



Fact Sheet: Unequal Opportunity Disparate Mortgage Origination Patterns for Women in the Chicago Area

Introduction

This fact sheet examines women's access to mortgages following the collapse of the housing bubble. Using available Home Mortgage Disclosure Act data and controlling for loan-to-income ratios, **we find significant disparities in access by women across racial and ethnic groups to mortgages for purchasing and refinancing their homes as compared to men.** These findings raise concerns about the growing income and wealth gap for women and illustrate the need for improvements in HMDA data collection and fair lending enforcement.

Background on the Income and Wealth Gap for Women

Numerous studies and reports have documented the income gap between women and men. Women working full time earn about 77 cents for every dollar a man earns, a gap that has persisted for over a decade (JEC 2010).¹ That gap, however, pales in comparison the wealth gap between working age women and men, defined as the difference between assets and liabilities. Wealth is a crucial measure of a person's financial security because it can provide a safety net in the event of unexpected expenses or loss of income and support during retirement. Wealth also begets wealth by generating additional income, and it can confer its advantages across generations through inheritance.

Chang (2011)² documented the wealth gap between men and women. She analyzed data from the 2007 Survey of Consumer Finances which showed that single women between the ages of 18 and 64 years old have median wealth that is 49 percent of the median for single men and 12 percent of the median for couples. The gap is even more pronounced for younger single women. Single women between the ages of 18 and 35 have zero median wealth, compared with a median of \$3,800 for single men in that age range. The differences are also greater for women of color and single mothers. Single African American women between the ages of 18 to 64, for example, have median wealth of \$100, compared with median wealth of \$7,900 for single African American men in that age range. Single women with children have median net wealth of \$1,000, compared with \$35,300 for single men with children. Data from the 2010 Decennial Census³ show that three times as many women are heads of households with children as are men. Three-quarters of children in single-parent households have less than three percent of the wealth available to the other one-quarter.

Chang (2011) suggests that the wealth gap would persist even if the income gap did not. Women are more likely to be custodial parents, meaning they have more expenses and less available surplus to save even with the same income. The most common means of wealth creation for most families is homeownership. Here too, women have been disadvantaged. With less wealth, women are less able to afford the down payment for conventional loans. With lower incomes, they are less able to qualify for larger mortgages to

¹ U. S. Congress Joint Economic Committee. 2010. *Invest in Women, Invest in America: A Comprehensive Review of Women in the U. S. Economy*. Washington, DC, December 2010. (JEC 2010)

² Chang, Mariko Lin. 2011. *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It*. New York, NY: Oxford University Press.

³ 2010 Decennial Census, Table P38.

buy more valuable properties. Studies have shown women are more likely to have received subprime loans during the housing bubble, and the disparity is greater for women with higher incomes (Fishbein and Woodall 2006).⁴ Those loans further disadvantage women by making sustainable homeownership more difficult and by increasing the cost of homeownership, reducing the wealth-building effects.

The Purpose of this Study

This fact sheet examines women's access to mortgages following the collapse of the housing bubble. The question the study addresses is whether women now have substantially equal access to mortgages for purchasing and refinancing their homes in the absence of the subprime products that had been disproportionately marketed to female applicants.⁵

Methodology

This study uses 2010 Home Mortgage Disclosure Act (HMDA) data for the Chicago six county region (Cook, DuPage, Kane, Lake, McHenry, and Will counties). The applications included in this analysis are for:

- Conventional, FHA, or VA loans;
- Purchase or refinance;
- One- to four-family units;
- First lien;
- Loan amounts between \$20,000 and \$800,000;
- Applicants with incomes between \$20,000 and \$999,000; and
- Applications which resulted in the loan being originated or denied.

In addition, the HMDA data used also had to include the location of the property by census tract, the gender of the applicant, and the gender of the co-applicant, if applicable. Overall, there were 58,870 applications for purchase mortgages and 198,522 applications for refinance mortgages in the final dataset.

