, or lower-grade population.”¹⁹ Lenders were encouraged to lend to buyers of homes in the desirable neighborhoods, where residents then got advantageous loans.

The phrase “redlining” comes from these maps, because red-colored areas indicated that foreign-born or Black people lived there or nearby, warning lenders that these communities made the properties too risky for mortgages.

¹⁸ University of Richmond & Digital Scholarship Lab. (n.d.). *Mapping inequality: Redlining in New Deal America*. American Panorama. <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>

¹⁹ Hoover, K. (2019), Mapping the legacy of redlining. *Crit*, 84.

²⁰ University of Richmond & Digital Scholarship Lab. (n.d.). *Mapping inequality: Redlining in New Deal America*. American Panorama. <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>

Shortly thereafter, the Federal Housing Administration (FHA) was created. FHA, like HOLC, had an openly pro-segregation policy; its goal was to support lower-middle-class and middle-class white families.²¹ FHA officials told appraisers to downgrade areas where there was racial mixing, and that “infiltration of inharmonious racial or nationality groups” would count against a rating.²² FHA encouraged physical separation between races by artificial and natural barriers, such as highways.²³ The agency rated neighborhoods by racial quality, would not sell to Black people in “good” neighborhoods, and refused to insure mortgages in or around Black neighborhoods.²⁴ The claims of risk were not backed by facts. In a similar way, Black homeowners with good credit ratings were systematically refused loans. FHA and the lending industry justified these discriminatory practices on intrinsic racial stereotypes and an embrace of segregation as stability. The Federal Housing Underwriting Manual of 1935 stated, “If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial groups.”²⁵ The Manual warned against “infiltration of inharmonious racial or nationality groups,” and stated that “all mortgages on properties protected against [such] unfavorable influences, to the extent such protection is possible, will obtain a high rating.”²⁶

After the Supreme Court struck down race-based zoning laws, private entities stepped into the void to create private zoning agreements. A survey of 300 developments built between 1935 and 1947 in Queens, Nassau, and Westchester Counties found that 56% had racially restrictive covenants; 85% of the larger subdivisions had them.²⁷ These covenants were defended by universities, churches, and other institutions.²⁸ For instance, they were part of properties sold in Meadowbrook, the Kodak employee community in a Rochester suburb.²⁹

²¹ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²² Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²³ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²⁴ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²⁵ Federal Housing Authority. (1938). *Underwriting and valuation procedure under Title III of the National Housing Act*. <https://www.huduser.gov/portal/sites/default/files/pdf/Federal-Housing-Administration-Underwriting-Manual.pdf>

²⁶ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²⁷ Dean, J. P. (1947). Only Caucasian: A study of race covenants. *The Journal of Land & Public Utility Economics*, 23(4), 428-432. <https://doi.org/10.2307/3158842>

²⁸ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

²⁹ City Roots & Yale Environmental Protection Clinic. (2020). *Confronting racial covenants: How they segregated Monroe County and what to do about them*. https://law.yale.edu/sites/default/files/area/clinic/document/2020.7.31_-_confronting_racial_covenants_-_yale.city_roots_guide.pdf

The post-World War II civil rights movement built on the work of earlier civil rights leaders to right some of these entrenched wrongs. The movement's achievements included passage of the Fair Housing Act of 1968, which banned racial discrimination in housing; the Equal Credit Opportunity Act of 1974, which outlawed racial discrimination in mortgage lending; and the Community Reinvestment Act of 1977, which banned redlining. However, all of these laws suffered from significant underenforcement. In reality, municipalities that wanted to continue to pursue policies of segregation could do so. Moreover, the laws failed to do anything to affirmatively remedy the accumulated harm from decades of discrimination.

Forty years of redlining and disinvestment in urban centers led to uninhabitable homes.³⁰ That was followed by "urban renewal programs" that destroyed neighborhoods, and then by a voucher model in the late 1980s. The extreme racial inequality was not only left unaddressed; it was often exacerbated by these policies.

During the early 2000s, predatory lending soared, and Black Americans were among the most harmed. Subprime lenders targeted Black Americans of all income levels. Mainstream financial institutions, which had previously ignored these neighborhoods, now flooded them with high-cost, predatory mortgage products. These institutions claimed to be increasing access to credit, but the products often stripped Black homeowners of equity or trapped them in high-cost mortgages that would ultimately cause more harm than good. Higher-income Black Americans were three times as likely as higher-income whites to be victims of subprime loans.³¹ In Buffalo, 75% of all refinance loans to Black borrowers were subprime.³² When the housing bubble collapsed, Black homeowners were left holding the bag. Their wealth was destroyed.

³⁰ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

³¹ Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

³² Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright.

Methodology

OAG used several data sources to analyze disparities in homeownership and access to mortgage credit. We used census data for general homeownership rates, neighborhood demographics, number of homeowners in neighborhoods, and refinancing utilization. We also drew from data collected in accordance with the Home Mortgage Disclosure Act (HMDA). This included both public data, as well as non-public credit scores from institutions regulated by the Consumer Financial Protection Bureau (CFPB), the Department of Housing and Urban Development (HUD), and the National Credit Union Administration (NCUA). In addition, we used Federal Deposit Insurance Corporation (FDIC) data for bank-branch locations.

For our analysis, we looked at each step of the home-loan process to identify where disparities occur for applicants of color. Throughout the report, we focused on differences in outcomes for applicants and borrowers. For applicants who were denied a loan, we controlled for several underwriting factors to determine if there was a statistically significant difference between applicants of color and white applicants with similar characteristics. When calculating the added cost borne by borrowers of color for home loans, we removed outliers by limiting our analysis to loans that fell within the middle of the range of values for each loan type (i.e., limited to loans within the second and third quartiles) but did not otherwise control for these factors.

This report defines applicants, borrowers, households, and neighborhoods of color as follows:

- » Applicants – anyone who applied for a loan and was either accepted or denied (action taken codes 1, 2, and 3 in HMDA data). An applicant of color in this report refers to an applicant who is not a non-Hispanic white person, or a couple that includes one person who is not a non-Hispanic white person.
- » Borrowers – any applicant with a loan that was originated (action taken code 1), meaning that a borrower applied for a loan and the lender approved their application. A borrower of color in this report refers to a borrower who is not a non-Hispanic white person, or a couple that includes one person who is not a non-Hispanic white person.
- » Neighborhoods – census tracts, which are commonly used geographic areas monitored by the U.S. Census Bureau. A neighborhood of color refers to a neighborhood that is less than 50% white non-Hispanic.
- » Households – a POC household (or household of color) refers to a household where the race of the householder is not non-Hispanic white. A householder is defined by the Census Bureau as “the person, or one of the people, in whose name the home is owned, being bought, or rented.”³³

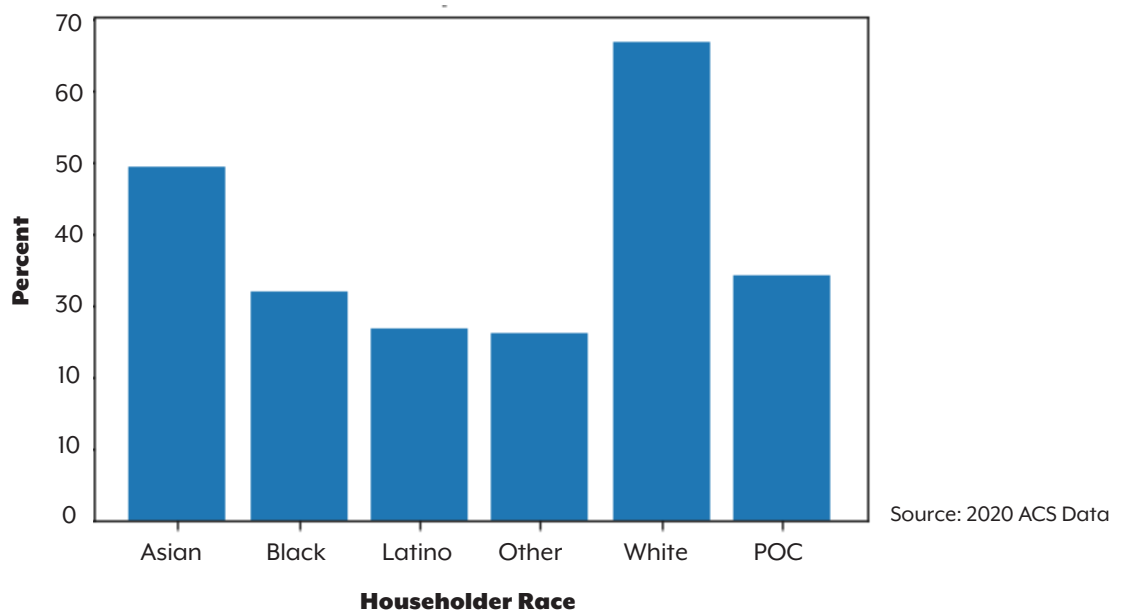
While homeownership disparities exist across all applicants and borrowers of color as compared to white applicants and borrowers, the disparities differ in type and severity. This report aims to illuminate where disparities exist across all communities of color, while also directly speaking to the largest gaps in homeownership and home loan access and experience. This is why our report sometimes compares communities of color to white communities. At other times, we focus on Black and Latino applicants and borrowers specifically, where we observed different or especially severe disparities when compared to white applicants and borrowers.

³³ United States Census Bureau. (n.d.). Householder. In *Glossary*. Retrieved August 22, 2023, from <https://www.census.gov/glossary/?term=Householder>

Present-day statewide disparities resulting from decades of discrimination

The relentless history of housing and lending discrimination has unsurprisingly yielded staggering disparities today, both among households of different races and neighborhoods of different races. Racial differences in homeownership in New York are significant (Figure 2): Among white households, 67% own their homes, compared to only 34% of households of color according to the Census’s American Community Survey (ACS). Homeownership rates are particularly low among Black households (32%) and Latino households (27%).³⁴ Nationwide, more people of all races own homes and racial disparities in homeownership are smaller than in New York, although still unjustifiably large: approximately 72% of homes were owned by white households, as compared to approximately 43% for Black households and approximately 51% for Latino households.³⁵

Figure 2: Percent of occupied units that are owner occupied statewide



Patterns of lower homeownership for borrowers of color are present in every metropolitan statistical area (MSA)³⁶ in the state, as shown in Figure 3. And while some MSAs have particularly stark disparities, the trend across all MSAs highlights that the problem is pervasive and structural statewide.

³⁴ 2020 American Community Survey five-year estimates: This information is collected by the Census Bureau and concerns social, economic, housing, and demographic statistics for people and communities in the United States. We used these data points for the homeownership statistics included in this report. See Appendix A for the variables we used.

³⁵ Chugg, H. (2023, May). *The homeownership gap between Black and white families in the United States*. Ballard Briefs. <https://ballardbrief.byu.edu/issue-briefs/the-homeownership-gap-between-black-and-white-families-in-the-united-states>

³⁶ A metropolitan statistical area (MSA) is a geographic area defined by the federal government to calculate certain federal statistics, such as home-mortgage statistics submitted in accordance with the Home Mortgage Disclosure Act. As of July 2023, there are 387 metropolitan statistical areas in the United States, and 14 in the state of New York, shown in Figure 3. The United States Office of Management and Budget Standards. (n.d). *Metropolitan and Micropolitan*. United States Census Bureau. Retrieved August 22, 2023, from <https://www.census.gov/programs-surveys/metro-micro.html>

Figure 3: Rates of homeownership in white households versus households of color in New York state

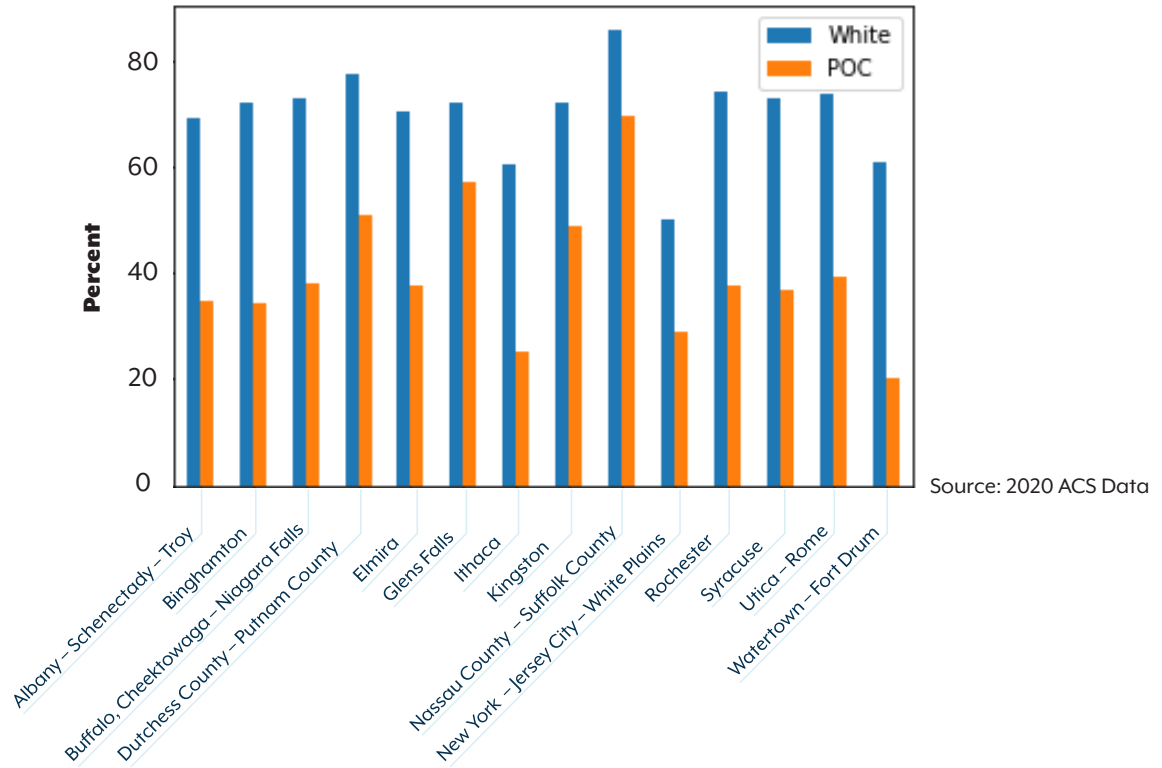
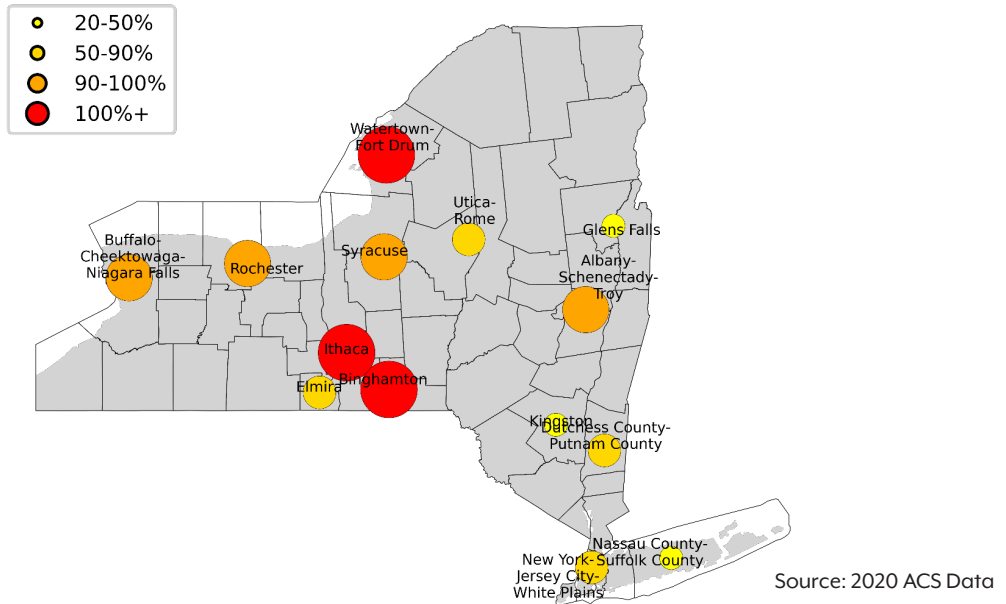


