# Opinion: Black Mortgage Denials Are Increasing. We Need Tech-Based Solutions to Reverse The Trend

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By KEVIN B. KIMBLE

*Editor's Note: This article was written by a contributor and contains the individual's views, opinions, or personal experiences.*

The Biden administration recently unveiled an action plan to address racial bias in home appraisals and other areas of the American housing system. As new research from Zillow shows, this couldn't come at a better time.

Zillow found that there is a widening mortgage approval gap along racial lines. Specifically, Black applicants are denied a mortgage at a rate 84 percent higher than white applicants. This figure has been worsening, representing an increase of 10 percentage points since 2019.

The approval disparity has contributed to declining Black homeownership, a crucial aspect of wealth building. The negative trend in Black mortgage denials is another reminder that progress is not inevitable, and real work is required.

Zillow also found that credit history is the most commonly cited reason Black applicants are denied a mortgage, accounting for over one-third (37%) of all Black borrower denials.

Nicole Bachaud, the Zillow economist who conducted this research, recently joined the Financial Services Innovation Coalition's (FSIC) video podcast. In this podcast episode, she told me that, aside from policies like reparations, "allowing rental payments and utility payments to count towards credit" is a commonsense way to increase the ways people can build credit and "help get them into the formal credit system."

Freddie Mac and Fannie Mae have moved to include positive rental payments in assessing credit history. This more holistic approach to evaluating credit not only provides a more accurate picture of consumer credit but also encourages stronger credit. That increases the likelihood consumers qualify for a mortgage.

Other factors, like utility and telecom bill payment histories, should also be included to provide greater insight into consumer credit and increase the number of ways to build credit. This would alleviate the number one issue preventing mortgage approvals for Black applicants and result in more favorable lending terms for consumers.

Bachaud also spoke about the persisting racial bias in home appraisals, an issue the Biden administration highlighted in its action plan. A significant gap exists between Black home values and home values overall, and, as Bachaud noted, that "is likely a lot to do with being under-appraised."

The Biden administration's plan identified some actions to address this issue, including preventing algorithmic bias in home valuation. That is an important objective that must be met. Still, an algorithmic approach to appraisals can also be an excellent tool for reducing human bias in an industry that is among the country's least diverse.

Aside from appraisals, automation can also reduce racial bias in mortgage approvals. Daniel Shoag of Case Western Reserve University has found that technology-based lenders, or FinTech lenders, demonstrate little to no gap in the terms provided to Black and Hispanic borrowers after adjusting for risk and loan size.

This stands in stark contrast to traditional lenders. The recent news that Wells Fargo rejected more than half of Black applicants who submitted a mortgage refinance application is, sadly, representative of traditional lenders' treatment toward minority communities.

Technology has enhanced our lives in so many ways, and we need to ensure that it is used for good. That means applying it to combat the racial injustices that exist in our society. Achieving this in vital areas like home appraisals and mortgage approvals will produce fairer outcomes so that minority communities can thrive.

Kevin B. Kimble, Esq. is the founder and CEO of the Financial Services Innovation Coalition. He is a founding member of the coalition's Housing Task Force, which seeks to eliminate bias in the housing marketplace.