Findings

Female mortgage applicants were less likely overall to have home purchase mortgages originated than were male applicants. Controlling for the loan-to-income ratio, which is one measure of the affordability of the loan, female applicants overall were about 8 percent less likely to have purchase mortgages originated and about 21 percent less likely to have refinance mortgages originated than were male applicants. Those disparities, however, may reflect the influence of demographic characteristics which vary systematically between female and male applicants. For example, female applicants are more likely to have applied without a co-applicant; 77 percent of female applicants for purchase mortgages had no co-applicant versus only 52 percent of male applicants, and 71 percent of female applicants for refinance mortgages had no co-applicant versus 32 percent for male applicants. Because women in this country are much more likely than men to be single parents with minor child(ren) in the house, female applicants without a co-applicant may also be more likely to be in a significantly different family and financial situation than are male applicants with no co-applicants.

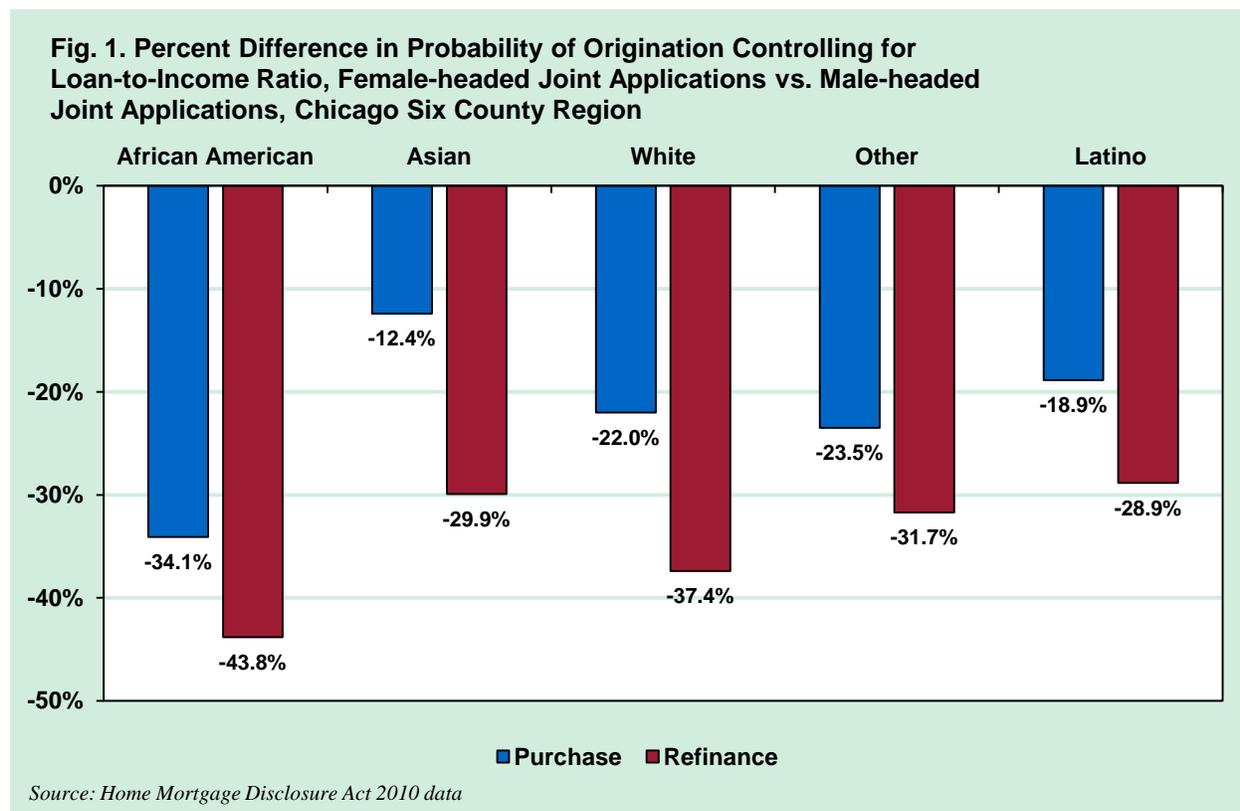
To control for those kinds of potentially confounding demographic factors, the analysis was also run using a subset of the data. The subset consisted of applications that either had a male applicant with a

⁴ Fishbein, Allen J., and Patrick Woodall, 2006. Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market. Consumer Federation of America. Downloaded from www.consumerfed.org on February 20, 2012.

⁵ Ibid.