Figure 4: Percent that white homeownership rate is greater than POC homeownership rate



Closed doors and wealth extraction

New Yorkers of color are blocked from accessing credit at all stages of home buying and ownership. Looking at data for home purchasing and refinancing from 2018 to 2021, OAG found disparities for applicants, borrowers, and communities of color as compared to their white counterparts. These disparities were evident in every phase of lending:

- » percentage of submitted applications for purchase mortgage
- » likelihood that applications were denied
- » terms, rates, and fees for loans
- » homeowners' applications for refinancing

A problem in the pipeline: Black and Latino people are underrepresented among mortgage applicants

OAG first looked at applications for home-purchase loans across the state. For the majority of homeowners, applying for a mortgage is a necessary step to financing a home purchase. Disparities in applications can signal several crucial structural problems in the lending market, such as the failure of lenders to open branches or market in communities of color. In addition, while financial institutions commonly build meaningful relationships in communities, they rarely do so in communities of color.³⁷ Added to the complexity of the mortgage lending process and a recent history of predatory lending by large financial institutions, these factors have contributed to mistrust of these institutions among communities of color. These are yet more barriers faced by these communities, in addition to the legacy of historical segregation we described earlier, other types of overt or implicit discrimination, and racial disparities in wealth and other factors affecting credit.

OAG's analysis found that, statewide, lenders received fewer applications from Black and Latino applicants than their proportion of the state population, with 7.6% of purchase applications from Black applicants and 9.5% from Latino applicants. That is approximately half of each group's representation in the overall population.

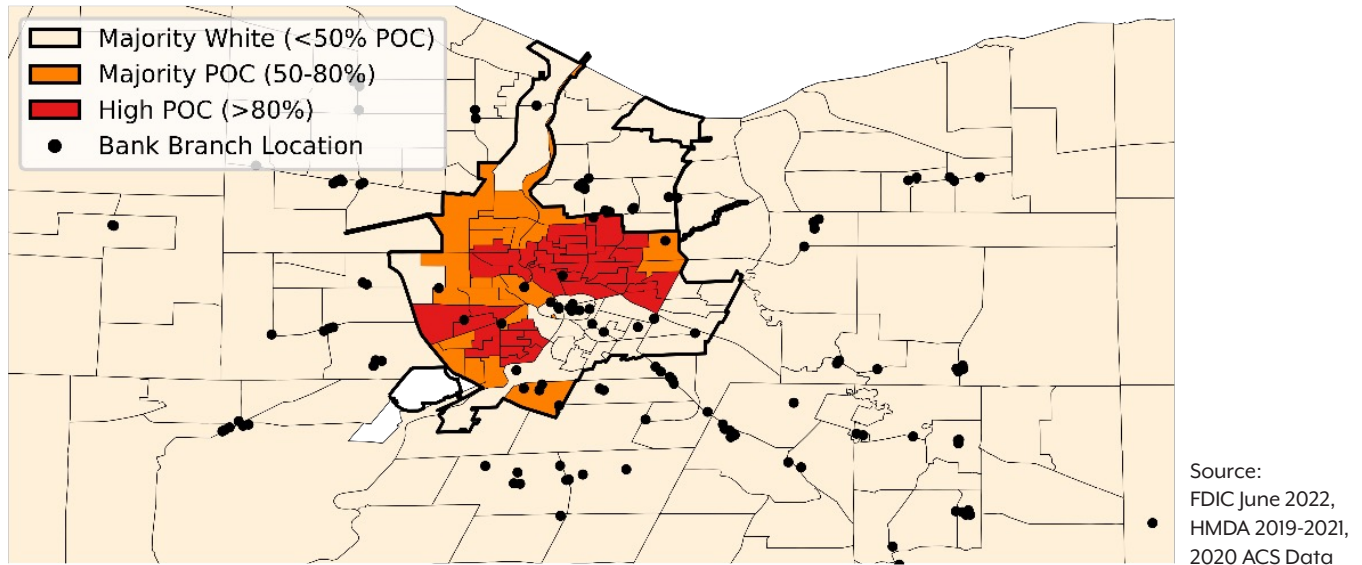
Table 1: Proportion by race for general population compared with 2021 mortgage applications

Race	Proportion of state population	Proportion of home-purchase applications
Asian	8.8%	16.4%
Black	14.5%	7.6%
Latino	19.7%	9.5%
Other race, or mixed-race couples	0.2%	5.9%
White	56.9%	60.5%

³⁷ For example, in *United States v. Park National Bank*, the Civil Rights Division of the U.S. Department of Justice alleged that a lender engaged in "limited marketing and outreach" to communities of color and "its services were more easily available" in white neighborhoods. See Complaint at 7-8, *United States v. Park National Bank*, No. 23-CV-00822 (S.D. Ohio 2023).

A look at the distribution of bank branches further illustrates the broken relationship between neighborhoods of color and lenders. The map of Rochester in Figure 5 shows bank branches almost exclusively located in majority-white neighborhoods.³⁸ Most residents in neighborhoods of color must travel much farther than their white-neighborhood counterparts to reach a bank. This pattern is not unique to Rochester: We see similar distributions across the state.

Figure 5: Bank branches in Rochester



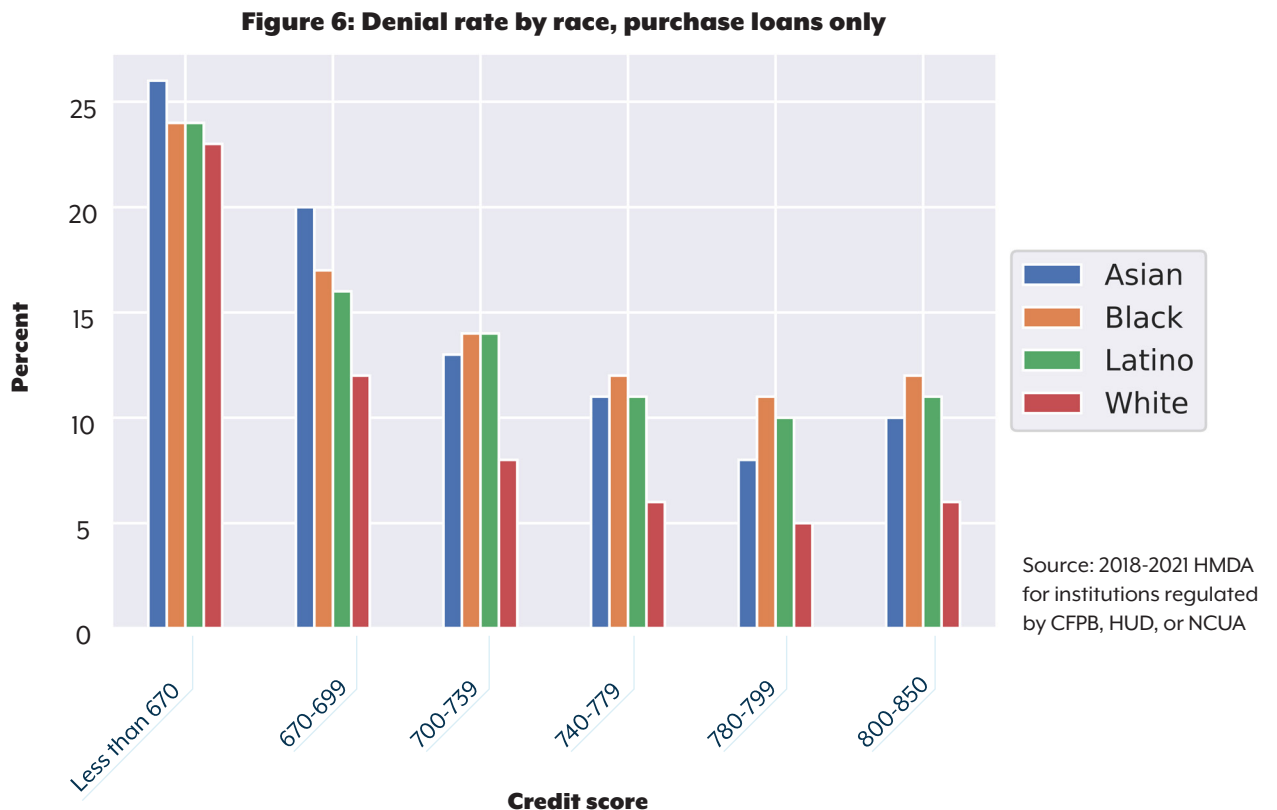
Given financial institutions' lack of investment in neighborhoods of color, there is little wonder that so few Black and Latino people apply for mortgage loans. This pattern is sadly consistent with the experience of Black and Latino borrowers in later phases of the home-purchase process. The dearth of mortgage applications from these groups seems to be a symptom of a barrier that is not seen in applications from Asian or white New Yorkers, and it contributes to the significant racial disparities in homeownership that exist across the state.

³⁸ Bank branch location data is as of June 2022.

More applicants of color are denied credit for home-purchase loans

OAG found that New Yorkers of color were denied home-purchase loans more frequently than were white applicants. Looking at data between 2018 and 2021,³⁹ before controlling for other factors, we see that all people of color were denied purchase loans more often than white applicants, with Black applicants denied 23% of the time and white applicants denied 14% of the time. Latino applicants were denied 20% of the time.

Disparities remain even when accounting for credit scores (Figure 6).⁴⁰ When we group applicants by credit-score range, we see that applicants of color were denied more frequently than white applicants in every range. Denial rates have the least variation across race and ethnicity at the lowest credit scores (lower than 670), while still showing a difference between applicants of color and white applicants. The disparity increases at higher credit scores, where denial rates for Black and Latino applicants are often near double, and in some cases more than double, that of white applicants.



³⁹ This section relies on HMDA data for 2018-2021 for institutions regulated by CFPB, HUD, or NCUA. Home Mortgage Disclosure Act (HMDA). (2018-2021). *HMDA Data*. Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/data-research/hmda>

⁴⁰ OAG obtained from CFPB HMDA data that includes credit scores for 2018-2021, and includes institutions regulated by CFPB, HUD, and NCUA.

We also found that these disparities remain even after controlling for additional factors beyond credit score. To conduct this analysis, we used a logistic regression to model application-rejection rates after controlling for year of application as well as credit score, loan amount, debt-to-income ratio (DTI), loan-to-value ratio (LTV), and applicant income. These are metrics typically used by lenders to evaluate the strength of a purchase mortgage application. We considered applications for primary-residence home-purchase loans that were secured by a first lien and that resulted in origination, approval (but not acceptance), or denial. The applicants had the following characteristics: income less than \$1,000,000,⁴¹ DTI of 0-900, credit score of 300-850, and LTV of 0-500.

To conduct the analysis, we used the following profile to represent an average⁴² applicant of color in 2021: an applicant with a credit score of 731, DTI of 42, LTV of 84, and income of \$133,796, seeking a loan of \$432,280. When we analyzed applicants of different races with this same profile, we still found startling disparities, with Black and Asian applicants 43% more likely to be rejected than a white applicant, and Latino applicants 33% more likely to be rejected. On average, applicants of color have a 38% higher probability of being denied a loan than white borrowers. Table 2 shows the probability of denial for applicants of various races and ethnicities. Although the table shows probabilities only for the year 2021, we found discrepancies in all years for which we analyzed data (2018 through 2021).

⁴¹ Applicant income is conventionally reported in thousands. OAG tested limiting applicant income to under 1,000,000 (equivalent of 1 billion if reported as intended) and 1,000 (equivalent of 1 million if reported as intended). The regression results were the same.

⁴² We find similar disparities when using the median values instead of average.

