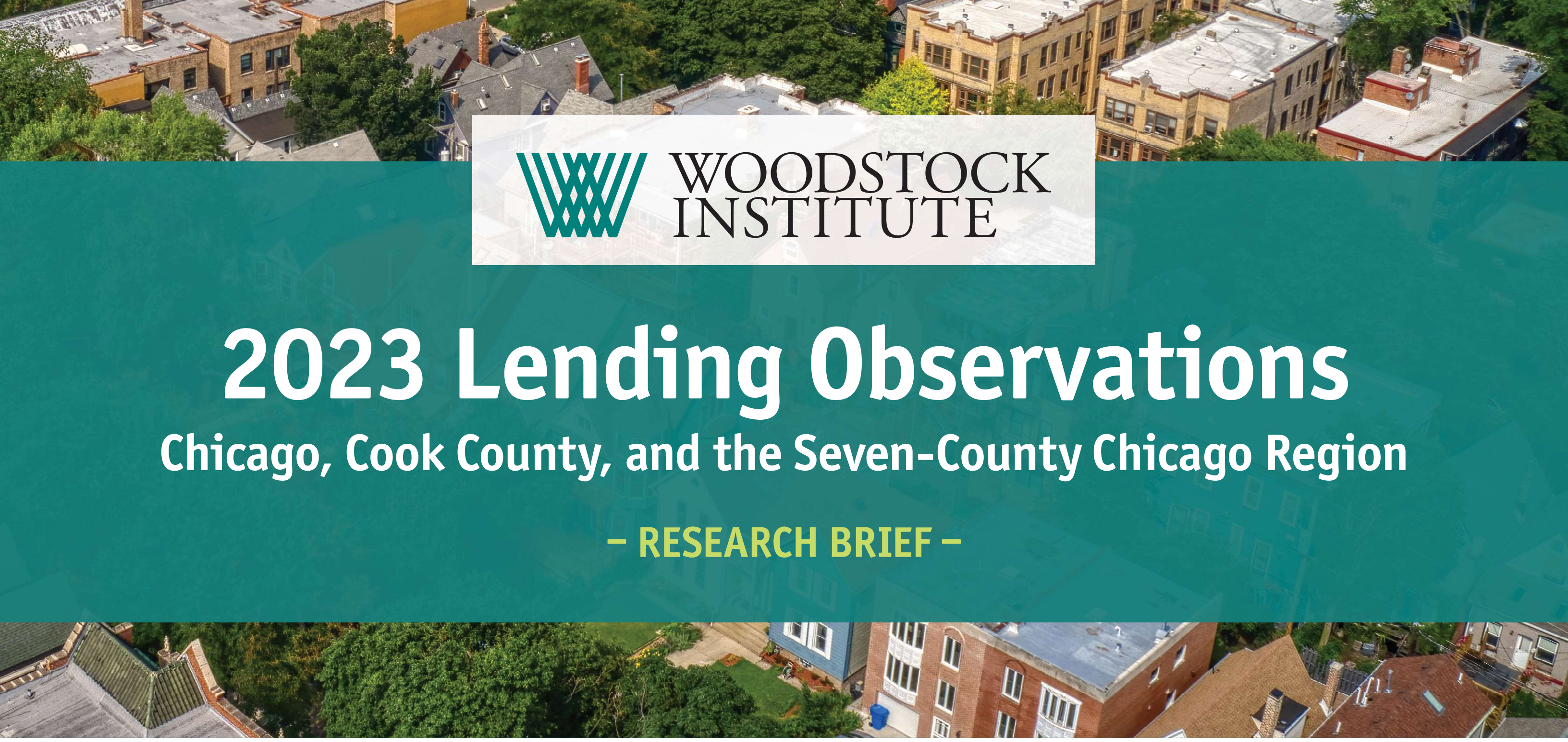


WOODSTOCK INSTITUTE

# 2023 Lending Observations

## Chicago, Cook County, and the Seven-County Chicago Region

**– RESEARCH BRIEF –**

The lending markets in Chicago, Cook County, and the seven-county Chicago-region[1] have undergone significant shifts between 2021 and 2023, reflecting broader economic forces and persistent inequities across race and income. Black and Latine borrowers faced persistently higher denial rates, lower approval rates, and steeper loan costs relative to property values, compared to White borrowers. Drawing on three years of data, this analysis explores trends for loan applications, originations, denials, and loan costs, focusing on racial disparities in lending[2]. This data can inform various efforts and initiatives focused on increasing homeownership for historically marginalized Black and Latine communities[3], investing in neighborhoods negatively impacted by redlining, and growing racial wealth.

