



New Research on Reducing Discrimination in Mortgage Lending

FSIC Blog Post

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The devastating effect that institutional racism has had in the housing industry is an unfortunate and well-documented fact. The lasting effects of that racism and the degree to which it has persisted help [explain](#) a white homeownership rate of 73.8% compared to a black homeownership rate of only 45.1%.

With a significant problem like this, many overhauls and improvements are required in the housing industry to achieve fairer economic opportunities. The growth of technology-based lending, or “fintech,” is one area that shows tremendous promise.

Recent [research](#) from Case Western Reserve University’s Daniel Shoag finds that fintech is remarkably successful at removing racial bias in real estate lending. Using a matched analysis of similar black, Hispanic, and white borrowers, Shoag finds that fintech lending produces virtually identical terms after adjusting for credit-risk pricing determinants and loan size.

Furthermore, Shoag finds [suggestive evidence](#) that pervasive use of fintech in a given zip code is associated with more minor lending discrepancies, even among traditional lenders.

Shoag’s research complements our [recent findings](#) that algorithmic lending and artificial intelligence have made progress in reducing bias in mortgage lending.

The use of fintech is not a silver bullet against institutional biases ingrained in our systems. However, conducting lending innovation is one crucial component of establishing a more inclusive housing system that works for everyone.



*The **Financial Services Innovation Coalition (FSIC)** is a network of Industry Innovators, Legislators, Community Groups, and Academics who share a passion for applying emerging technology and market innovation to create a more inclusive economy and advocate for public policies promoting economic empowerment. For additional information about the organization, visit [FSIC \(FSICoalition.com\)](http://FSIC(FSICoalition.com)). For further details on the press release or to arrange an interview with FSIC officials, contact Brady Buckner at info@fsicoalition.org or 202-680-4749.*