



GSE Activity Report

Wednesday, March 01, 2023

Now, Home-Equity Discrimination, Too?

Summary

A recent FRB-Atlanta [study](#) finds that closing the racial homeownership gap alone would not redress housing market racial disparities because minority homeowners cannot equitably access home equity and thus enjoy comparable access to the economic opportunities afforded by homeownership. Its findings show that Black and Hispanic homeowners are unable to access their home equity compared to White homeowners even after numerous reasons for disparate impact are found to be race-neutral. Cautioning that these results are consistent with – but do not prove – racial discrimination, the study complements [findings](#) from [other](#) recent FRB-Atlanta research showing disparities in pricing and denial, refi-rates, and processing speed.

Impact

Using confidential HMDA data from 2018 through 2021, the study reviews mortgage equity withdrawal products such as HELOCs and cash-out refis, finding that non-White borrowers are disproportionately denied access to home equity even after controlling for standard borrower and loan characteristics. Indeed, after accounting for credit scores, DTI ratios, combined LTV, loan amount, and borrower income, Black and Asian borrowers remain four percent more likely and Hispanic borrowers are three percent more likely to be denied home-equity withdrawal products compared to White borrowers.

The authors also explore disparities in product pricing, noting that their study is the first to do so. Here, they observe similar patterns to denial rates before and after implementing control variables: Asian homeowners are found to pay less compared to Whites while Black borrowers encounter higher spreads on HELOCs.

The study asserts that these disparities are non-trivial even if they do not definitively establish discrimination. It also points out that the extent to which controlling for loan and borrower characteristics reduces interracial disparities indicates historical and structural discrimination and “importation” of discrimination across different credit markets.

Outlook

Despite these conclusions, the study does not offer concrete policy recommendations, only advising that policymakers and researchers should not assume that record U.S. levels of home equity are equally accessible across different racial groups. We would add that the findings related to home-equity access in part explain greater vulnerability to economic stress found elsewhere for Black and Hispanic families, who generally also have lower levels of wealth invested in [liquid financial assets](#).

Federal Financial Analytics, Inc.
2101 L Street, N.W., Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail : info@fedfin.com www.fedfin.com

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