These data are from the Woodstock Institute Community Lending Data Portal. This portal includes Home Mortgage Disclosure Act (HMDA) mortgage lending data, Community Reinvestment Act small business lending data, United States Census Bureau American Community Survey socio-economic and housing characteristics, Federal Deposit Insurance Corporation bank branch data, United States Postal Service active and vacant business address data, and Record Information Systems foreclosure data. The racial characteristics of applicants and borrowers are usually self-reported and may undercount intersectional identities.

1. The seven-county Chicago region includes Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will counties in Illinois.
2. This analysis includes purchase, refinance, home improvement, and cash-out refinance loan applications, originations, and denials, unless otherwise indicated.
3. Historically marginalized communities refer to groups, specifically Black and Latine populations in the United States, that have experienced systemic discrimination and exclusion in accessing resources, opportunities, capital, and mainstream financial services.

## Overall Trends — A rapidly cooling market

The seven-county Chicago region, Cook County, and Chicago mirrored national trends, with lending activity collapsing as interest rates climbed[4]. Historic low interest rates during the COVID-19 pandemic drove a nationwide mortgage boom, with refinancing accounting for a majority of mortgage lending during that time[5].

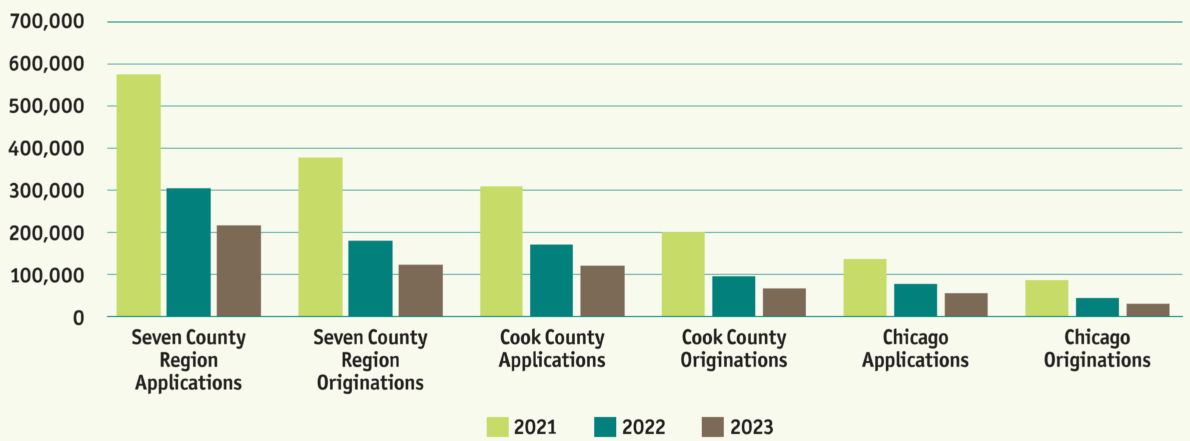
- In the seven-county region, lending activity in 2023 was just 38 percent of 2021 levels for applications and 33 percent for originations. Overall, loan applications and loan originations sharply declined by 62 percent and 68 percent, respectively — a decline of approximately 358,000 applications and 255,000 originations.

**From 2021 to 2023 applications plummeted:**

- 60% in Chicago
- 61% in Cook County
- 62% in the seven-county Chicago region

- In Cook County, total applications and originations fell approximately 61 percent and 67 percent, respectively — a decline of over 189,000 applications and 132,000 loans originated.
- Similarly, in Chicago, loan applications and loan originations plummeted. Total applications fell by 60 percent (from approximately 139,000 in 2021 to 55,000 in 2023), with originations dropping even more sharply by 66 percent, or 57,000 loans.
- Purchase loans accounted for approximately 41 percent, 61 percent, and 62 percent of 2023 lending activity in the seven-county region, Cook County, and the city of Chicago, respectively. From 2021 to 2023, purchase loan activity declined by approximately 35, 33, and 31 percent across the respective geographies.
- As interest rates rose, the refinance market collapsed. Refinance applications fell 88 percent in the seven-county region, 87 percent in Cook County, and 86 percent in Chicago from 2021 to 2023.