**Table 2: Probability of denial in 2021 for purchase-loan application
with the same applicant characteristics^{43, 44}**

Applicant race	Probability of denial	Percentage higher than probability of denial of white applicant
White	7.4%	N/A
Asian	10.6%	43%
Black	10.6%	43%
Latino	9.9%	33%
Multiple races	8.6%	16%
Identifying as another race	15.6%	110%
Race unavailable	11.0%	48%
All POC applicants	10.3%	38%

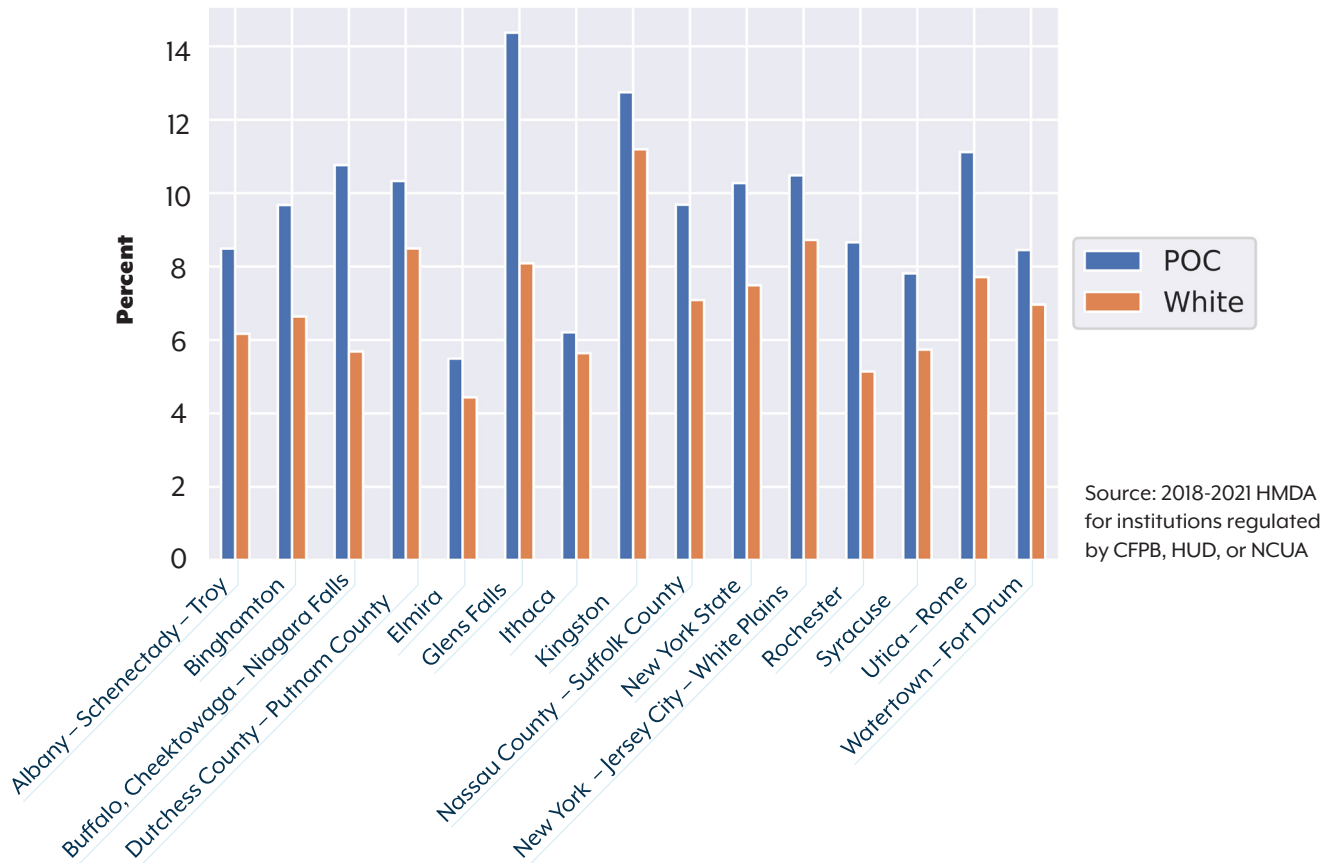
The higher likelihood of denial for borrowers of color is seen across the state. As shown in Figure 7, in every MSA in New York, applicants of color were more likely to be denied loans for purchase mortgages than are white applicants. Buffalo, Glen Falls, and Rochester have the largest disparities. For the Buffalo MSA, an applicant of color is 89% more likely to be denied a home-purchase loan than a white applicant with the same profile. In Glen Falls, a Black applicant is 78% more likely to be denied. And in Rochester, a Black applicant is 68% more likely to be denied. Even in MSAs with relatively lower disparities, an applicant of color is still 10-20% more likely than a white applicant to have their application denied.⁴⁵

⁴³ The table shows the probability of denial for an application with the indicated race and the following characteristics: loan amount \$432,280, credit score 731, DTI 42, LTV 84, and income \$133,796.

⁴⁴ The column “Percentage higher than probability of denial of white applicant” is the difference between the denial rate and the denial rate for white borrowers, divided by the denial rate for white borrowers.

⁴⁵ Lenders who provide more support and guidance through the mortgage process may ultimately approve a previously denied applicant. A recent analysis by Freddie Mac looked at applicants who were denied their first application for a loan. Some of those applicants were later approved. The analysis found that “whereas 78% of subsequently approved applicants said they reapplied with the same lender, only 17% of non-approved applicants said they expected to reapply with the same lender.” It noted that this difference “suggests that lenders have an opportunity to provide more educational and consultative resources to help turn more mortgage denials into approvals.” Freddie Mac. (2022, August 17). *What do borrowers do when a mortgage application is denied?* <https://www.freddiemac.com/research/consumer-research/20220817-what-do-borrowers-do-when-mortgage-application-denied>. This indicates that lender engagement may play a role in applicant success. However, many lenders fail to provide such support.

Figure 7: Denial rate by applicant race in 2021, predicted at average loan amount, credit score, DTI, LTV, and income for POC applicants (purchase loans)



A note on the limitations of this report: Our analysis accounts for the most commonly used factors for evaluating the creditworthiness of an applicant. We did not have access to every factor considered in the underwriting process; underwriters have additional information available, such as liquidity, attributes of the home, and applicant credit history, that may play a role in the home-purchase mortgage application process.

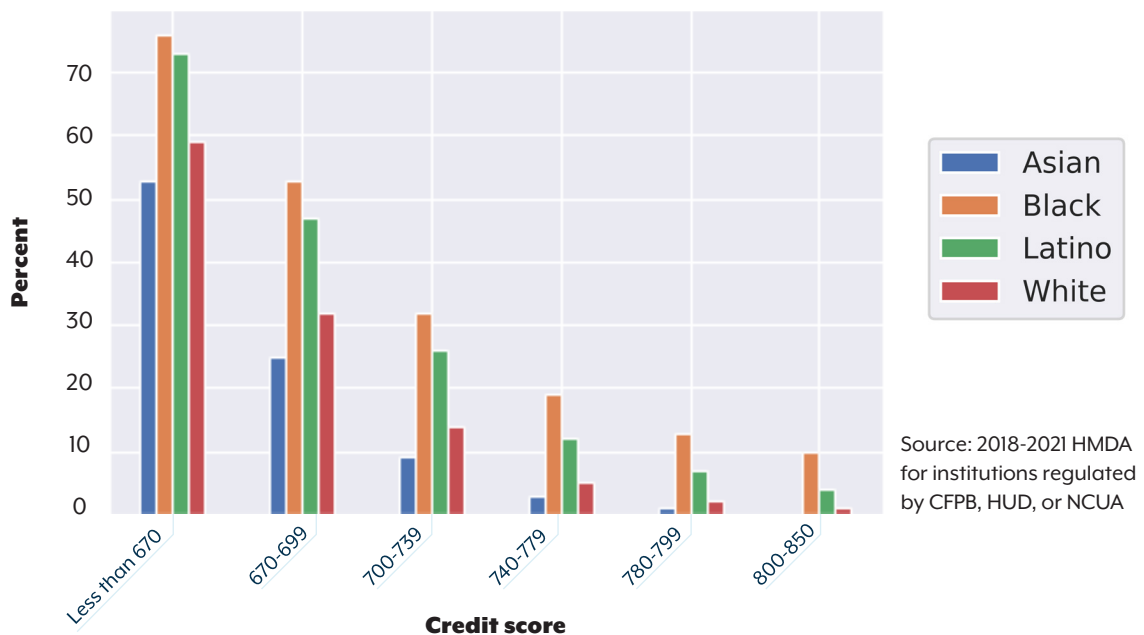
However, we did model the data using tools that took additional variables into account, such as automated underwriting systems (AUS) used by purchasers or guarantors of some loans. Some recent studies have included the results of these types of financial models. We tested additional models, including using AUS results, to see if the additional information would contradict our findings of disparities in denials of home-purchase loans. Even with this finetuning of our data, we consistently found statistically significant differences by race for mortgage denials.

Black and Latino borrowers are more likely to use Federal Housing Administration (FHA) loans

Our analysis also found that Black and Latino borrowers were more likely to use Federal Housing Administration (FHA) loans.

FHA loans can help bridge a critical gap for borrowers who have less access to capital for a down payment. However, FHA loans often come at a steeper interest rate than conventional loans. In addition, FHA lenders often require borrowers to purchase additional insurance, private mortgage insurance (PMI) that further increases the cost of the loan. For this reason, borrowers who could put down a larger down payment often choose to do so and may pay less over the course of the loan. Our analysis shows that people of color had more FHA loans across all credit scores. This difference is particularly concerning at the higher end of credit scores — statewide, more than 10% of Black borrowers with high credit scores (800-850) have FHA loans, compared to only 1.5% of white borrowers.

Figure 8: Percent of loans that are FHA by race, purchase loans only



The disproportionate use of FHA loans by Black and Latino borrowers likely reflects a variety of issues. As noted earlier, although FHA loans tend to cost more over the life of a loan, they require a lower down payment than do conventional loans. This may contribute to the reason why Black and Latino borrowers, who have historically been denied the opportunity to build wealth and who therefore often lack access to capital for down payments, are overrepresented among FHA borrowers. The problem may be particularly acute in New York City and Long Island, where home prices are higher and therefore more likely to require higher down payments. In these regions, racial disparities in the use of FHA loans are the highest.

In addition, prospective homebuyers' relationships with financial institutions likely play an important role. Borrowers of color may be more likely to get FHA loans if they cannot access lenders that offer a full range of mortgage products — even when these borrowers may qualify for other products. And, in some instances, lenders may actually steer borrowers of color into FHA loans.⁴⁶ In a similar way, these borrowers may be unaware of the costs of different loan types because they have less access to lenders and information. Lenders play a significant role in educating new home purchasers about their options.

Many factors contribute to the disproportionate use of FHA loans by Black and Latino borrowers. The net result is steeper costs for homeownership.

Cost of credit: A heavier burden on borrowers of color

Mortgage loans have several features that dictate the total cost of the loan other than fees due at closing. Interest rates vary across loan types and lengths, and for adjustable-rate mortgages, can vary over the course of the loan. Mortgage loans also have costs and fees associated with loan processing and origination, and points to be paid for lower interest rates for purchase and refinancing loans. Together, these loan attributes make up the total cost of the loan.

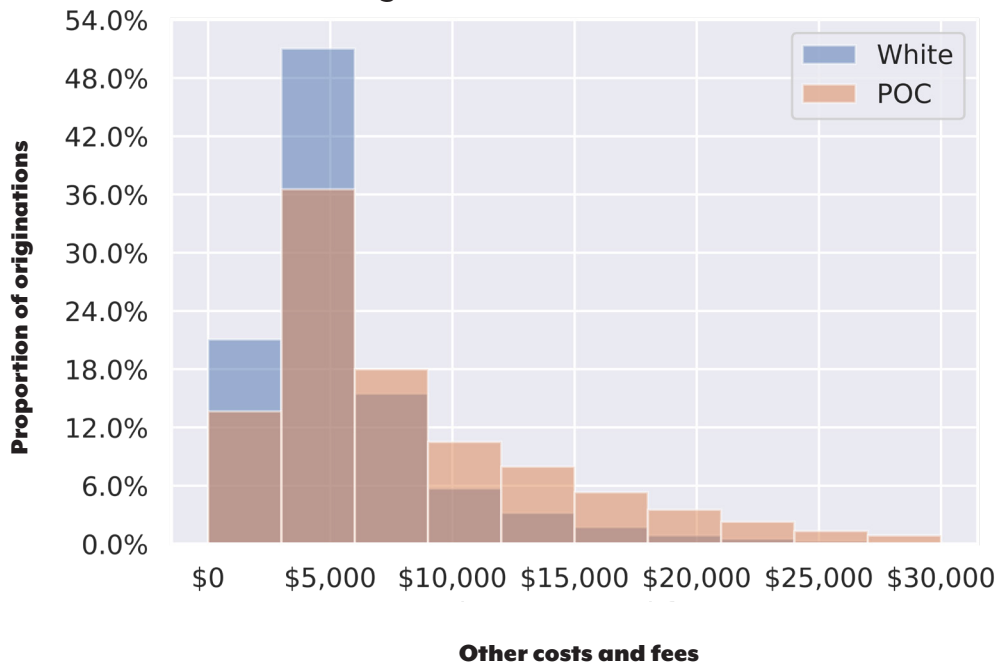
Thanks to newly available HMDA data, we have been able to take a more detailed look into additional costs and fees than in the past. We found disparities in the cost of loans for borrowers of color compared to white borrowers. All borrowers of color pay higher costs and fees than white borrowers. Black and Latino borrowers hold loans with higher interest rates than do white and Asian borrowers.

In general, for originated purchase loans, borrowers of color pay higher costs and fees⁴⁷ than white borrowers (Figure 9). This is true across all common loan types, but most extreme for FHA loans, which as discussed previously are more commonly used by certain borrowers of color.

⁴⁶ See, e.g., California Reinvestment Coalition, Empire Justice Center, Massachusetts Affordable Housing Alliance, Neighborhood Economic Development Advocacy Project, Ohio Fair Lending Coalition, Reinvestment Partners, & Woodstock Institute. (n.d). *Paying more for the American dream VI: Racial disparities in FHA/VA lending*. Massachusetts Affordable Housing Alliance. <https://mahahome.org/sites/MAHA-PRI/files/attachment-files/Paying%20More%20VI.pdf>

⁴⁷ Categorized in the HMDA data as “other costs and fees”.

Figure 9: Other fees: white vs. POC



Source: HMDA, 2018-2021

Figure 9 shows average “other costs and fees” by race and loan type for home purchase loans from 2018 to 2021. To arrive at these figures, we limited the analysis population to loans with LTV between the 25th and 75th percentile for each loan type: conventional, FHA, Farm Service Agency (FSA) or Rural Housing Service (RHS), or Veterans Benefits Administration (VA). FHA loans have significantly higher costs and fees for all borrowers. On average, borrowers of color experience higher costs and fees than white borrowers across all loan types.