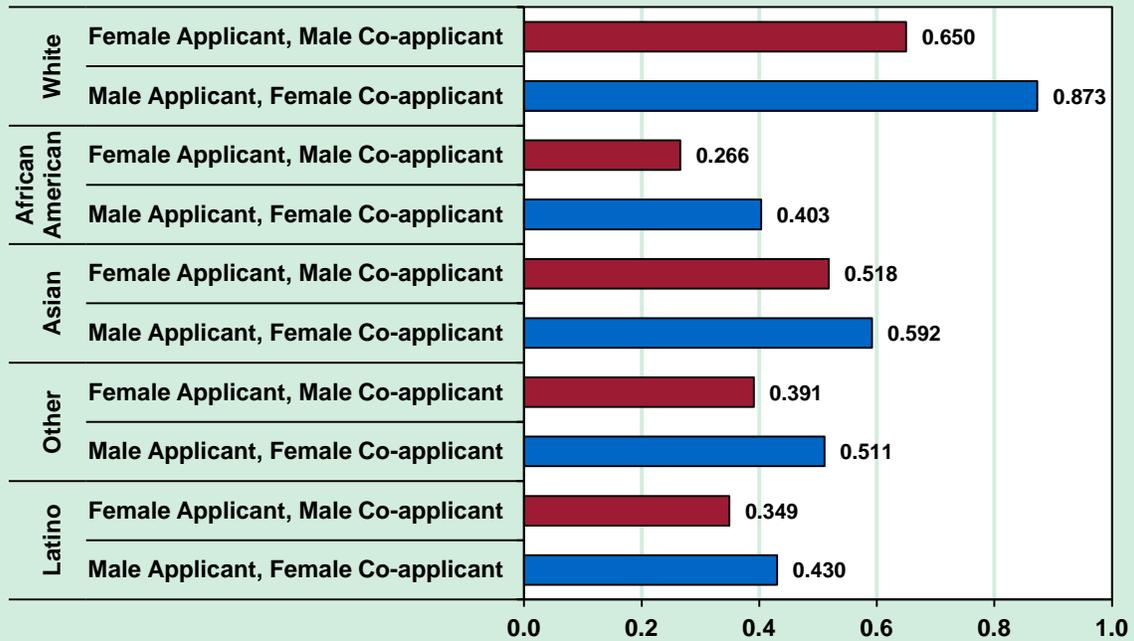
female co-applicant (male-headed joint applications) or a female applicant with a male co-applicant (female-headed joint applications). In this subset, there were 21,432 purchase applications and 111,304 refinance applications. The applications were also broken down by the race of the applicants (Asian, African American, White, or Other).

Female-headed joint applications are much less likely to be originated than are male-headed joint applications. Controlling for the loan-to-income ratio, female-headed joint applications overall were 24 percent less likely to have purchase mortgages originated, and 39 percent less likely to have refinance mortgages originated, than were male-headed joint applications. The disparities were maintained across all racial categories (Figure 1). The largest disparity is for African American female-headed joint applications for purchase, which were 34 percent less likely to be originated than were African American male-headed joint applications, and refinance applications, which were 44 percent less likely to be originated.