### CHART 1: LENDING MARKET TRENDS (2021–2023)




**Source:** Consumer Financial Protection Bureau - Home Mortgage Disclosure Act (HMDA) 2021–2023; Author's calculations.

4. U.S. Bank. (March 2025.). Interest rates' impact on the housing market. U.S. Bank Investing Insights. From https://www.usbank.com/investing/financial-perspectives/investing-insights/interest-rates-impact-on-housing-market.html.

5. Federal Reserve Bank of Philadelphia. (2022). The pandemic mortgage boom. Economic Insights, Q3-Q4 2022. https://www.philadelphiafed.org/-/media/frbp/assets/economy/articles/economic-insights/2022/q3-q4/eiq3q422-the-pandemic-mortgage-boom.pdf.

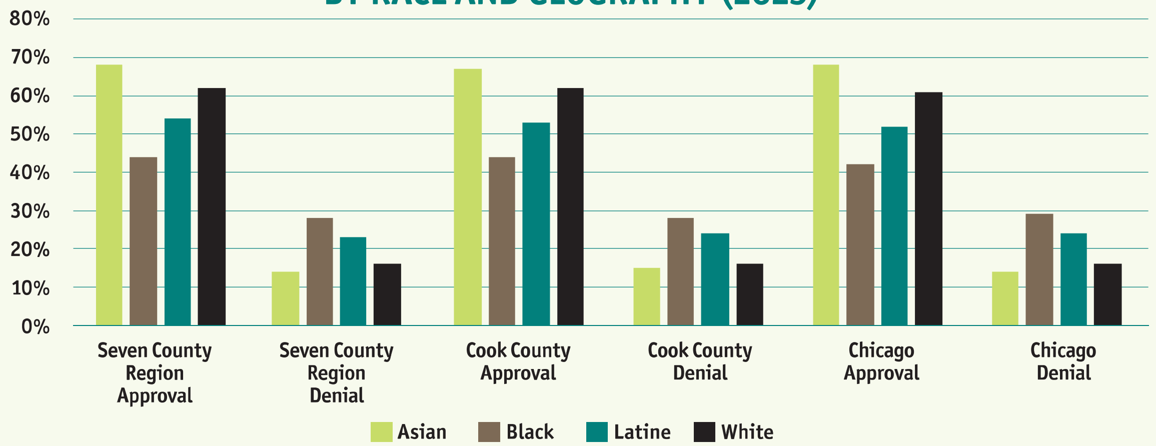
Despite similar economic pressures, racial inequities in lending outcomes persisted. White and Asian applicants consistently secured the highest approval rates.

- In the seven-county region, White approval rates declined from 72 percent to 62 percent within the three-year period, still the highest amongst all groups. Asian approvals rates declined similarly within the period from 68 percent to 58 percent. In 2023, Black applicants had the lowest approval rates, at 44 percent, a decline from 51 percent in 2021, and Latine borrowers' approval rate followed at 54 percent, a decline from 61 percent in 2021. Black applicants faced the highest denial rates at 28 percent in 2023, and Latine borrowers followed at 23 percent. White denial rates nearly doubled, increasing from 9 percent in 2021 to 16 percent in 2023.

**In 2023, 1 out of every 4 mortgage applications from Black or Latine borrowers in the seven-county Chicago region were declined.**

- Loan denials in Cook County increased from 12 percent in 2021 to 20 percent in 2023, and in Chicago they increased similarly.
- In Chicago, denial rates disproportionately impacted Black applicants, with a denial rate of 29 percent in 2023. In both Cook County and Chicago, White borrowers were approximately 1.5 times more likely to be approved than Black applicants. Black applicants faced denial rates 1.8 to two times higher than White borrowers in 2023 (28 percent vs. 16 percent).
- Latine denials rose sharply in both Chicago and Cook County, increasing from 16 percent in 2021 to 24 percent in 2023.

## CHART 2: LOAN APPROVAL AND DENIAL RATES BY RACE AND GEOGRAPHY (2023)




**Source:** Consumer Financial Protection Bureau - Home Mortgage Disclosure Act (HMDA) 2021–2023; Author's calculations.

Even for well-qualified borrowers[6], applications and originations declined rapidly from 2021–2023.