Table 3: Other fees: white vs. POC

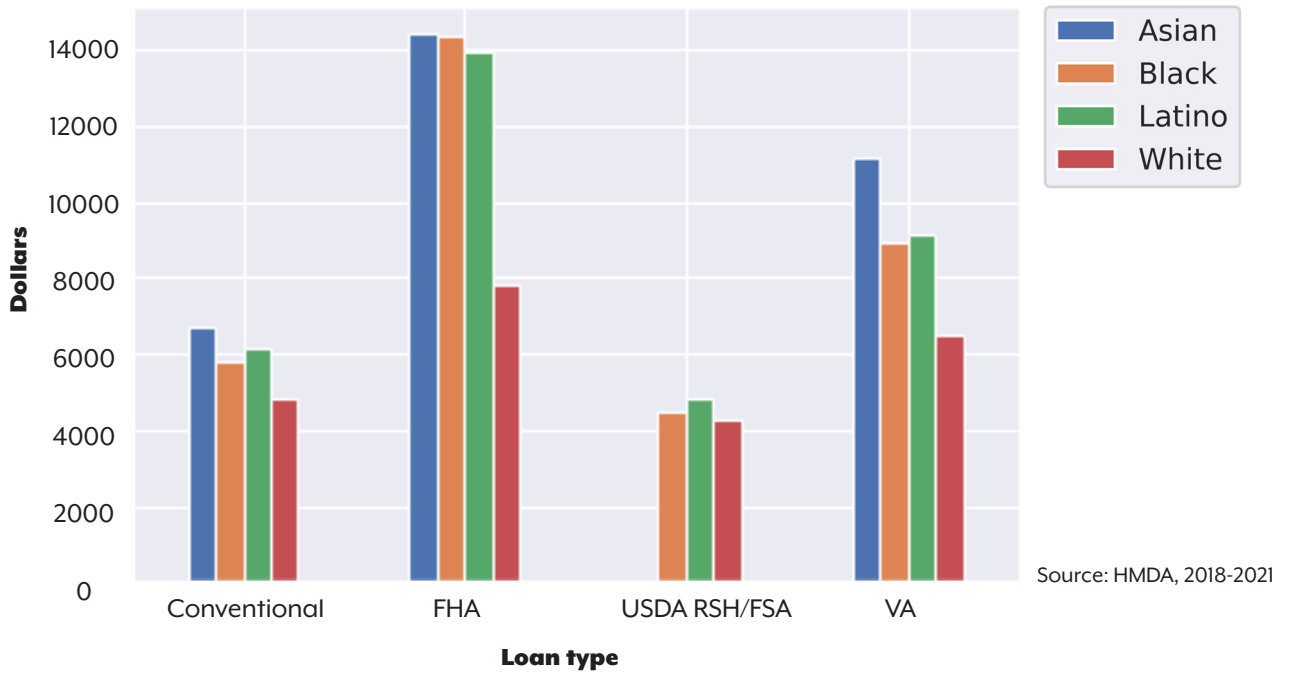
Applicant race	Conventional	FHA	FSA/RHS	VA
Asian	\$6,080	\$12,267	\$7,660	\$11,551
Black	\$5,943	\$13,000	\$7,463	\$8,284
Latino	\$5,991	\$12,458	\$5,402	\$7,725
Multiple Races	\$5,450	\$10,801	\$5,733	\$8,001
Other Race	\$5,432	\$9,849	N/A	\$4,989
Race Unavailable	\$5,591	\$8,624	\$4,166	\$6,457
White	\$4,936	\$6,842	\$3,984	\$5,798
All Borrowers	\$5,260	\$9,041	\$4,085	\$6,339

This table shows loan costs for loans with an LTV within the interquartile range (middle quartiles) for each loan type. This is 75-90 for conventional loans, 96.5 for FHA loans, 97.6-10 for FSA/RHS, and 100 for VA.

All of these loan type categories (except FSA/RHS, likely due to the small size of this subpopulation, which makes up less than 1% of the overall population – see Appendix C) have statistically significant differences between costs and fees for white borrowers and borrowers of color as a group.

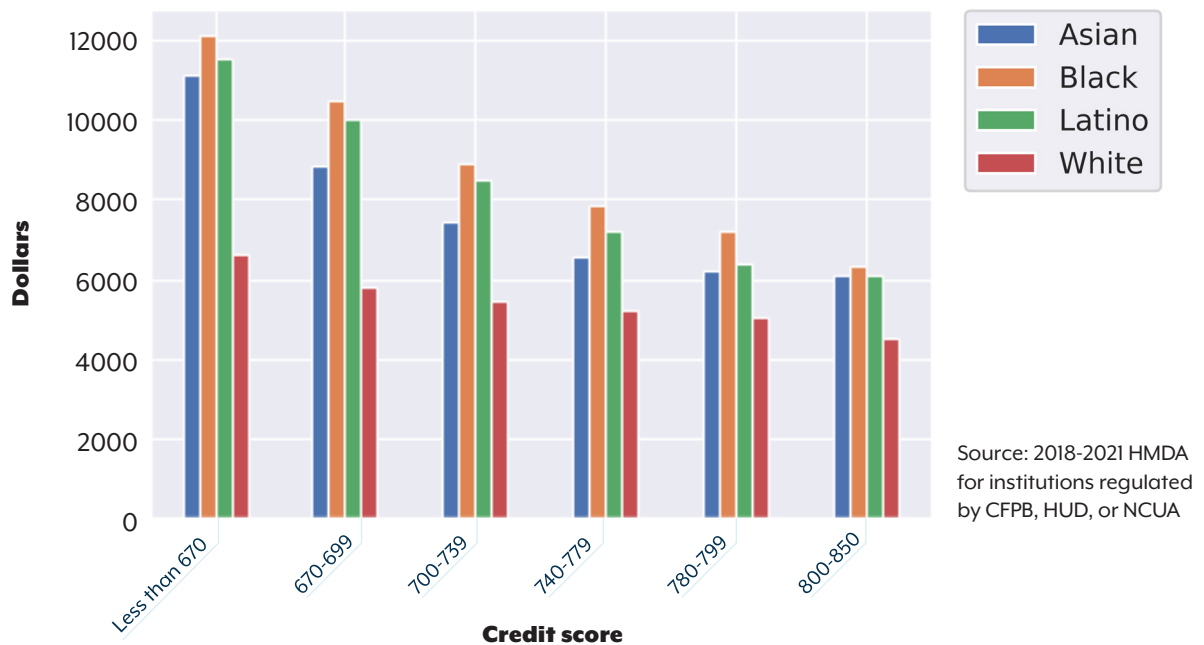
The following charts show the same information as the table above showing rates of utilization for the most common racial demographics.

Figure 10: Other fees by race, purchase loans



These differences are not explained by credit score. The chart below shows differences in other costs and fees by credit score band showing that white loan applicants are paying less in every credit score range (Figure 11).

Figure 11: Other fees by race, purchase loans



We also looked at interest rates for approved, conventional fixed-rate purchase loans, which make up the vast majority (79%) of fixed-rate purchase loans. Here, consistent with the higher costs and fees charged to Black and Latino borrowers, these same borrowers had a statistically significant higher interest rate than white borrowers. Black and Latino borrowers were given interest rates of 3.69%, while white and Asian borrowers were given interest rates of 3.63%.

To calculate the impact of the higher total loan costs on Black and Latino borrowers, we limited our analysis to approved 30-year conventional fixed-rate loans. We calculated the difference between the cost of credit for the average Black and Latino borrower using the average loan amount, interest rate, and costs and fees for Black and Latino borrowers. We then compared that to the average cost of credit for Asian and white borrowers using the analogous quantities.

Table 4 shows the average rates across demographics, as well as the number of borrowers. We calculated the approximate value of the additional cost borne by Black and Latino borrowers from 2018 to 2021 for this loan type. Black and Latino borrowers who sought home-purchase loans could expect nearly \$170 million dollars in additional interest payments and \$37 million in costs and fees. This means that Black and Latino New Yorkers can expect to spend over \$200 million more for home-purchase loans over the course of their loans.

When we looked at the costs associated with refinancing and cash-out refinancing, we found that additional loan costs for Black and Latino borrowers increase almost three-fold. Across all fixed-rate loan types with terms of 30, 25, 20, 15, or 10 years, Black and Latino borrowers who took out loans between 2018 and 2021 can expect to overpay more than \$600 million in interest and other costs and fees over the course of their loans.

Table 4: Differences in cost of credit for Black and Latino borrowers compared to white and Asian borrowers, for 30-year fixed rate conventional mortgages originating between 2018 and 2021

Purpose	Purchase	Refinancing	Cash-out refinancing
Average loan amount for Black and Latino borrowers	\$351,779.66	\$396,409.58	\$374,734.33
Average Black/Latino interest	3.69	3.35	3.80
Average White/Asian interest	3.63	3.23	3.66
Average difference in interest paid over life of loan	\$4,284.82	\$9,520.55	\$11,019.80
Average difference in other costs and fees	\$937.74	\$1,728.99	\$1,667.72
Average interest plus other costs and fees	\$5,222.56	\$11,249.54	\$12,687.51
Total number of loans	282,589	110,124	79,154
Number of Black and Latino borrowers	39,648	16,771	13,927
Total interest overpayment for Black and Latino Borrowers	\$169,884,407.27	\$159,669,110.53	\$153,472,722.27
Other costs and fees overpayment	\$37,179,676.06	\$28,996,905.76	\$23,226,296.76
Total overpayment for Black and Latino Borrowers	\$207,064,083.32	\$188,666,016.29	\$176,699,019.04

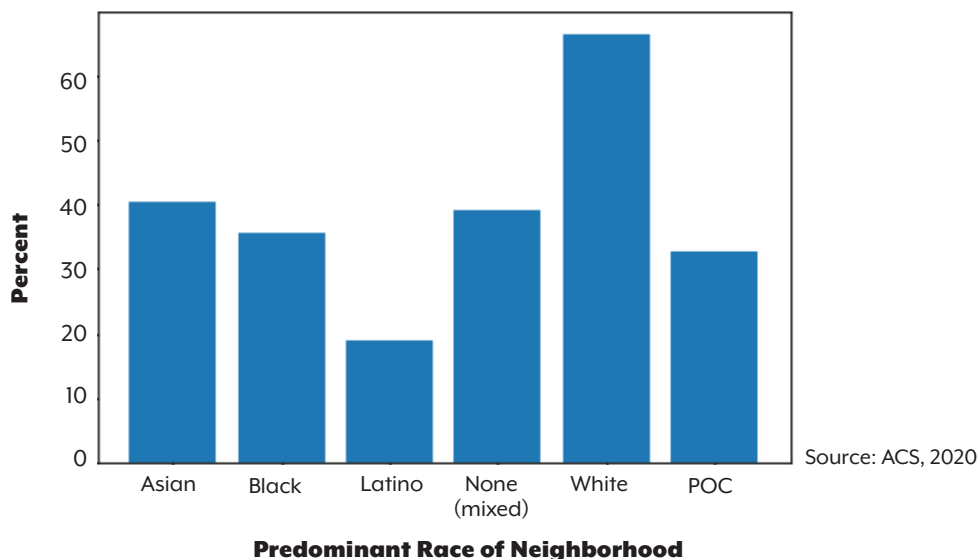
Failure to serve: the neighborhood impact

At each stage of the homeownership process, Black and Latino borrowers are disproportionately taxed. This economic punishment starves communities of resources and deprives borrowers of color of the power to amass wealth. As we described earlier, neighborhoods of color, particularly Black and Latino neighborhoods, have been historically segregated by racist housing policies and bifurcated by physical infrastructure, such as highways. Federal government programs to support homeownership and wealth-building benefited white families, who have tended to congregate in suburban locales, rather than Black and Latino families, who have tended to live in urban centers.

Such choices by the national government, facilitated by and combined with private disinvestment, such as the loss of jobs beginning in the 1970s,⁴⁸ have further concentrated poverty in segregated urban areas. Despite discrimination being prohibited, communities of color remain under-resourced and undervalued. In 2021, the average value of a New York City home paid for by financing was \$824,000 in a neighborhood of color, versus \$1.23 million in a majority-white neighborhood.⁴⁹ In Rochester, the average value of a home paid for by financing was \$114,000 in a neighborhood of color, versus \$231,000 in a majority-white neighborhood.

The stark racial disparities for individual borrowers we have described are clearly reflected more broadly in neighborhoods of color, starting with ownership rates. When looking at the predominant race⁵⁰ in the neighborhood (rather than race of the people in the home, as we did earlier in this report), we see the lowest homeownership rates in Latino, Black, and other neighborhoods of color. In New York, white neighborhoods have three times the homeownership rate of Latino neighborhoods.

Figure 12: Percent of occupied units that are owner occupied statewide



⁴⁸ See, e.g., Kalleberg, A. L. (2011). *Good jobs, bad jobs: The rise of polarized and precarious employment systems in the United States, 1970s-2000s*. Russell Sage Foundation.

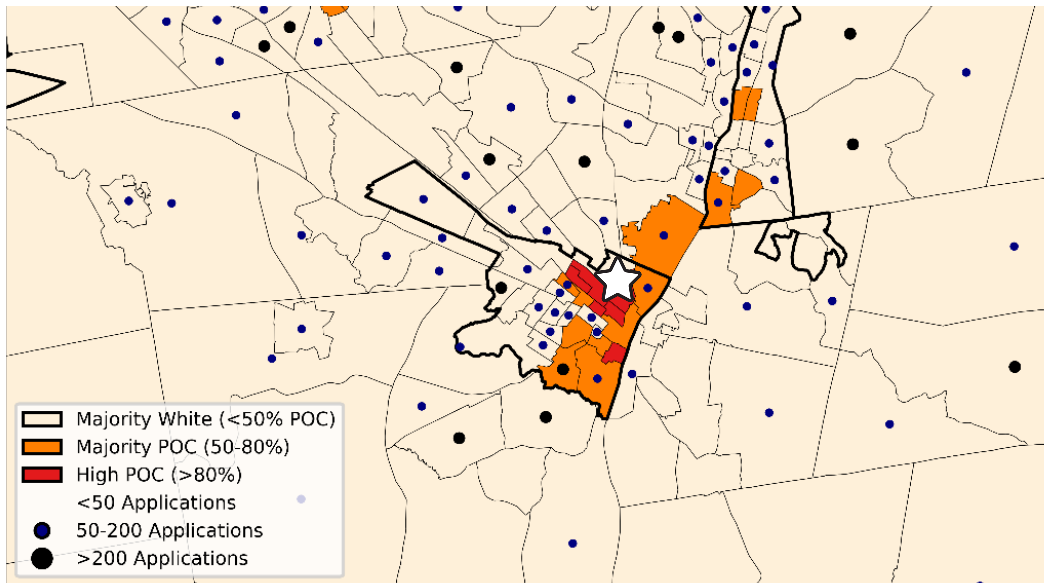
⁴⁹ According to property value in 2021 HMDA data. Federal Financial Institutions Examination Council. (2021). *HMDA Data Publication*. <https://ffiec.cfpb.gov/data-publication/2021>

⁵⁰ We define “predominant race” as a neighborhood where that race constitutes more than 50% of its residents.

Fewer applications from neighborhoods of color

Across the state, lenders receive home-purchase applications at higher rates from predominantly white neighborhoods than from neighborhoods of color. In the following map of the Albany MSA (Figure 13), there are fewer applications in neighborhoods with over 80% people of color as compared to the rest of the MSA. This pattern is reflected in the historical HOLC redlining map, where Grade A (green) indicates the least-risky grade and Grade D (red/pink) indicates the riskiest grade, where HOLC discouraged banks from lending. For example, as shown by the white stars in Figures 13 and 14, certain areas that were redlined for having a high percentage of residents of color are the same areas today with a high percentage of residents of color showing few applications for home-purchase mortgages.