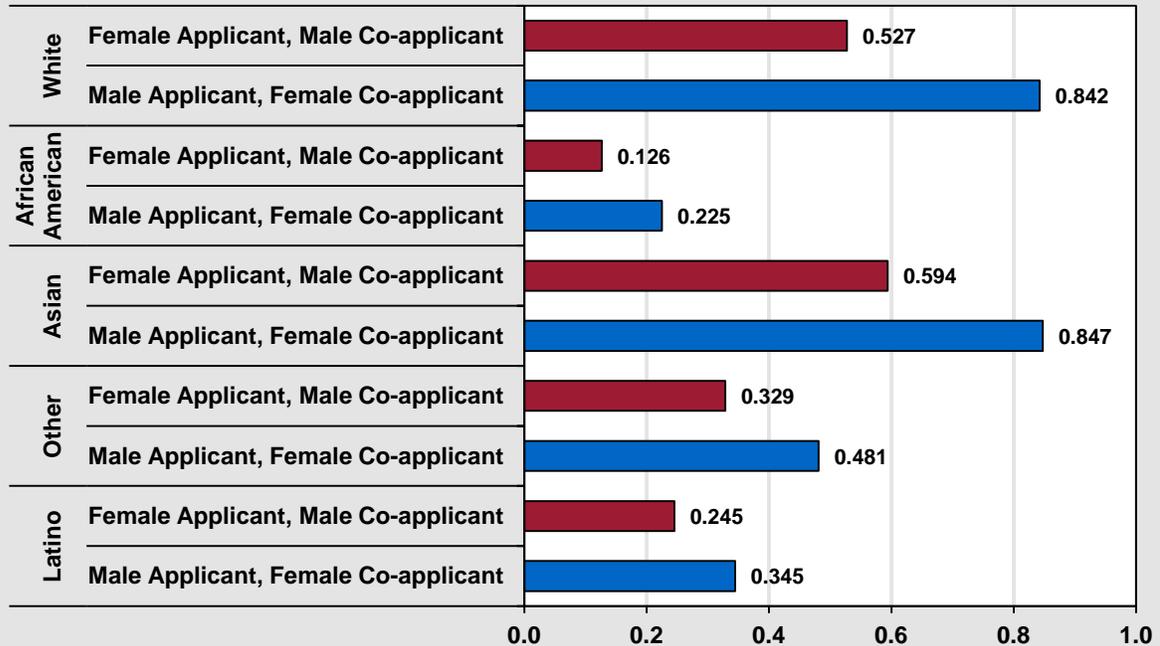
In addition, the data were analyzed to determine whether disparities existed for Latino female-headed joint applications, controlling for loan-to-income ratio. Latino female-headed joint applications were 19 percent less likely to have purchase mortgages originated and 29 percent less likely to have refinance mortgages originated than were Latino male-headed joint applications.

Fig. 2. Probability of Home Purchase Loan Origination, Controlling for Loan-to-Income Ratio, Chicago Six County Region



Source: Home Mortgage Disclosure Act 2010 data

Fig. 3. Probability of Refinance Loan Origination, Controlling for Loan-to-Income Ratio, Chicago Six County Region



Source: Home Mortgage Disclosure Act 2010 data

Policy Implications

Further investigation into possible gender discrimination in mortgage lending practices is necessary. The Department of Housing and Urban Development has recently reaffirmed the use of disparate impact analysis for purposes of the Fair Housing Act and the Equal Credit Opportunity Act.⁶ The findings of this analysis clearly show that female applicants for mortgages, both purchase and refinance, are significantly less likely to have loans originated than are male applicants, controlling for the loan-to-income ratio. Even when the analysis is limited to applications with either a female applicant and male co-applicant or male applicant with a female co-applicant, reducing the probability that the applicant is a single parent, the disparity remains. Moreover, the analysis shows that the disparity exists among all racial categories and for Latino applicants. Such a consistent set of findings showing a significant disparity in women's access to mortgage credit is troubling and warrants further investigation.

The Consumer Financial Protection Bureau must expeditiously finalize enhancements to the Home Mortgage Disclosure Act. The analysis also highlights deficiencies in the HMDA data. The data do not contain key categories of information, such as the applicant's credit score, overall-debt-to-income ratio, or the appraised value of the property. Without those data points, it is not possible to determine whether female-headed joint applications are denied with credit scores and debt-to-income ratios that result in loan originations for male-headed joint applications. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Consumer Financial Protection Bureau is authorized to promulgate new requirements for lenders submitting HMDA data, and those should include at least the applicant's credit score, debt-to-income ratio, and the appraised value of the property. With those additional data, analysis could more clearly show whether there was disparate impact or some legally defensible justification for the significant differences found between the origination rates for female and male mortgage applicants. If disparities for women persist with those additional data, additional fair lending training, supervision and enforcement will be needed.

⁶ Implementation of the Fair Housing Act's Discriminatory Effects Standard, Final Rule, 24 CFR Part 100, Fed. Reg. 11460- 11482 (February 15, 2013). Web.

Appendix A.

Likelihood a female-headed joint application is originated relative to male-headed joint application (controlling for loan-to-income ratio), by subregion in Chicago six county area

Geography	Purchase	Refinance
North Cook	72.5%	70.8%
Northwest Cook	60.1%	73.3%
West Cook	73.1%	61.3%
Southwest Cook	96.8%	61.4%
South Cook	74.4%	49.6%
DuPage	98.3%	61.1%
Kane	59.6%	54.9%
Lake	84.3%	57.2%
McHenry	82.0%	67.1%
Will	66.7%	48.7%
Chicago	88.3%	73.0%
Six County Region	75.9%	60.8%