- In the seven-county region, disparities for well-qualified borrowers widened. Approval rates remain higher for well-qualified borrowers, with 81 percent of loan applications being originated in 2023. There was a

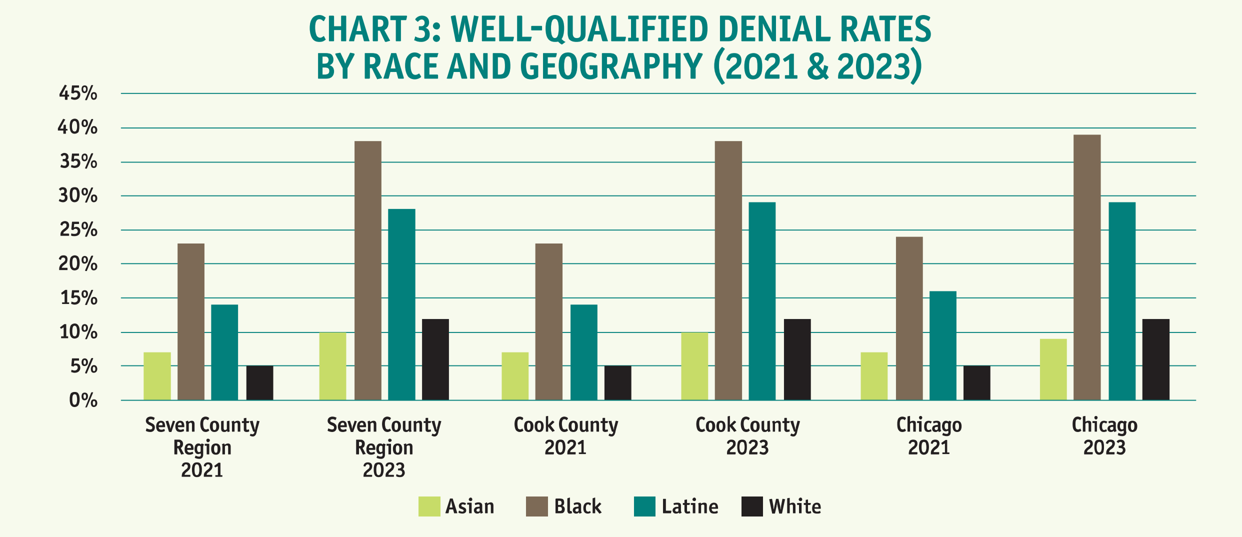
6. Well-qualified borrowers are defined as borrowers with a debt-to-income ratio of less than or equal to 43 percent and a loan to value less than or equal to 80 percent. HMDA data does not include credit scores or property condition, which may affect lending outcomes. Despite these gaps in available data, the "well-qualified" filter helps isolate disparities not explained by financial risk factors.

steep decline of 161,000 loans originated, a 78 percent drop. There were still significant disparities in lending for Black and Latine borrowers, compared with White and Asian borrowers. Well-qualified Black borrower approval rates plummeted from 75 percent in 2021 to 60 percent in 2023, and well-qualified Latine borrowers faced a similar decline from 84 percent to 69 percent. Well-qualified White borrower approval rates remained high in 2023 at 85 percent, with a 12 percent denial rate in 2023. Refinance applications from well-qualified borrowers fell significantly, with a 92.5 percent decline from 2021. Purchase loan applications from well-qualified borrowers fell approximately 42 percent within this time frame.

- In Cook County, approval rates remain higher for well-qualified borrowers, with 89 percent of well-qualified applicant loans originated in 2021 and 78 percent in 2023, still far above the full market of applicants at 55 percent. Well-qualified applications in Cook County declined by 90,000 or 76 percent, and originations declined by 84,000, or 79 percent. Well-qualified White borrower approval rates were 85 percent in 2023, compared to Black borrowers at 58 percent, a 1.5 disparity ratio. Purchase loan applications declined by 10,233 applications, or 42 percent, from 2021 to 2023. Refinance applications fell drastically, declining by over 81,000 applications from 2021 to 2023.
- In Cook County, denial disparities continue. Well-qualified Black borrowers' denial rates rose from 23 percent to 38 percent from 2021 to 2023. Latine borrower denial rates doubled from 14 percent to 28 percent, and white borrowers remained the lowest at 12 percent in 2023, but increased from six percent in 2021. Well-qualified Asian borrowers faced no systemic denial disparities compared to White borrowers.

