

FACT BOOK FINDINGS *LUNCH AND LEARN*  
In 2021, Chicagoans Who Borrowed Least, Paid  
Most for Closing Costs (Yikes!)



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*Advancing Economic Security  
and Community Prosperity*

# Overview

- 2021 Mortgage Lending Trends
- Business Data
- Data Portal Demo
- Reframing the Racial Wealth Gap series



# ***2021 Mortgage Lending Trends***



# Increase in Non-CRA Regulated Lending

- Decrease in Regulated Market lending
  - Return to “normal”
  - Chicago: -8%
- Increase in Non-CRA Regulated Market lending
  - Chicago: +13%



# What is lending in the non-CRA regulated market like?

- More common among LMI, Black groups
  - 69% of loans to Black borrowers
  - 59% of loans to White borrowers
- Increasing most among Black, Latino, LMI groups
- Higher cost
  - 44% of unregulated loans have costs >\$5000
  - 27% of regulated loans have costs >\$5000
- FHA
  - 13% of unregulated loans
  - 3% of regulated loans
  - Higher cost
  - More common among Blacks, Latinos



# Why does this matter?

Increases in lending affected lower income Black and Latino groups most.

And this increase included many high-cost loans from lenders that have little-to-no incentive or ability to invest in the long-term wealth of individuals and neighborhoods.

*Interested in learning more? Read our recent blog post!*



# ***Business Lending Data***

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# What would you like to know?

The data we have:

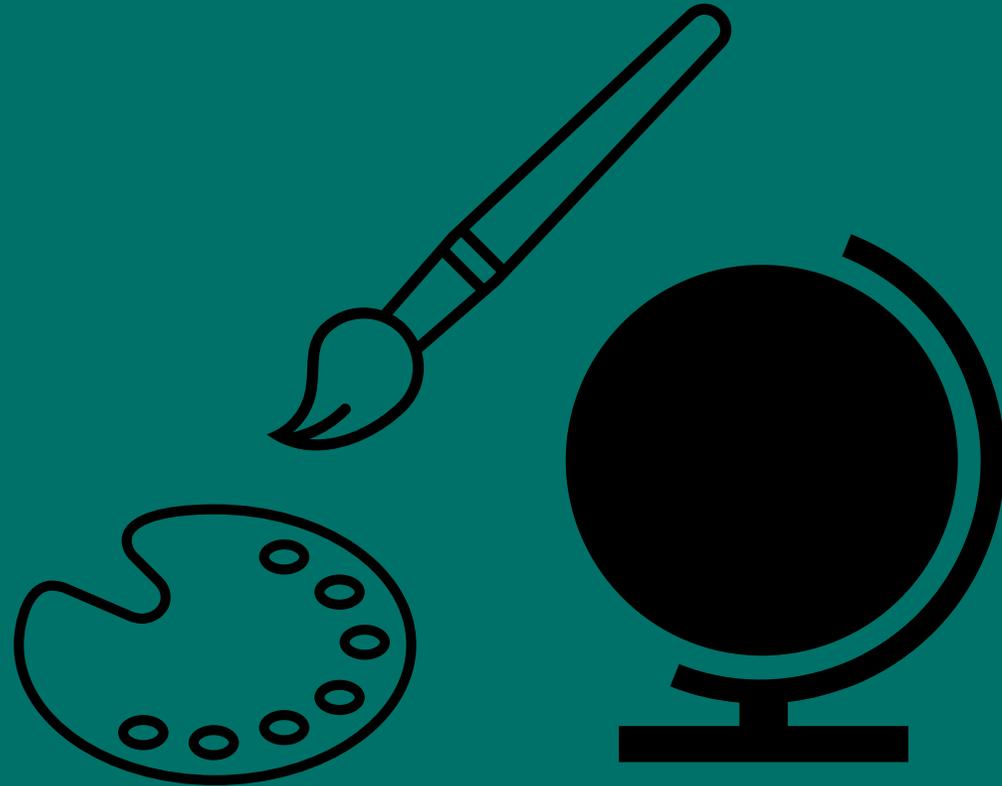
- Business loan size
- Number of loans to small businesses
- Business vacancies and vacancy length
- Number of new businesses
- ?