Figure 13: Albany Schenectady Troy



Source: 2019-2021 HMDA purchase applications, ACS 2020

Figure 14: Albany Schenectady Troy⁵¹



Source: 2019-2021 HMDA purchase applications, Mapping Inequality from University of Richmond

⁵¹ University of Richmond & Digital Scholarship Lab. (n.d.). *Mapping inequality: Redlining in New Deal America*. American Panorama. <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>

This pattern is reflected across the state, where we consistently see higher rates of applications from majority-white areas. For example, Long Island shows a clear lack of applications from neighborhoods of color at the western ends of both Nassau County (Figure 15) and Suffolk County (Figure 16).

Figure 15: Nassau County

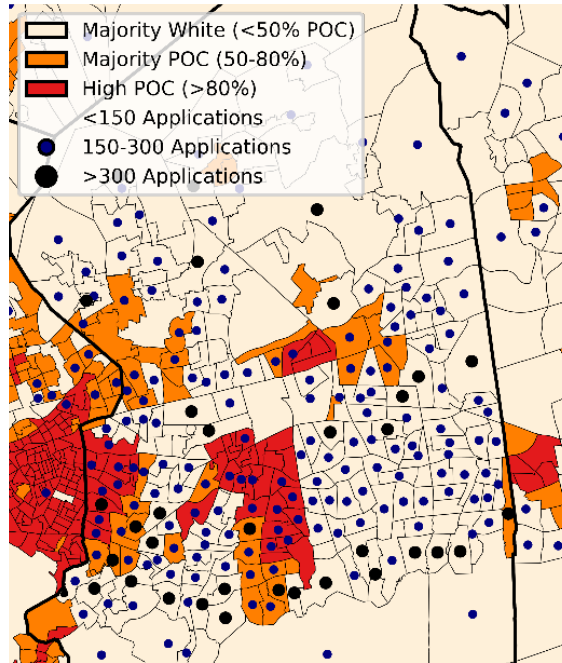
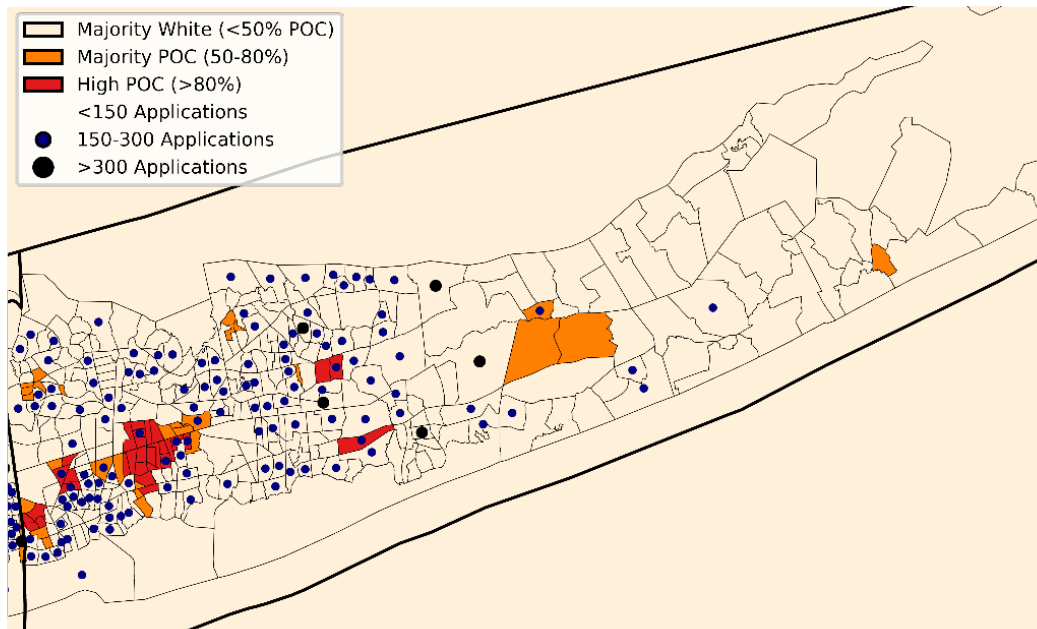


Figure 16: Suffolk County



Sources: 2019-2021 HMDA purchase applications, ACS 2020

The Rochester MSA, like Long Island and Albany, has fewer mortgage applications from communities of color within city limits (Figure 17). The area denoted with a white star is colored red due to its high concentration of residents of color. This area has seen fewer purchase mortgage applications, and as shown in the map in Figure 18, was one of the areas redlined by HOLC.

Figure 17: Rochester

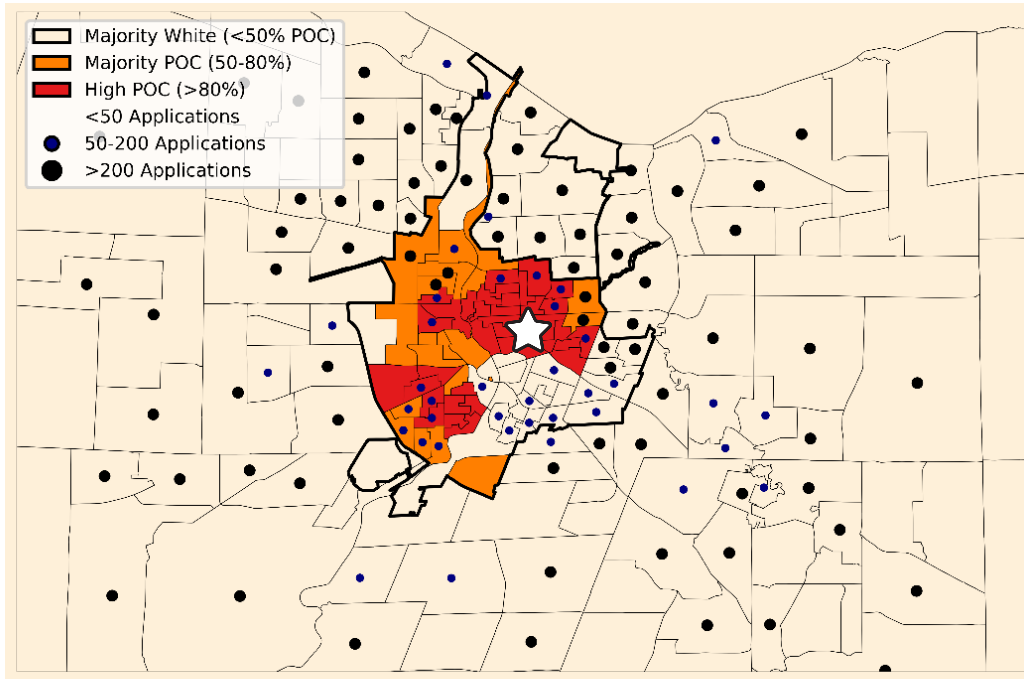
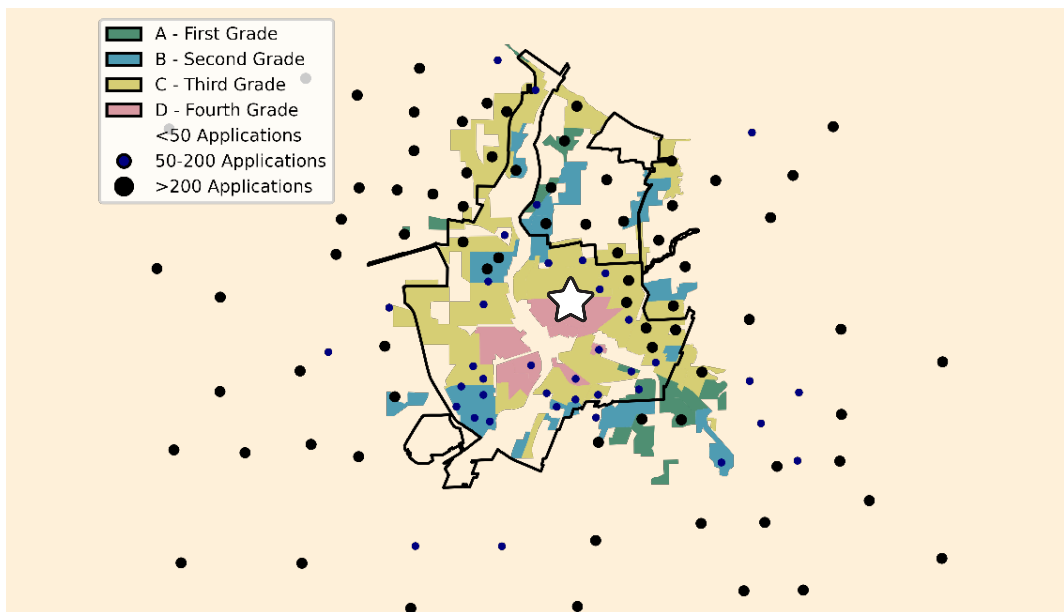


Figure 18: Rochester⁵²



Sources: 2019-2021 HMDA purchase applications, Mapping Inequality from University of Richmond, ACS 2020

⁵² Historical redlining boundaries from: University of Richmond & Digital Scholarship Lab. (n.d.). *Mapping inequality: Redlining in New Deal America*. American Panorama. <https://dsl.richmond.edu/panorama/redlining/#loc=5/39.1/-94.58>

Higher denial rates in neighborhoods of color

Applicants applying for home-purchase loans from neighborhoods of color were more likely to be denied a loan than applicants from a majority white neighborhood in each MSA in the state. Statewide, applicants from neighborhoods of color were more than 49% more likely to be denied a loan, even when accounting for loan amount, credit score, DTI, LTV, income, and application year. This is even more stark in several parts of the state. In the Buffalo MSA, applicants from neighborhoods of color are 151% more likely to be denied. In the Dutchess/Putnam MSA, applicants from neighborhoods of color are 72% more likely to be denied, 72% more likely in Rochester, 66% more likely in Albany, and 59% more likely in Syracuse.

Figure 19: Denial rate by neighborhood race in 2021, predicted at average loan amount, credit score, DTI, LTV, and income for POC applicants (purchase loans)

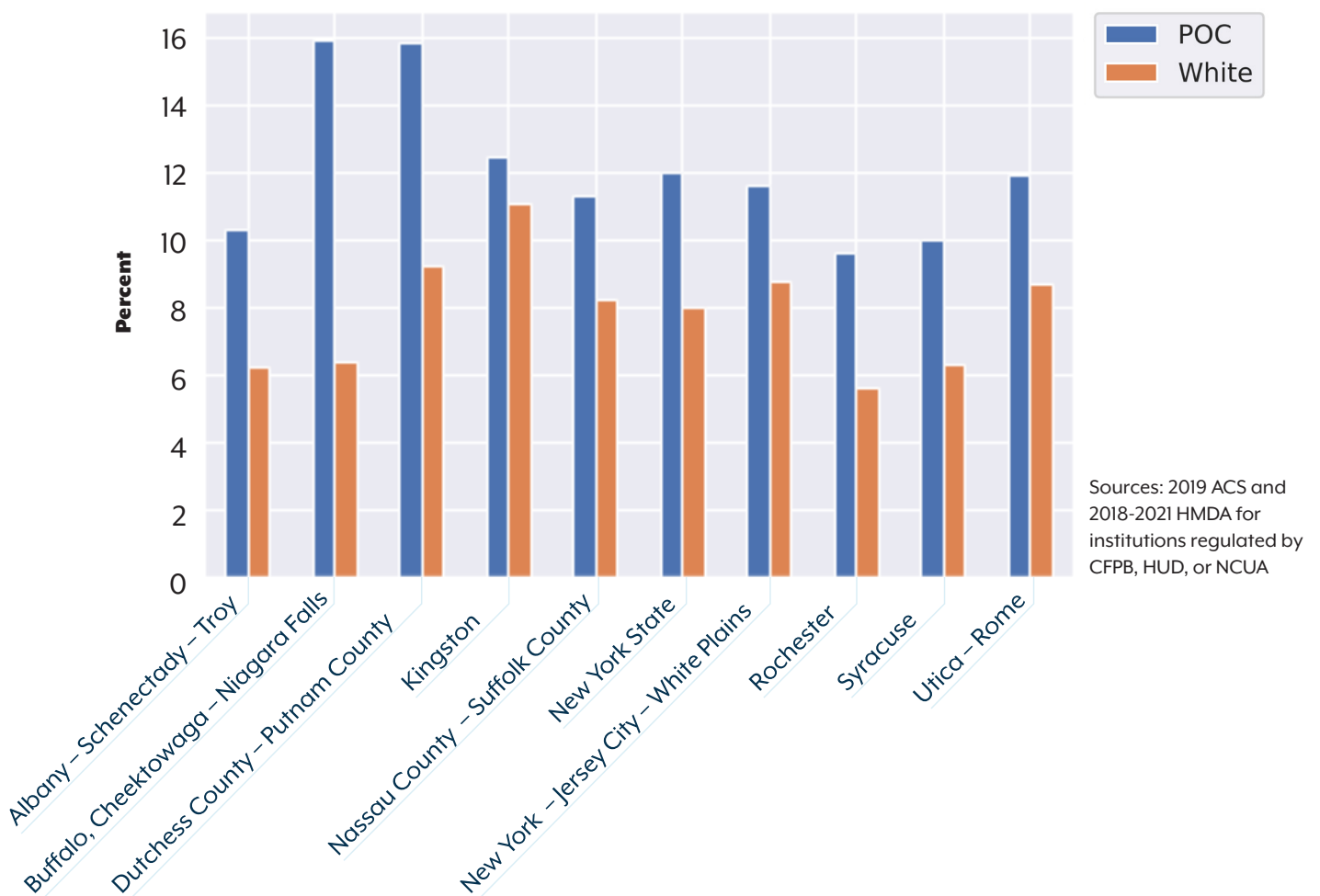


Table 5: Probability of denial by MSA in 2021 for purchase loan with the same application characteristics, by majority race of residents in the census tract⁵³

MSA	Predicted denial rate for POC tract	Predicted denial rate in white tract	Percentage of higher probability to be denied versus white tract
Albany-Schenectady-Troy	10.4%	6.2%	66%
Buffalo-Cheektowaga-Niagara Falls	16.0%	6.4%	151%
Dutchess County-Putnam County	15.9%	9.2%	72%
Kingston	12.5%	11.1%	12%
Nassau County-Suffolk County	11.3%	8.3%	37%
New York State	12.0%	8.0%	49%
New York-Jersey City-White Plains ⁵⁴	11.6%	8.8%	33%
Rochester	9.7%	5.6%	72%
Syracuse	10.0%	6.3%	59%
Utica-Rome	12.0%	8.7%	38%

Inequality in refinancing for neighborhoods of color

For more than a decade, the United States saw historically low interest rates,⁵⁵ which allowed homeowners with mortgages to refinance their mortgages, decreasing both their monthly housing expenses and overall cost of their loan.⁵⁶ Yet not all homeowners experienced refinancing opportunities equally. As we can see in the data, this is another area where racial disparities exist in terms of access, terms, and costs.