**In the seven-county region and Cook County, well-qualified Black borrowers were 3.1 times more likely and well-qualified Latine borrowers were 2.3 times more likely to be denied a loan than similarly situated White borrowers.**

- Chicago followed a similar disparity pattern. The denial rate for well-qualified Black borrowers rose to 39 percent in 2023, up from 24 percent in 2021.



**Source:** Consumer Financial Protection Bureau - Home Mortgage Disclosure Act (HMDA) 2021–2023; Author's calculations.

## Rising Loan Costs

Loan fees have also surged across all three regions, exacerbating affordability challenges for communities. Loan costs encompass the total amount of fixed and variable costs a borrower pays to obtain a mortgage and include origination fees, appraisals, and closing costs. High-cost loans, those with fees over $5,000, surged across all racial groups and income levels between 2021 and 2023, placing disproportionate burdens on Black and Latine borrowers due to their lower average incomes.

- In the seven-county region, high-cost loans jumped from 32 percent to 77 percent from 2021 to 2023. In 2021, fifty-one percent of Black borrowers faced the highest rate of high-cost loans; by 2023, over 76 percent of all racial groups faced high-cost loans. For well-qualified borrowers, high-cost loans rose from 19 percent to 68 percent.
- In Cook County, high-cost loans increased from 35 percent to 80 percent from 2021 to 2023. For well-qualified borrowers, high-cost loans jumped from 21 percent in 2021 to 73 percent in 2023.
- In Chicago, high-cost loans increased from 38 percent to 82 percent within the same time frame. Over half of well-qualified Black borrowers faced high fees in 2023 in comparison to 24 percent in 2021.
- In 2023, Black applicants had the lowest percentages of high-cost loans among all groups in the seven-county region, Cook County and Chicago.
- High-cost loans increased significantly for all racial groups in all geographies due to rising interest rates and housing costs.

### TABLE 1: PERCENTAGE OF LOANS WITH COSTS OVER $5,000 – ALL BORROWERS (2021 & 2023)

| RACE | SEVEN COUNTY REGION | | COOK COUNTY | | CHICAGO | |
|---|---|---|---|---|---|---|
| | 2021 | 2023 | 2021 | 2023 | 2021 | 2023 |
| ASIAN | 27% | 78% | 30% | 83% | 34% | 86% |
| BLACK | 51% | 76% | 50% | 75% | 50% | 76% |
| LATINE | 44% | 79% | 44% | 80% | 44% | 80% |
| WHITE | 27% | 76% | 29% | 80% | 34% | 83% |

**Source:** Consumer Financial Protection Bureau - Home Mortgage Disclosure Act (HMDA) 2021–2023; Author's calculations.

### TABLE 2: PERCENTAGE OF LOANS WITH COSTS OVER $5,000 – WELL-QUALIFIED BORROWERS (2021 & 2023)

| RACE | SEVEN COUNTY REGION | | COOK COUNTY | | CHICAGO | |
|---|---|---|---|---|---|---|
| | 2021 | 2023 | 2021 | 2023 | 2021 | 2023 |
| ASIAN | 18% | 75% | 22% | 80% | 27% | 84% |
| BLACK | 23% | 54% | 23% | 53% | 24% | 56% |
| LATINE | 20% | 66% | 21% | 68% | 22% | 70% |
| WHITE | 18% | 68% | 20% | 74% | 23% | 78% |

**Source:** Consumer Financial Protection Bureau - Home Mortgage Disclosure Act (HMDA) 2021–2023; Author's calculations.

While $5,000 represents just 1.5 to 2.5 percent of median loan amounts, the income gap between racial groups makes these fees far more burdensome for low-to-moderate income borrowers[7].

- In the seven-county region, Black borrowers pay more of their income in fees than White borrowers. By 2023, over 75 percent of all Asian, Black, Latine, and White borrowers in the seven-county region are paying high costs for loans even though Asian and White borrowers' median property values and median income are significantly higher. White borrowers' median income was 1.4 and 1.4 times higher than Black and Latine borrowers, respectively. This gap has narrowed slightly since 2021. Asian borrowers had higher incomes than all other groups. By 2023, Asian borrowers had 23 percent higher incomes than White borrowers, an increase of 10 percent since 2021. Latine incomes grew about 17 percent, outpacing the growth of White and Black borrowers. Still, Latine and Black borrowers spent approximately six percent of their annual incomes on loan fees compared to only four percent for White borrowers.