# What would you like to see?

## Visualizing data

- Maps
- Income of location
- Race of location
- ?



# *Data Portal Demo*



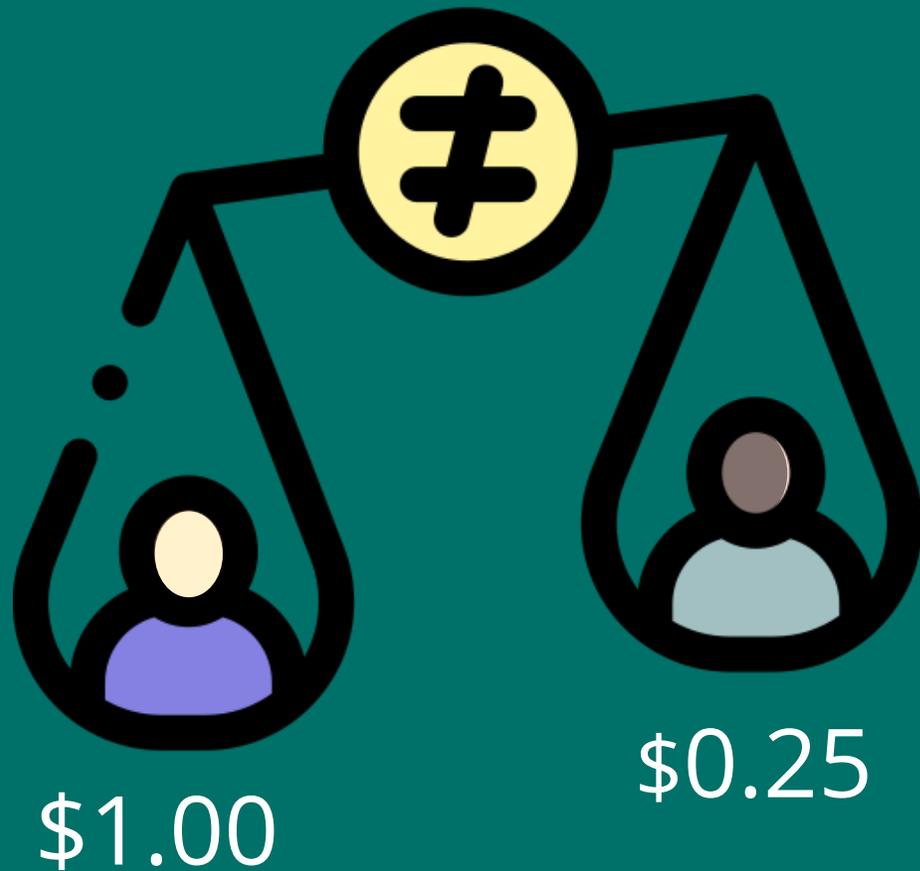
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**Reframing the Racial Wealth**  
**Gap Series**

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# Racial Wealth and Homeownership



45% · Black Homeownership

30%

White Homeownership · 75%

# Reframing the Reframe

1 Homeownership needs a strategic overhaul given that as it exists, it is unequitable and perpetuates a racial wealth gap

2 Other assets and investments need larger emphasis and resource allocation  
(i.e. entrepreneurship, estate planning, and retirement accounts)