Homeowners in neighborhoods of color are less likely to seek refinancing opportunities to renegotiate their mortgage terms to obtain better rates. Of those who try, more homeowners in neighborhoods of color are denied than are homeowners in majority-white neighborhoods.

Figure 20 shows a box plot of the lower rate of refinancing applications from neighborhoods of color versus white neighborhoods. Looking at individual census tracts within MSAs, we compared the number of existing mortgages, according to 2019 census data, to the number that had refinancing applications in 2020-2021. These

⁵³ The table shows the probability of denial for an application with the average characteristics of a POC borrower in the indicated MSA (loan amount, credit score, DTI, LTV, and income).

⁵⁴ This MSA is called the New York-Jersey City-White Plains MSA; however, we excluded New Jersey purchase loans from our calculations.

⁵⁵ Russell, J. (2023, January 18). *Historical mortgage rates in the USA: Highest high and lowest lows*. Mortgage Professional America. <https://www.mpamag.com/us/mortgage-industry/guides/historical-mortgage-rates-in-the-usa-highest-high-and-lowest-lows/433237>

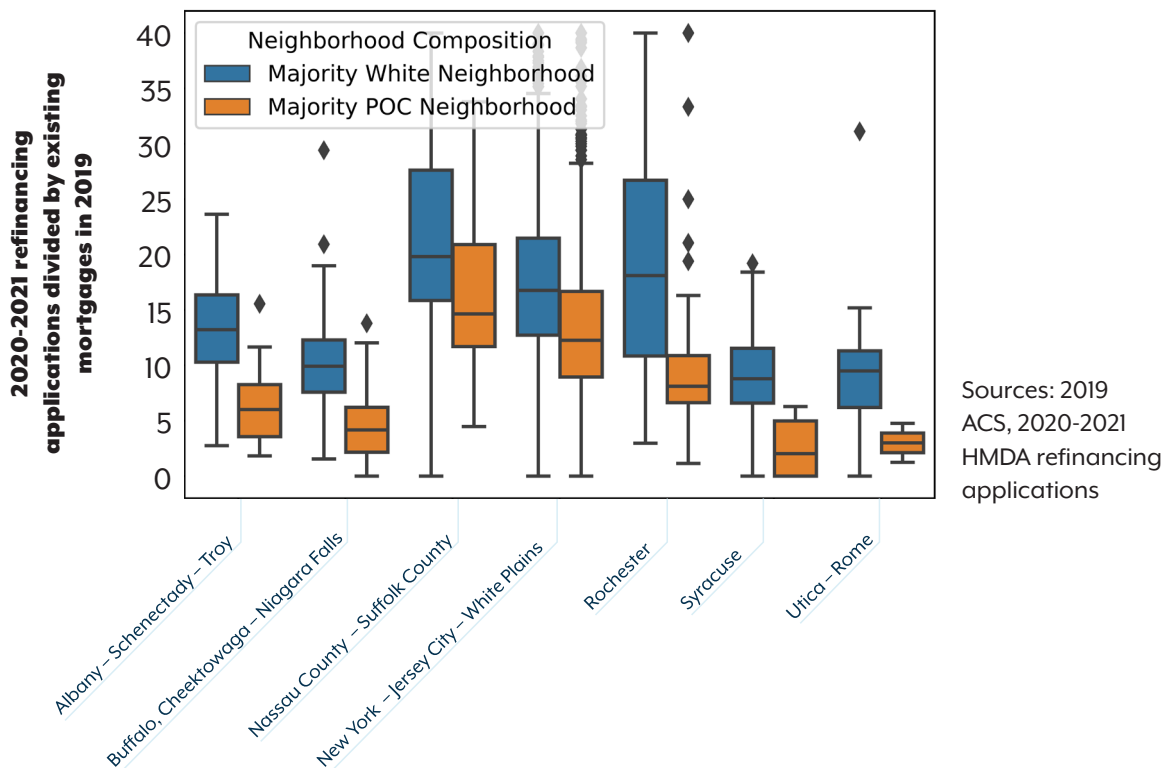
⁵⁶ Freddie Mac. (2022, April 25). *Trends in mortgage refinancing activity*. <https://www.freddiemac.com/research/insight/20220425-trends-mortgage-refinancing-activity>

do not include cash-out refinancing. The bottom of the bar shows the 25th percentile, the top of the bar shows the 75th percentile, the line in the middle of the bar shows the median (50th percentile) and the whiskers and dots show points outside this range.

We found that, consistent across MSAs, fewer homeowners in neighborhoods of color applied for refinancing than their counterparts in white neighborhoods. If the same percentage of homeowners in neighborhoods of color were applying for refinancing as homeowners in white neighborhoods, approximately 16,000 more households in neighborhoods of color would have applied for refinancing in 2020-2021. About 16,000 homeowners in neighborhoods of color missed the opportunity to lock in low rates for years to come.

During the period of these historically low interest rates, how much did homeowners save through refinancing? Estimates by different researchers vary, but an analysis by the Federal Home Loan Mortgage Corporation (Freddie Mac) provides a useful benchmark. According to this analysis, U.S. borrowers who refinanced their 30-year fixed-rate mortgage into another 30-year fixed-rate mortgage on average saved more than \$2,800 annually.⁵⁷ If the same proportion of homeowners in neighborhoods of color had refinanced, they could have saved at least a collective \$44 million annually.

Figure 20: Refinance application rates by majority race in neighborhood by metropolitan area

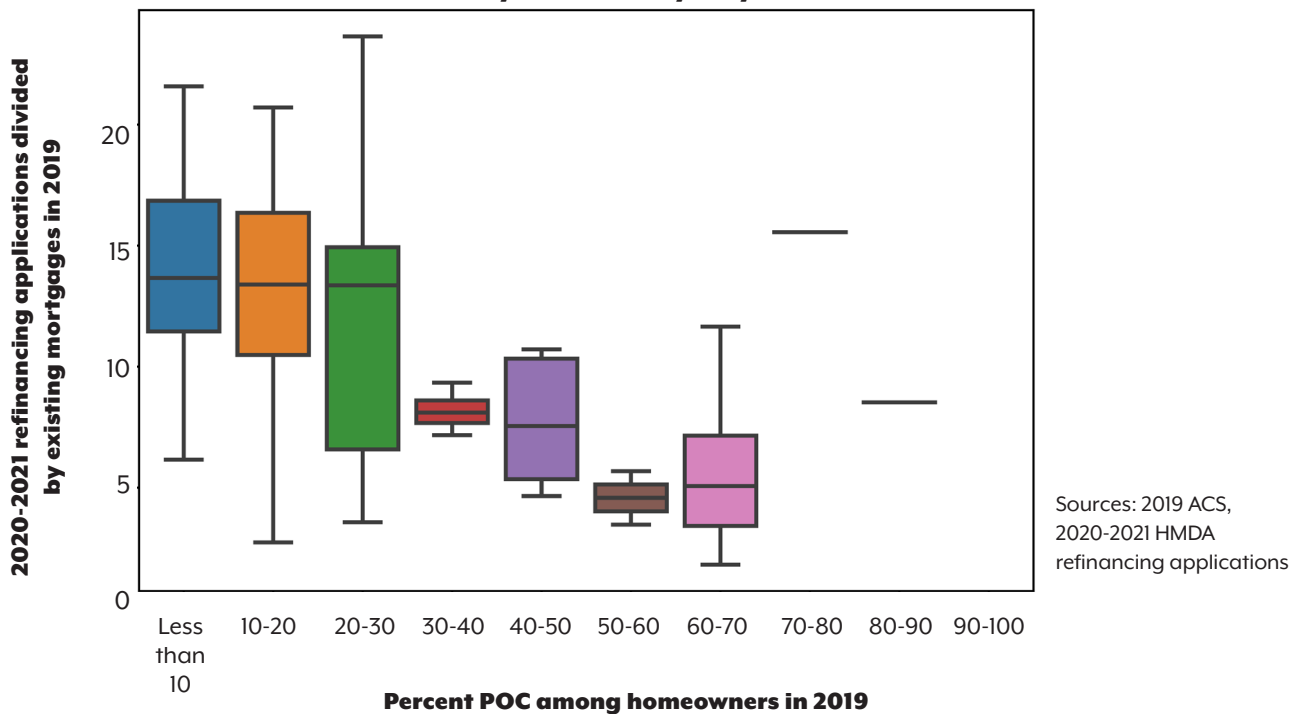


⁵⁷ Freddie Mac. (2021, March 5). *Refinance trends in 2020*. <https://www.freddiemac.com/research/insight/20210305-refinance-trends>

We now explore one MSA, Albany, for a more granular look at neighborhood racial composition of homeowners and refinancing.

Examining the Albany MSA, we see an inverse relationship between the percentage of homeowners of color in a neighborhood and the number of refinancing applications in that neighborhood.⁵⁸ We see that borrowers living in neighborhoods with more homeowners of color were less likely to reap the benefits of refinancing during the recent period of low interest rates. It is unclear from the data exactly why fewer of these homeowners applied for refinancing.

**Figure 21: Percent of mortgages with refinancing applications 2020-2021 by racial composition of homeowners in neighborhood
Albany-Schenectady-Troy**



Throughout the state, we see that when homeowners from neighborhoods of color did apply for refinancing, they were denied more often than were homeowners from majority-white neighborhoods. In Syracuse, an application for refinancing in a neighborhood of color was 97% more likely to be rejected than an application from a majority-white neighborhood. In a less dramatic example but showing a pervasive pattern, in Buffalo, an application from a neighborhood of color was 79% more likely to be rejected; in Albany, 83% more likely; and in Rochester, 64% more likely.

⁵⁸ The problem appears worse in smaller MSAs, which also generally tend to have fewer refinance applications per capita.

Figure 22: Denial rate by neighborhood race in 2021, predicted at average loan amount, credit score, DTI, LTV, and income for POC applicants (refinancing loans)

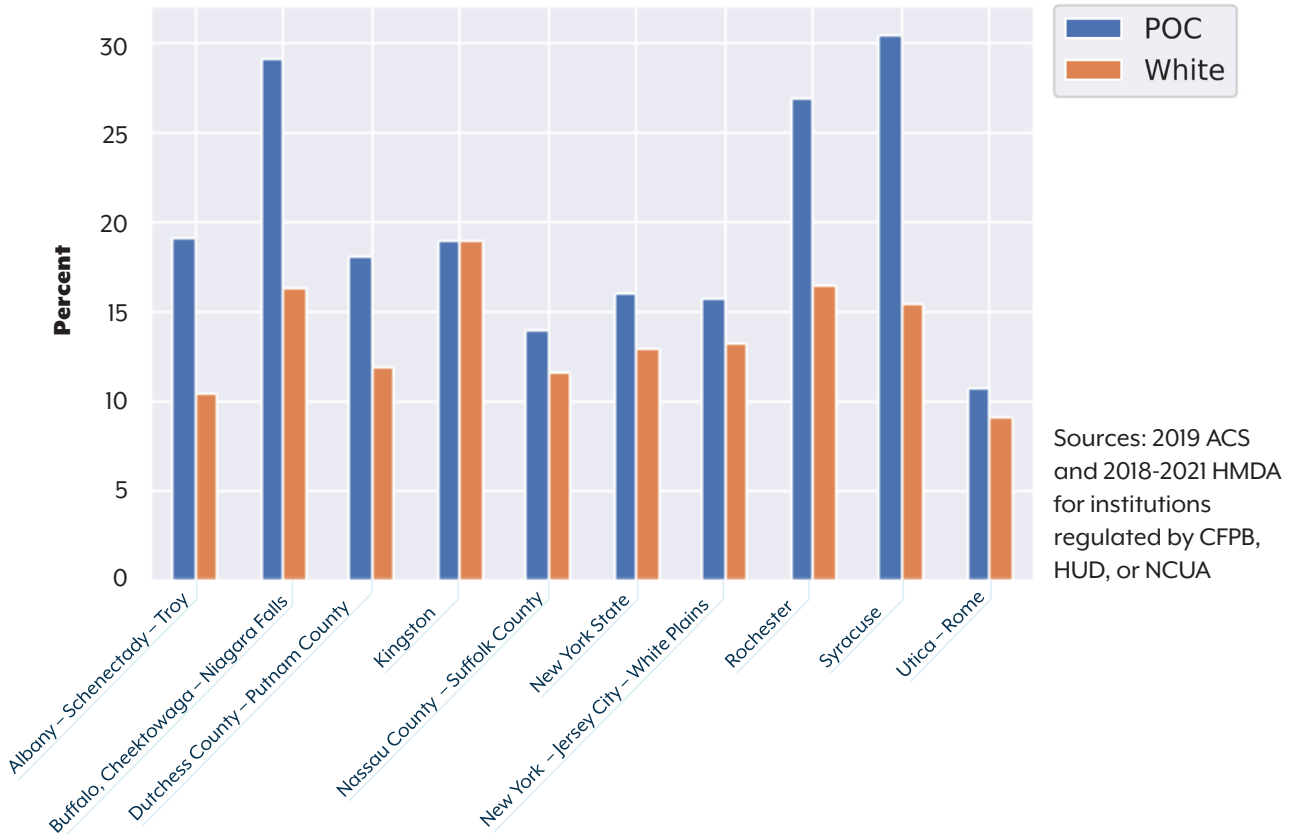


Table 6: Probability of denial for refinancing loan with the same application characteristics in 2021, by MSA⁵⁹

MSA	Predicted percentage of denial for POC tract	Predicted percentage of denial for white tract	Percentage of higher probability to be denied versus white tract
Albany-Schenectady-Troy	19.1%	10.4%	83%
Buffalo-Cheektowaga-Niagara Falls	29.0%	16.2%	79%
Dutchess County-Putnam County	18.1%	11.9%	52%
Kingston	18.9%	18.9%	0%
Nassau County-Suffolk County	14.0%	11.6%	20%
New York State	16.0%	12.9%	24%
New York-Jersey City-White Plains ⁶⁰	15.7%	13.2%	19%
Rochester	26.8%	16.4%	64%
Syracuse	30.4%	15.4%	97%
Utica-Rome	10.8%	9.1%	19%

⁵⁹ The table shows the probability of denial for an application with the average characteristics of a borrower of color in the indicated MSA (loan amount, credit score, DTI, LTV, and income).