**Latine and Black borrowers in Chicago spent nearly six percent of their annual income on upfront fees to obtain a mortgage compared to only 3.8 percent for White borrowers.**

- In Chicago, the median income of White borrowers was 60 percent higher than the median income of marginalized borrowers. But Latine and Black borrowers in Chicago spent nearly six percent of their annual income on upfront fees to obtain a mortgage compared to only 3.8 percent for White borrowers.

**For well-qualified borrowers in Chicago, loan costs consumed 5.4 percent of income for marginalized borrowers compared to only three percent for White borrowers' income in 2023.**

- For well-qualified borrowers in Chicago, loan costs consumed 5.4 percent of income for marginalized borrowers compared to only three percent for White borrowers' income in 2023. With generally lower incomes, Black and Latine borrowers have less flexibility to absorb upfront costs, even if fees seem modest relative to loan size. This disparity, compounded by lower property values, severely limits wealth-building opportunities for Black and Latine buyers.

**This disparity, compounded by lower property values, severely limits wealth-building opportunities for Black and Latine buyers.**

- While Cook County's racial income gaps are slightly narrower than Chicago's (White median incomes are only 51 percent higher than Black borrowers), the County's denial rates, and fee burdens mirror citywide inequities.

7. Low-to-moderate income is generally defined as an applicant's income being 80 percent or less of the area median income.

## Disparities in Property Valuation

Beyond higher fees, Black and Latine borrowers face disparities in property values. The disparity in median property values for originated loans in 2023 underscores longstanding gaps in income driving affordability and home valuation impacting home equity and wealth. A report commissioned by the Chicago Community Trust, "The Color of Wealth in Chicago," showed that the median net wealth in 2023 for Black families was $0, while the median net wealth for white families was $210,000 in Chicago. In America, homeownership is the primary vehicle to store and generate wealth. This is especially true for White families in the region that carry lower mortgage-to-home loan debt, contributing to higher net wealth accumulation[8]. In 2023, disparities in home values are reflected in the seven-county Chicago region, Cook County and Chicago:

- In the seven-county region, a Black borrower's median home value was $120,000 less than a White borrower's in 2023. White borrowers' homes are valued at 1.5 times higher than Black borrowers and Asian borrowers' homes are valued 1.7 times higher, the largest gap. For well-qualified borrowers, the divide between Black and Asian borrowers grows to 1.8 times higher.
- In 2023, White borrowers in Cook County secured loans for properties worth 1.5 times more than Black borrowers and 1.3 times more than Latine borrowers. The gap in Chicago is nearly identical. Lower property values with slow or no appreciation can mean less wealth accumulation for Black and Latine homeowners. Well-qualified White borrowers secured loans for homes nearly double that of well-qualified Black borrowers. Depressed property values in historically redlined and predominantly minority neighborhoods lock homeowners in those neighborhoods out of wealth accumulation[9] and equity-driven financial tools, such as refinancing and lines of credit for repairs, accessibility modifications, and climate resilience upgrades.

Property valuation disparities stem from a complex interplay of market forces, historical appraisal practices, and systemic biases. Additional research is needed to evaluate both the long-term benefits, such as equitable valuations, and unintended consequences, such as market distortions, associated with addressing the racial wealth gap through property valuation reform.

**This research brief was developed by Serrater Chapman, in collaboration with the Woodstock Institute Research Team and Senior Research Fellows. It was reviewed by Woodstock Institute staff and designed by Michael Garzel. For questions or comments regarding this brief, please contact us at research@woodstockinst.org.**

**For ongoing analysis of lending practices, visit Woodstock Institute at www.woodstockinst.org/research.**

**8.** The Color of Wealth – Chicago. (2024). The Color of Wealth. https://colorofwealth.org/chicago.

**9.** Aaronson, D., Hartley, D., & Mazumder, B. (2017). *The effects of the 1930s HOLC "redlining" maps* (Working Paper No. 2017-12). Federal Reserve Bank of Chicago. https://www.chicagofed.org/publications/working-papers/2017/wp2017-12.