# Why This Reframe?

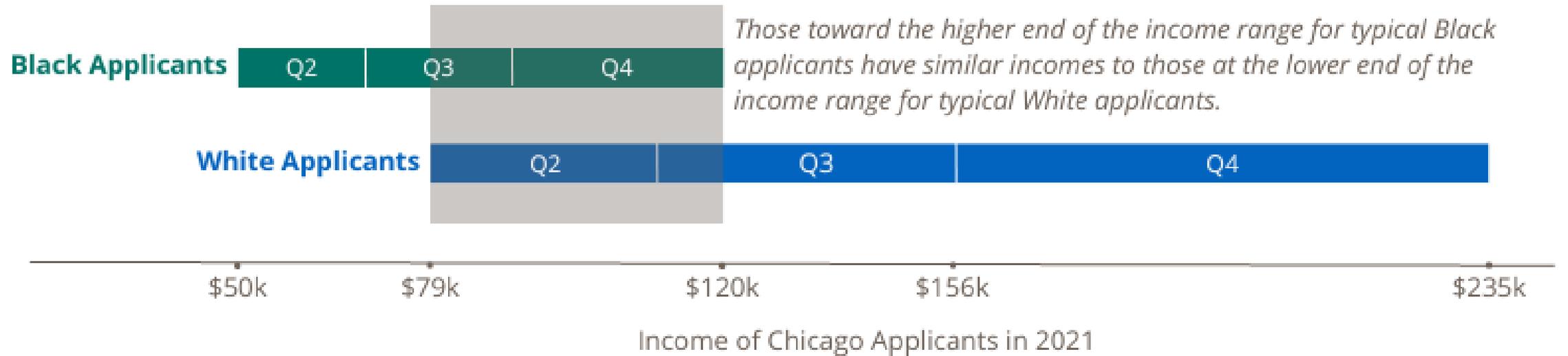
1 Homeownership *should* afford families equitable wealth creation and account for documented government-sponsored systemic disadvantage

2 It is *unwise* to put all of one's available capital in a single investment, in a single asset class with high entry and exit costs

# Systemic Disadvantage → Income Inequality

## Differences in Income

White applicants, in general, have much higher incomes than Black applicants.

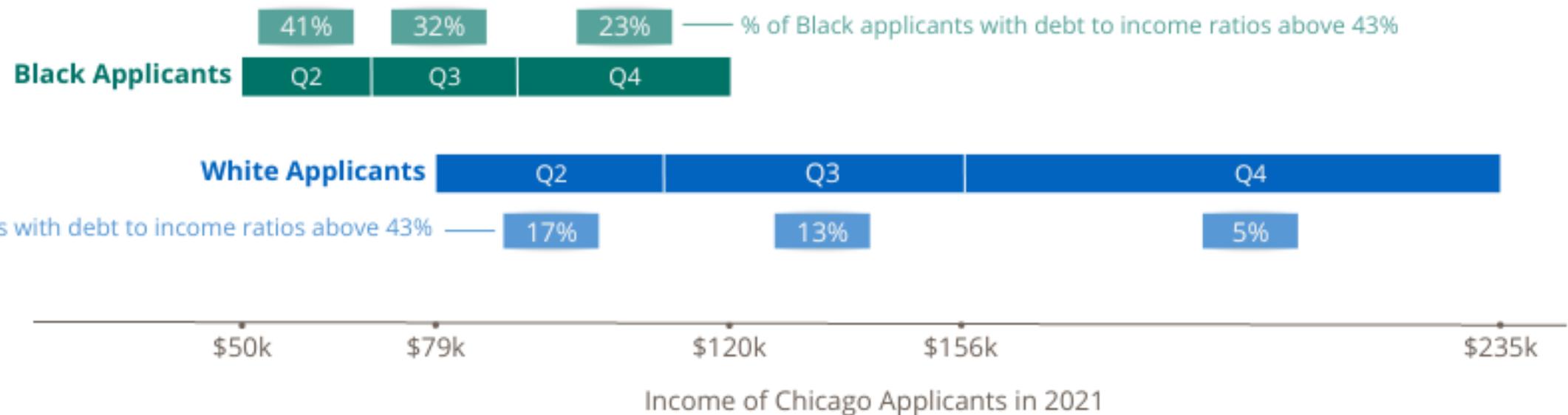


"Typical" Black or White mortgage applicants include those who fall into the middle-income category. "Middle-income" for both Black and White applicants groups was determined by sorting incomes within each group from least to greatest and then dividing the data into five equal parts. Each part is referred to as a "quintile." Middle quintiles (Q2, Q3, Q4) are shown on the chart. Data source: 2021 HMDA Data on Mortgage Lending.

# Income Inequality → Debt Inequality

## Differences in Debt

Black applicants have lower incomes than most White applicants *and* are more burdened by debt.