⁶⁰ This MSA is called the New York-Jersey City-White Plains MSA; however New Jersey loans were excluded from our calculations.

In addition, borrowers of color were more likely to be rejected when applying for a refinancing loan. Table 7 shows the predicted percentage of applicants denied for refinancing loans with the same applicant characteristics.

**Table 7: Probability of denial for refinancing loan in 2021
with the same applicant characteristics^{61, 62}**

Applicant race	Probability of denial	Percentage higher than probability of denial of white applicant
White	12.1%	0%
Asian	14.7%	21%
Black	14.7%	21%
Latino	14.8%	22%
Multiple races	12.4%	2%
Another race	21.2%	75%
Unavailable	16.7%	37%
All POC	14.7%	21%

⁶¹ The table shows the probability of denial for an application with the indicated race and the following characteristics: loan amount \$386,759, credit score 748, DTI 40, LTV 61, and income \$151,921.

⁶² The column “Percentage higher than probability of denial of white applicant” is the difference between the indicated race and the denial rate for white borrowers, divided by the denial rate for white borrowers.

Bigger than enforcement: New York policy mandate

Historic policy decisions have created an uneven, racially discriminatory playing field that affects New Yorkers' ability to own homes and create wealth. This systemic discrimination has fostered lasting harm to this day. Banks have denied communities of color equal access to credit and banking services for generations — making it harder for people of color to meet lenders' credit requirements today.⁶³ At the same time, homeowners in high-cost areas have seen their assets increase dramatically in value.⁶⁴ This has exacerbated, and continues to exacerbate, the wealth gap.

This report shows the depth and breadth of the problem, which is far more severe than individual acts of discrimination. Generations of racially discriminatory policies cannot be remediated simply by enforcing the fair lending laws, even if we had the resources to do so in a manner that eradicated discriminatory lending going forward. The harm caused by redlining nearly 100 years ago continues to be felt today through large and persistent wealth gaps. Moreover, those wealth gaps will continue to compound over time unless we take bold action.

When redlining made it impossible for a Black man in 1935 to get the loan his white counterpart could get, it set into motion an intergenerational machine of inequality. His great-grandchildren are far less likely than his white counterpart's great-grandchildren to have the same credit history or the money to buy a home today. When deeds in Rochester routinely included clauses that excluded people of color, they shut Black families out of the communities that welcomed white families. Black families were denied the opportunity to build wealth in the communities in which white families were building wealth. That denial lives on today in the lack of financial foundation that so many Black, Latino, and Asian families experience.

In addition, historically marginalized communities have suffered from a historical and ongoing lack of lending infrastructure from mainstream financial services companies. Wealthier, and whiter, communities have enjoyed easy access to many banking options. This disparity has created, and continues to create, a lack of information about lending options and the lending process — both for individuals and for entire communities.

⁶³ Reynolds, L., Perry, V., & Choi, H. (2021, October 13). *Closing the homeownership gap will require rooting systemic racism out of mortgage underwriting*. Urban Institute. <https://www.urban.org/urban-wire/closing-homeownership-gap-will-require-rooting-systemic-racism-out-mortgage-underwriting>

Mortgage underwriting may also deny credit to borrowers who would qualify if a more comprehensive look at their credit history (such as their rental payment history) was used to illustrate their financial responsibility and qualifications.

⁶⁴ Bahney, A. (2022, March 9). *As home values soar, the wealth gap grows*. CNN. <https://www.cnn.com/2022/03/09/homes/us-homeowner-wealth-gap/index.html>

To add insult to injury, lenders who claimed to serve underserved areas instead used their presence to victimize the community in reckless and predatory ways. This abuse became clear in the 2008 crisis and its aftermath. The racially discriminatory impact of the 2008 crash is still evident today. Black families were disproportionately stripped of their homes and wealth, and deprived of the ability to acquire either. With their credit record ruined and their financial resources drained, they found themselves (and their children) unable to take advantage of the following 14 years of low interest rates. They now face much steeper costs locked into the price of homeownership. If left uncorrected, these disparities will continue to expand the wealth gap for New Yorkers of different races.

Take Albany. In the 1930s, Albany had only a tiny Black population, but the HOLC deemed neighborhoods where Black or foreign-born people lived as “hazardous” for lending. These “hazardous” neighborhoods were the South End, Arbor Hill, and West Hill.

During the second great migration of the 1950s, Black Americans from the U.S. South moved north; many came to Albany. They found only three neighborhoods they could move to: those same neighborhoods that had been redlined. While their white neighbors moved out, the new Black residents found that they could not move into other neighborhoods, even if they wanted to. The homes they could afford — after making a fraction of what white workers did for the same jobs — were all in redlined districts. And moving to the suburbs was a nearly impossible aspiration for Black residents. Those who tried were discouraged as a result.⁶⁵

Federal mandates meant to help even the playing field were met with local resistance. Erastus Corning, mayor of Albany from 1942 through 1983, opposed racial integration. He even refused federal funding to avoid having to comply with fair housing obligations. The Fair Housing Act and related laws, underenforced and lacking local support, were powerless to help the local Black population.⁶⁶

The choices made in the 1930s, 1950s, and 1980s are alive today. This legacy of discrimination continues to shut Black residents out of opportunities to buy their own homes in what U.S. News & World Report has called the best place to live in New York, and the 17th best place to live in the United States.⁶⁷

Today, Albany has the second-largest gap between white and Black homeowners nationwide (68.9% home ownership among white households, compared to 20.1% home ownership among Black households, second only to Minneapolis at 74.8% among white to 24.8% among Black).⁶⁸

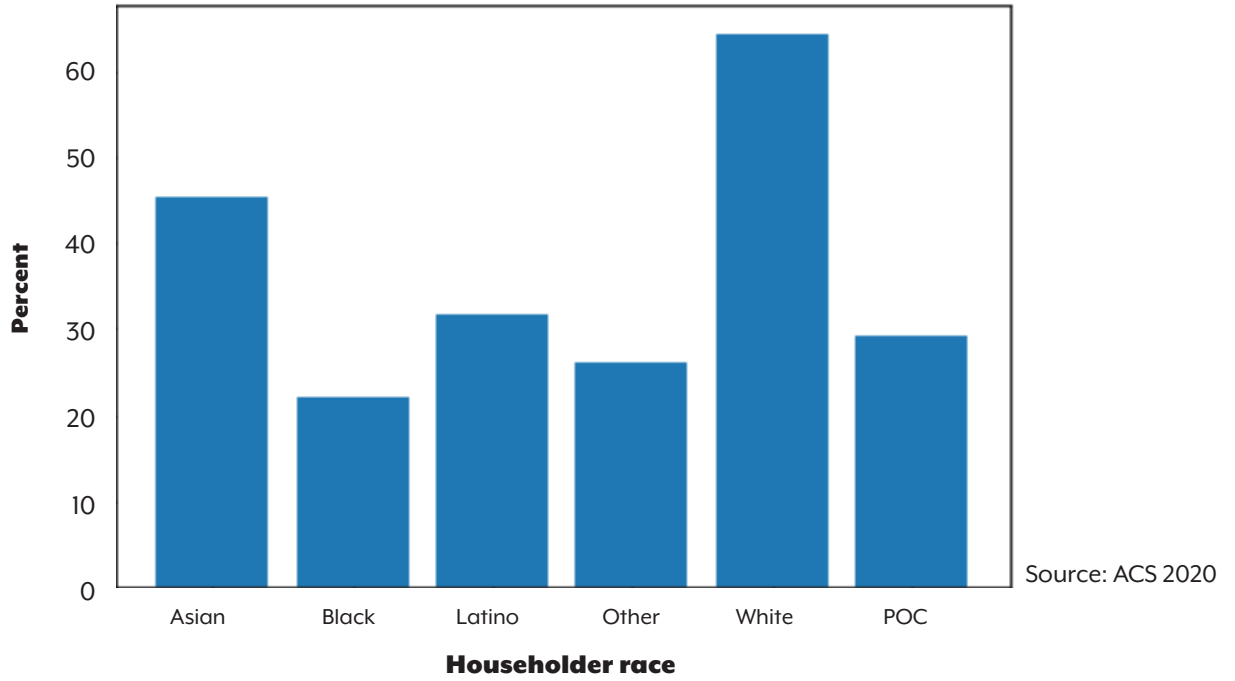
⁶⁵ Mikati, M., & Medina, E. (2021, June 6). Why Albany’s Black neighborhoods are its most economically challenged. *Times-Union*. <https://www.timesunion.com/projects/2021/albany-divided>

⁶⁶ Tomao, P. (2022, April 2). Pandemic housing market strains Black-White homeownership gap. *Issue Number One*. <https://issuenumbersone.journalism.cuny.edu/2022/04/02/pandemic-housing-market-strains-black-white-homeownership-gap/>

⁶⁷ (n.d.). *Best Places to Live in the U.S. in 2023-2024*. U.S. News & World Report. <https://realestate.usnews.com/places/rankings/best-places-to-live>

⁶⁸ McCargo, A. & Stochak, S. (2018, February 26). *Mapping the black homeownership gap*. Urban Institute. <https://www.urban.org/urban-wire/mapping-black-homeownership-gap>

Figure 23: Percent of occupied units that are owner occupied, Albany



Albany is just one example, but it illustrates how profound the long-term structural damage has been.

Recommendations

New York has a responsibility to remedy the accumulated harms of discrimination. This will require bold action that lifts up communities that have been held back by a long history of discriminatory policies and practices. The recommendations below reflect important first steps toward that objective and would help improve credit access, creditworthiness, and investment in underserved communities.

Subsidize down payments and interest rates for first-generation homeowners

New York should make it easier for families who have never bought a home to get credit. As we have shown in this report, many generations of families have been locked out of opportunities to obtain mortgages; now they have great difficulty. Policy choices over decades have led to staggering and unacceptable inequities in the modern-day home-purchasing market.

To help rectify this situation, the New York Legislature should start to address the injustice caused by the New York and federal governments by offering subsidized down payments and interest rates for first-generation homeowners.

First, New York should directly subsidize down payments for first-generation homeowners. The Urban Institute has identified this policy as critical to shrinking the racial wealth gap.⁶⁹ New York could, for instance, adopt a state version of the “first generation” homeowner proposal made by the National Fair Housing Alliance (NFHA) and Center for Responsible Lending (CRL). The NFHA and CRL proposal is a down-payment-assistance program that would provide a minimum of \$20,000 to each prospective homebuyer. It limits eligibility to first-generation homebuyers whose income is at or below 120% of the area median income. While the program would be race neutral, in practice, it would help even out the policy-created racial inequities. According to estimates by the NFHA, if operated on a national scale, 72% of borrowers supported by a program of this kind would likely be families of color. Of those families of color, 43% would be Black families.⁷⁰

⁶⁹ Stegman, M. & Loftin, M. (2021, April 22). *An essential role for down payment assistance in closing America's racial homeownership and wealth gaps*. Urban Institute. <https://www.urban.org/research/publication/essential-role-down-payment-assistance-closing-americas-racial-homeownership-and-wealth-gaps>

⁷⁰ Center for Responsible Lending & National Fair Housing Alliance (2021, May 21). *First generation: Criteria for a targeted down payment assistance program*. National Fair Housing Alliance. <https://nationalfairhousing.org/wp-content/uploads/2021/06/crl-nfha-first-generation-jun21.pdf>

New York already has programs that subsidize first-time homebuyers, owners of manufactured homes, veterans, and recent college graduates. However, the state lacks any program directed at intergenerational wealth inequity. None of these programs take family background or parental wealth into account, although the intergenerational wealth gap plays an oversized role in credit and housing inequality. What's more, most of these existing programs allow down-payment assistance and gifted money. When buying a home for the first time, a recent college graduate who has access to parental wealth (frequently built out of real estate investments) has a significant advantage over a college graduate whose family has been shut out of wealth through redlining and other racial barriers.

In addition to down payments, the legislature should also subsidize interest rates for first-generation homeowners. Many deserving New Yorkers missed out on the buying that took place during the years of low interest rates. Many market participants predict that the low interest rates of recent years are highly unlikely to return anytime soon. Without subsidized interest rates, many low-income New Yorkers will be permanently shut out of homebuying.⁷¹ Subsidized interest rates could greatly help first-generation homeowners. With this support, even low-income New Yorkers, especially in upstate cities and rural areas, could build equity in their homes.

⁷¹ A November 2022 Freddie Mac analysis estimates that the pool of homebuyers who would qualify for the current average loan decreased by around 15 million as a result of interest-rate increases. *FreddieMac*. (2022, November 21). Do rising interest rates price out mortgage-ready borrowers?. FreddieMac.com. <https://web.archive.org/web/20230725235234/https://www.freddie.com/research/insight/20221121-do-rising-interest-rates-price-out-mortgage-ready>

Increase CDFI funding and make it permanent

New York should support non-profit financial institutions that responsibly serve communities denied access to mainstream financial institutions. Increasing funding to community development financial institutions (CDFIs), including CDFI credit unions and loan funds, would expand access to banking services in communities of color across New York State. The state should also provide this funding on a permanent basis. Most loans for primary-home purchases historically had been made by traditional banks.⁷² In recent years, and particularly since the 2008 market collapse, more mortgage loans have been made by non-depository lenders like online lenders, whose funds come from investors rather than depositors.⁷³ Today, almost two-thirds of home mortgage loans are made by independent, non-depository lenders.⁷⁴ These non-bank lenders exhibit the same troubling unequal treatment of applicants as do their bank counterparts.⁷⁵

However, a small portion of home purchase loans are made by other lenders, including credit unions, not-for-profit depository institutions, and CDFIs.⁷⁶ CDFIs are mission-driven institutions that are committed to lending to underserved communities and providing development services responsive to community needs.⁷⁷ CDFIs provide an alternative to purely profit-driven lending, and offer a roadmap to community lending. CDFIs' history in New York suggests that they are significantly more equitable lenders than conventional mortgage providers. Supported properly, CDFIs would help close the homeownership gap in New York. For example, Rochester-based, Genesee Co-op Federal Credit Union, a nonprofit and member-owned CDFI, has been able to fill needs unmet by other lenders in Rochester. For instance, of their 138 applications from 2018 through 2021, 33% were from communities of color, compared to only 11% of applications for other lenders in the Rochester MSA. Genesee Co-op has a similar track record in originations: 30% of Genesee Co-op's 76 originations are from communities of color, compared to 9% for all lenders in the MSA.