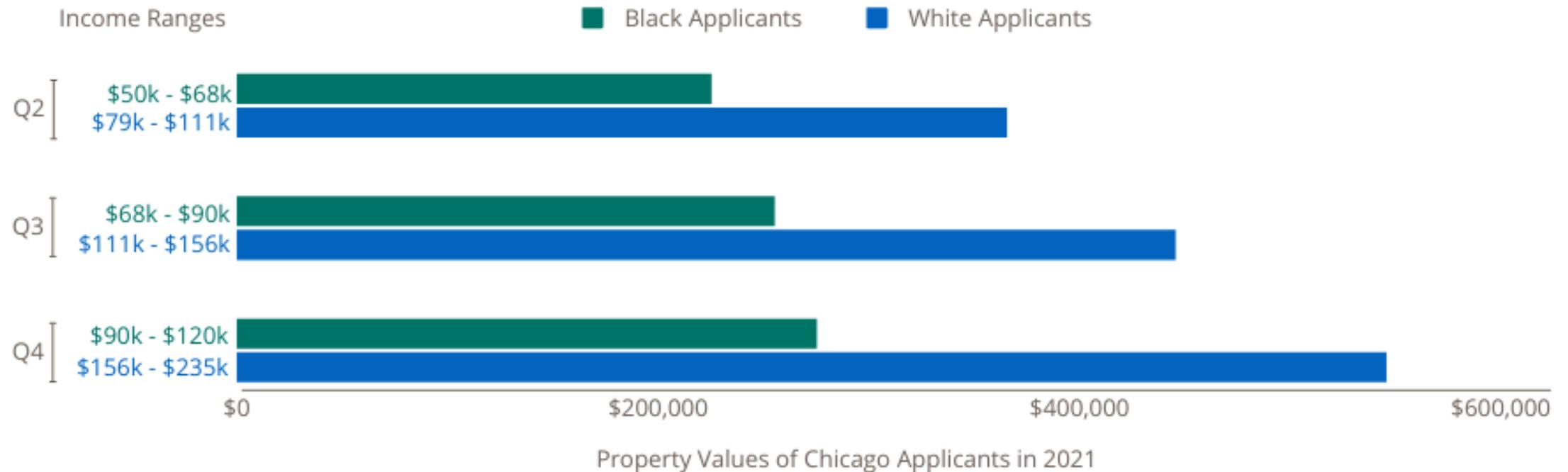


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# Low Income, High Debt → Low Property Value

## Differences in Property Values

Black applicants have lower incomes than most White applicants *and* generally have lower property values.

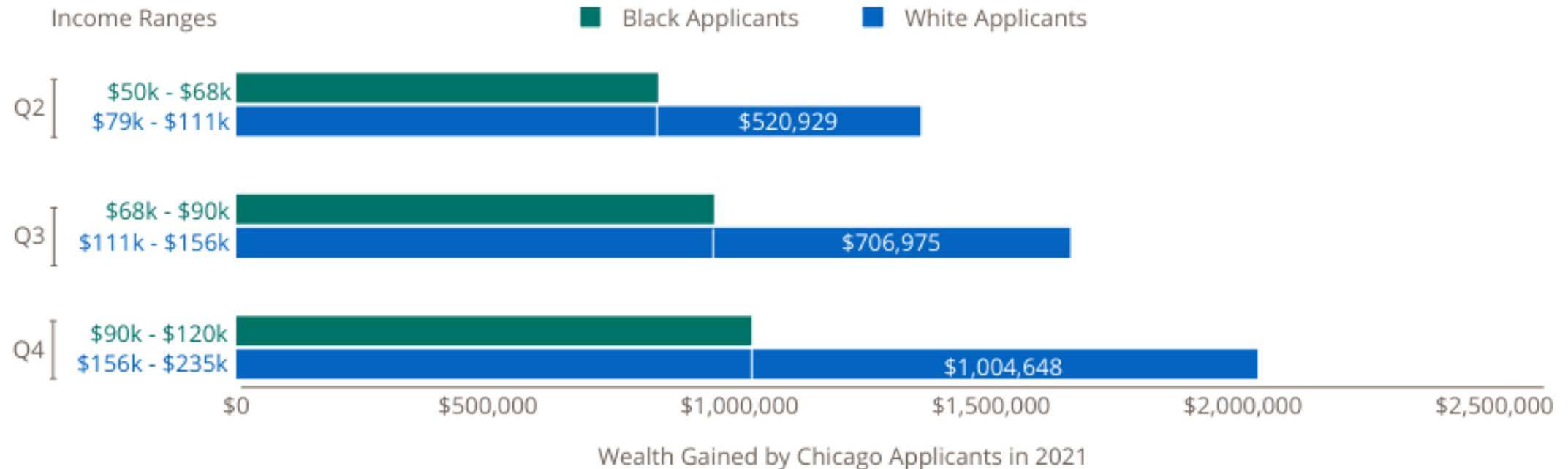


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# Low Property Value → Low Wealth Gain