⁷² Carter, C., Renuart, E., Sheldon, J., Battle, J., Green Caplan, E., Matlock, M., Pizor, A., Saunders, L., Van Last, J. W., & Wu, C. C. (2020). Distinctions between depository and non-depository creditors. In *Consumer Credit Regulation* (3d ed.). National Consumer Law Center. <https://library.nclc.org/book/consumer-credit-regulation/152-banks>

⁷³ N.Y. State Dept. of Financial Services. (Feb. 2021). *Report on Inquiry into Redlining in Buffalo, New York*. https://www.dfs.ny.gov/system/files/documents/2021/02/report_redlining_buffalo_ny_20210204_1.pdf

⁷⁴ Consumer Financial Protection Bureau. (2022, June 16). *Summary of 2021 data on mortgage lending*. <https://www.consumerfinance.gov/data-research/hmda/summary-of-2021-data-on-mortgage-lending>

⁷⁵ OAG compared the largest online lender to the nine other largest lenders on several metrics described in this report. Measured by various metrics, this lender performed the same at some credit scores, worse at some credit scores, and better at some credit scores, with no evidence of overall better performance.

⁷⁶ The U.S. Office of the Comptroller of Currency identifies four types of institutions that are considered CDFIs: CD banks, CD credit unions, CD loan funds (most of which are nonprofit), and CD venture-capital funds. Office of the Comptroller of the Currency. (n.d.). *Community development financial institution (CDFI) and community development (CD) bank resource directory*. Retrieved on July 11, 2023, from <https://www.occ.gov/topics/consumers-and-communities/community-affairs/resource-directories/cdfi-and-cd-bank/index-cdfi-and-cd-bank-resource-directory.html>

⁷⁷ CDFIs must have a primary mission of supporting community development, specifically serving target markets and providing development services to the community. Many credit unions are certified CDFIs, but not all, and they do not have the same requirements as CDFIs for community investment. Community Development Financial Institutions Program, 12 C.F.R. § 1805 (2015). <https://www.ecfr.gov/current/title-12/chapter-XVIII/part-1805>

Granted, Genesee Co-op is more active than other lenders within Rochester city limits, an area more densely populated by families of color. But, even when we look strictly at applications and originations within the city of Rochester, Genesee Co-op still does a better job serving communities of color. Looking at loans for properties within the city of Rochester, 43% of Genesee Co-op's 103 applications and 40% of its 58 originations are from communities of color, compared to only 23% of applications and 20% of originations for all lenders.

In addition to CDFIs' track record in serving communities of color, we see other strong reasons to support these institutions as engines of change in the fight for homeownership equity.

CDFIs have been instrumental in developing pathways to credit access for small and minority-owned businesses, housing, and nonprofit organizations throughout New York. According to advocates, they "leverage every public dollar with at least 12 additional dollars from other sources, including banks, foundations, and impact investors."⁷⁸

New York has a high concentration of CDFIs in the country — serving every county in the state — but these worthy institutions need more resources to serve their communities.

In 2022, the state announced a plan to allocate \$150 million in funds from the American Rescue Plan to boost small businesses through CDFIs. While this is a great first step, the state should allocate significant funds to the NYS CDFI Fund, on a permanent basis, and mirroring the federal CDFI Fund.

⁷⁸ New Economy Project. (2018). *It's time to fund New York's Community Development Financial Institution (CDFI) Fund*. www.nyc.gov/html/mancb3/downloads/calendar/2018/2018%20CDFI%20Fact%20Sheet.pdf

Enable the chartering of public banks

Our report shows the importance of expanding investment infrastructure in communities of color and increasing access to affordable loan products. New York should pass the New York Public Banking Act (S.1754). The Act does not itself create public banks, but rather creates a regulatory framework for cities, counties, and regions to establish their own public banks. The Act gives New York's Department of Financial Services (DFS) the authority to issue public bank charters.

Public banks are financial institutions owned not by shareholders, but by state or local government. They are unlike privately owned banks, which are driven to maximize profits — and too often disincentivized to lend fairly to low-income people. By contrast, public banks are accountable to the community in which they are based. They can make decisions that support the bottom line, but are not obligated to maximize profit at all costs. Public banks can choose to invest in affordable housing, renewable energy, and community development, whether or not these investments promise the single highest rate of return.

Public banks are a common form of banking throughout the world. Public banking can prioritize what the public needs, such as community-led economic development initiatives, community land trusts, small businesses, worker-owned businesses, or community-controlled renewable energy. They can also lend directly to the public.

Legislation like the New York Public Banking Act would allow public banks to be chartered, so they can play key roles as institutional lenders. They could partner with community-based credit unions and loan funds to expand access to high-quality, affordable financial services in historically redlined communities. They can partner with other organizations to provide lending support for community-led economic development and housing, as well as other projects.

Supporting public banks would give communities a choice. When local or state governments collect money, they deposit it in privately run banks, which are also drivers of speculation in real estate and investments in fossil fuels. When a city requires funding, it must rely on private banks to borrow. With a public-banking option, a local government could decide to use public banks for their deposits and loans, knowing that this money would be used to subsidize other public priorities.

Strengthen New York’s resources and tools for enforcement

This report underscores the importance of increased enforcement against lenders who engage in discriminatory practices. Enforcement alone will not fully address disparities in access to credit. However, the legislature can take three important steps to ensure that enforcement agencies have the means to address the industry’s worst actors.

First, the legislature should increase resources for government agencies to conduct fair lending work. These investigations often require significant attorney time, involve large data sets, require expert research and analysis, and face well-resourced opposition. Without sufficient funding, enforcement agencies are often limited in the number of investigations they can launch. As a result, many lenders escape review.

In addition, the legislature should strengthen the New York State Human Rights Law (NYSHRL). This effort would help hold lenders accountable for practices that perpetuate disparities in access to credit. Several New York courts have interpreted this law to cover policies or practices that have a disparate impact based on race. This principle, however, should be codified in the law. We recommend implementing a standard that places the burden on lenders to justify unexplained and apparently unjustified disparities. In other words, NYSHRL should expressly prohibit lenders from engaging in any practice that has a discriminatory effect, regardless of intent. If a lender engages in such a practice, they should have to identify a legitimate and nondiscriminatory justification for doing so.

Last, New York should fix the current hole in its consumer-protection laws by passing Senate Bill 795. This bill would allow New York to join most other states and the federal government in prohibiting unfair business practices.

Explore check-cashing and deposit banking at public institutions at the state level

As our final recommendation, we suggest that New York public institutions provide basic banking services to unbanked and underbanked New Yorkers.

While this report focuses on mortgages, it is overlaid on the larger theme of un- and under-banked New Yorkers. These are people who lack access to the most basic banking services.

In the United States, as of 2020, only 59% of Black people are fully banked, meaning they have a checking or savings account, compared with 88% of white people.⁷⁹ The numbers are similar in New York. Fully banked consumers are financially empowered consumers. Because they often lack basic banking capabilities, more Black people are forced to use predatory lenders.

To help remedy this inequity, New York should explore ways in which the state can directly provide basic banking services to communities that have been persistently underserved. New York would not be the first to adopt some form of retail banking at public institutions. Basic banking at public institutions is widely available all over the world. Banking at the post office used to be common in the United States: The U.S. Postal Service offered some check-cashing services from 1911 to 1967. At present, 90% of countries offer some form of basic financial services through their post offices.

Retail banking at public institutions would be a long-term effort to build credit in underserved communities, and would inevitably increase residents' ability to buy homes in the future. With the appropriate legal framework, people could cash or deposit checks, or take out small loans, at state-run institutions like public libraries or the Department of Motor Vehicles.

⁷⁹ Perry, A. M., Barr, A., Romer, C., Broady, K., & Seo, R. (2022, February 14). *Black-owned businesses in U.S. cities: The challenges, solutions, and opportunities for prosperity*. Brookings. <https://www.brookings.edu/research/black-owned-businesses-in-u-s-cities-the-challenges-solutions-and-opportunities-for-prosperity>

Appendix A: Data

Data sources:

2019 and 2020 American Community Survey (ACS) Five-Year estimates: These data points are collected by the Census Bureau and reflect social, economic, housing, and demographic statistics for people and communities in the U.S. We used this data for the homeownership statistics included in this report.

- » Table B03002 was used to get racial demographics of neighborhoods.
- » Table S2502 was used to get the percentage of homes that are owner occupied by race. The definition of householder is “The person, or one of the people, in whose name the home is owned, being bought, or rented. If there is no such person present, any household member 15 years old and over can serve as the householder.”
- » Table B25027 was used to get the number of households that had mortgages in 2019, for the refinancing analysis.

Historical redlining maps: “Mapping Inequality” from University of Richmond.

- » Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., “Mapping Inequality,” American Panorama, ed. Robert K. Nelson and Edward L. Ayers, accessed April 10, 2023, <https://dsl.richmond.edu/panorama/redlining/>.

Home Mortgage Disclosure Act (HMDA) data: This data is maintained by the Consumer Financial Protection Bureau (CFPB) and concerns the U.S. mortgage market. The vast majority of financial institutions are required to submit information on all mortgage applications, as well as on some other transactions concerning mortgages. We focus on mortgage applications and denials in this report.

- » Population: New York applications in HMDA data (action taken code 1, 2, or 3)
 - all analyses limited to primary residence
 - all analyses limited to first lien
 - maps: 2019-2021 HMDA purchase applications
 - denials: 2018-2021, data from institutions regulated by HUD, CFPB, or NCUA, which covers almost 90% of the HMDA data
 - cost of credit: 2018-2021 HMDA
 - refinancing: 2019 ACS and 2020-2021 HMDA

Appendix B: Categorizing in HMDA Data

There are multiple race and ethnicity variables available in HMDA data. We categorized race in HMDA data according to the following:

- » People with both race and ethnicity missing, or race missing and ethnicity non-Latino, are considered to have race unavailable.
- » Multi-racial people are considered “multiple races.” If applicant and co-applicant are different races, they are also considered “multiple races.”
- » Native Americans are considered “other race.”
- » Any household where both applicants are Latino are considered Latino, regardless of race.
- » Any households where both applicants are non-Latino for ethnicity and Black, Asian, or White for race are considered Black, Asian, or White.

Definition: Other costs and fees (total loan costs and total points and fees)

The term “other costs and fees” in this document refers to the HMDA fields “total loan costs” and “total points and fees.”⁸⁰

Total loan costs are entered in dollars, as “NA” for transactions for which this requirement does not apply, or “exempt” if the reporter is exempt from reporting this information under the Economic Growth, Regulatory Relief, and Consumer Protection Act. It is important to note that the total loan costs reported under HMDA are “borrower paid.” The total closing costs may be partially paid by the seller (in the home-purchase transaction) or by others, but those should not be captured by the total loan costs data point reported under HMDA. The total loan costs are the sum of:

- » origination charges that the lender charges.
- » charges for services that borrowers cannot shop for (e.g. appraisal fees or credit-report fees).
- » charges for services borrowers can shop for (e.g. settlement-agent or title-insurance fees).

In other words, these total loan costs include charges by the lenders and third-party service providers, and must be charges paid by the consumer rather than by a seller or other third party. It is important to note that loan costs may be tied to the size of the loan. In addition, loan costs can be affected by other factors, such as the size of the down payment relative to the loan, which would affect the need for mortgage insurance, as well as choices made by consumers, such as the purchase of owner’s title insurance.

⁸⁰ CFPB (2019). *Introducing new and revised data points in HMDA*. https://files.consumerfinance.gov/f/documents/cfpb_new-revised-data-points-in-hmda_report.pdf.

The term “total loan costs” applies to originated loans that are subject to the Truth in Lending Act - Real Estate Settlement Procedures Act integrated disclosure requirements in Regulation Z, which protects consumers from misleading lending practices by helping them understand the true cost of credit. The term “total points and fees” applies to originated loans that are not subject to those requirements but that are covered by the ability-to-pay requirements in Regulation Z.

In this analysis, we looked at both “total loan costs” and “total points and fees” to calculate total loan costs to the borrower. There were no records that recorded values in both of these categories for a single record. The HMDA data dictionary indicates total loan costs and total points and fees can exist in either column. Where both were missing, we considered total loan costs to be \$0.⁸¹

Appendix C: Loan Types

The table below shows how common each loan type was in 2018-2021.

Loan type in 2018-2021

	Counts	Percentage
Conventional	381,603	78.85
FHA	81,087	16.76
VA	18,369	3.80
USDA RHS/FSA	2,880	0.60

⁸¹ See the CFPB data dictionary. <https://ffiec.cfpb.gov/documentation/2021/modified-lar-schema>

Appendix D: Regression results

The following table shows regression results for denials of purchase loans. The body of the report includes predicted probabilities for different races using loan amount, credit score, DTI, and income of the average borrower of color.

Regression results for denial for purchase loans

Variable	Odds ratio	P value
Asian	1.49	<0.01
Black	1.51	<0.01
Latino	1.38	<0.01
Multiple races	1.19	<0.01
Other race	2.34	<0.01
Race unavailable	1.56	<0.01
Loan amount	1.0000001	<0.01
2019	0.90	<0.01
2020	1.07	<0.01
2021	0.87	<0.01
Credit score	0.99	<0.01
DTI	1.05	<0.01
LTV	0.997	<0.01
Income	1.000028	0.01

Acknowledgements

This report was prepared by OAG's Research and Analytics Department in collaboration with the Divisions of Social and Economic Justice. A special thanks to:

Jasmine McAllister, Data Scientist,
Research and Analytics Department

Gautam Sisodia, Acting Director,
Research and Analytics Department

Blake Rubey, Data Analyst,
Research and Analytics Department

Megan Thorsfeldt, Former Director,
Research and Analytics Department

Jonathan Werberg, Former Director,
Research and Analytics Department

Mark Ladov, Assistant Attorney General,
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Lindsay McKenzie, Section Chief,
Civil Rights Bureau

Joel Marrero, Assistant Attorney General,
Civil Rights Bureau

Zephyr Teachout, Former Special Counsel
and Senior Advisor for Economic Justice

Rachel Castro, Public Information and
Correspondence Unit

Sharona Parchment, Executive Assistant

Anil Sheekumar, Executive Assistant

Irene Kim, Public Information and
Correspondence Unit

Meghan Faux, Chief Deputy Attorney General
for Social Justice

Chris D'Angelo, Chief Deputy Attorney General
for Economic Justice