## Differences in Wealth Gained

The gap between the wealth gained by Black and White applicants at the end of a 30-year mortgage is significant.



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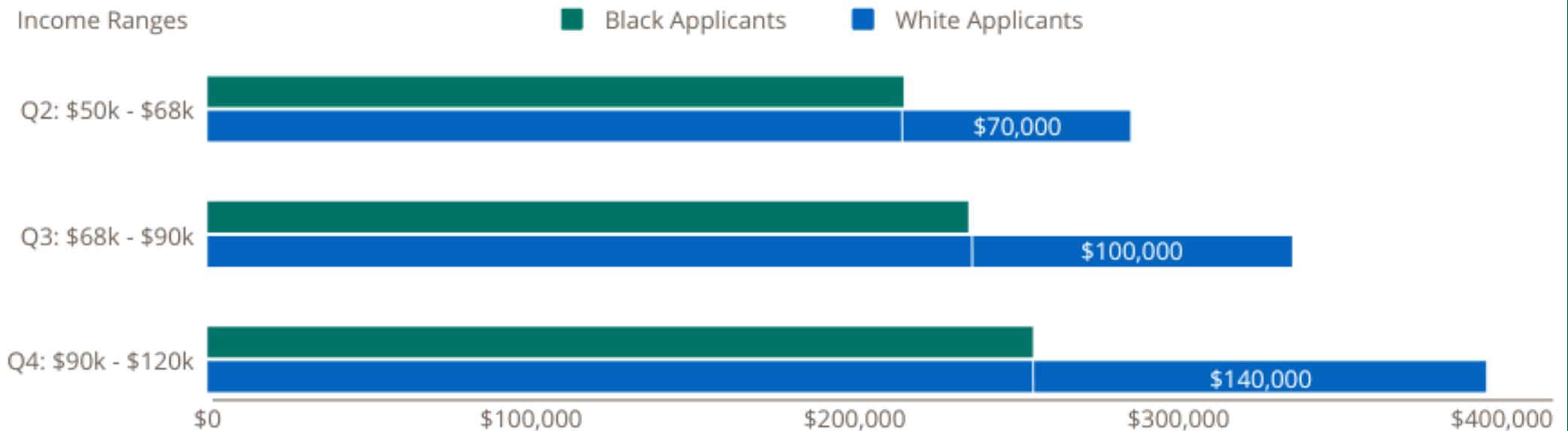
How does the current homeownership system build wealth for White and Black households when income is removed from the equation and the only main difference is race?

Unfortunately, not encouragingly...

# Systemic Disadvantage → *Still* Lower Property Values

## Differences in Property Values of "Best" Applicants

Even when comparing only the "best" applicants (both Black and White) within the same income ranges, the gap between White and Black property values is significant.



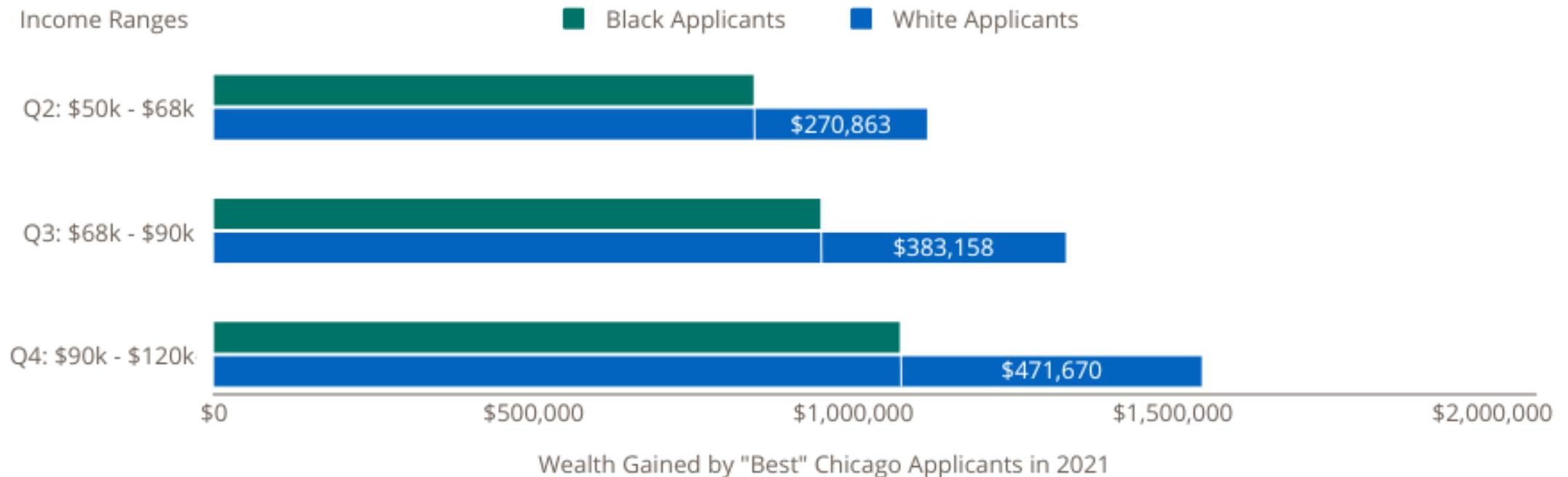
Median Property Values of "Best" Chicago Applicants in 2021

"Best" applicants are defined as those with debt-to-income ratios at or below 43% and loan-to-value ratios at or below 80% and thus are more likely to repay loans in full. The "middle-income" range for Black and White incomes are kept equal in this analysis, with income ranges set by Black applicant incomes. Middle-income for Black applicants was determined by sorting incomes from least to greatest and then dividing the data into five equal parts. Each part is referred to as a "quintile." Middle quintiles (Q2, Q3, Q4) are shown on the chart. Data source: 2021 HMDA Data on Mortgage Lending.

# Still Low Property Value → Still Low Wealth Gain

## Differences in Wealth Gained by "Best" Applicants

Even when comparing only the "best" applicants (both Black and White) within the same income ranges, White applicants gained significantly more wealth than Black applicants at the end of a 30-year mortgage.



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Black homeowners start with lower financial status and initial home values than White homeowners. Applying the same appreciation rate yields less gain for Black homeowners over time. The only way owning a home will close the racial wealth gap is if Black homeowners enjoy a higher appreciation rate than White homeowners.

Together, let's think more critically about *closing* the racial wealth gap...

# Here's a Road Map to Get Us Started

- 1 Understanding Baby Bonds and Reparations
- 2 Exploring “decommodifying” housing
- 3 Uplifting non-financial benefits of homeownership
- 4 Reckoning with the genesis of income inequality, why it has persisted and what we can do about it
- 5 Elevating the benefits of multifamily homeownership in Black communities
- 6 Connecting income and debt inequality with credit scores and asset accumulation
- 7 Appreciating the different costs associated with maintaining homeownership for Black and White households
- 8 Highlighting the impact of income inequality on investment access and diversity in Black household portfolios
- 9 Qualifying “Black debt” and “White debt,” and how they correlate to “bad debt” and “good debt”
- 10 Considering the Black-White property value gap and how it relates to appraisal bias
- 11 Evaluating the unequal landscapes of property value inequity as the result of historic race-based policies that harmfully extracted wealth from predominantly Black communities
- 12 Defining the role of government in recovering the lost wealth due to property value extraction and lack of investment in predominantly Black communities
- 13 Facing different costs and benefits associated with upward financial mobility for Black and White households



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Anniversary  
Celebration

Join us June 8 to celebrate 50 years of Woodstock Institute and more to come!

Early bird tickets available through 4/15/23  
[\(link in the chat\)](#)

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# Thank you from the Woodstock Institute Research Team!

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Please email either of us with any and all questions!

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