

# Home Mortgage Approval and the Wealth Gap for Black Women in Mississippi

Gloria Billingsley, PhD

Sam Mozee, Jr., PhD

Sheryl Bacon, MPA

**Jackson State University**

in partnership with



# Study's Objective

- Examine possible relationships between income, wealth, and home mortgage approval as related to the wealth gap experience by Black women in Mississippi.
- Examine Federal and State policies directly or indirectly impacting the ability of Black women in Mississippi to successfully obtain a home mortgage, build their net worth, and help close the wealth gap.

# Key Definitions

**Wealth** is defined as “net worth which includes the value of assets owned by a family or an individual minus outstanding debt” (Schaeffer, 2021).

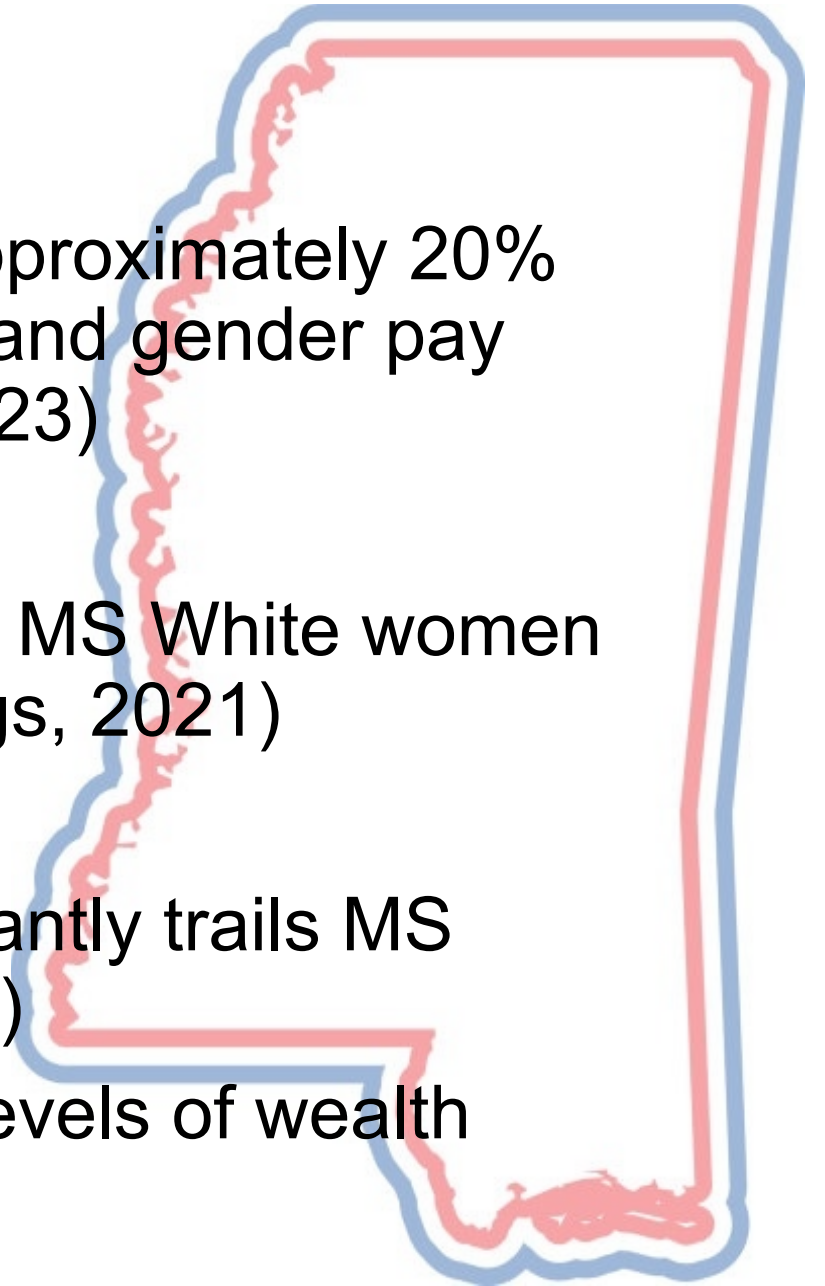
**Income** refers to the sum of earnings, which may be derived from a variety of sources, but is usually calculated on an annual or monthly basis (Schaeffer, 2021).

**Racial Wealth Gap** refers to the disparity of cumulative assets across races and ethnicities resulting from differences in income and **the historical accumulation of assets across generations** (Investopedia, 2023).



# Problem Statement

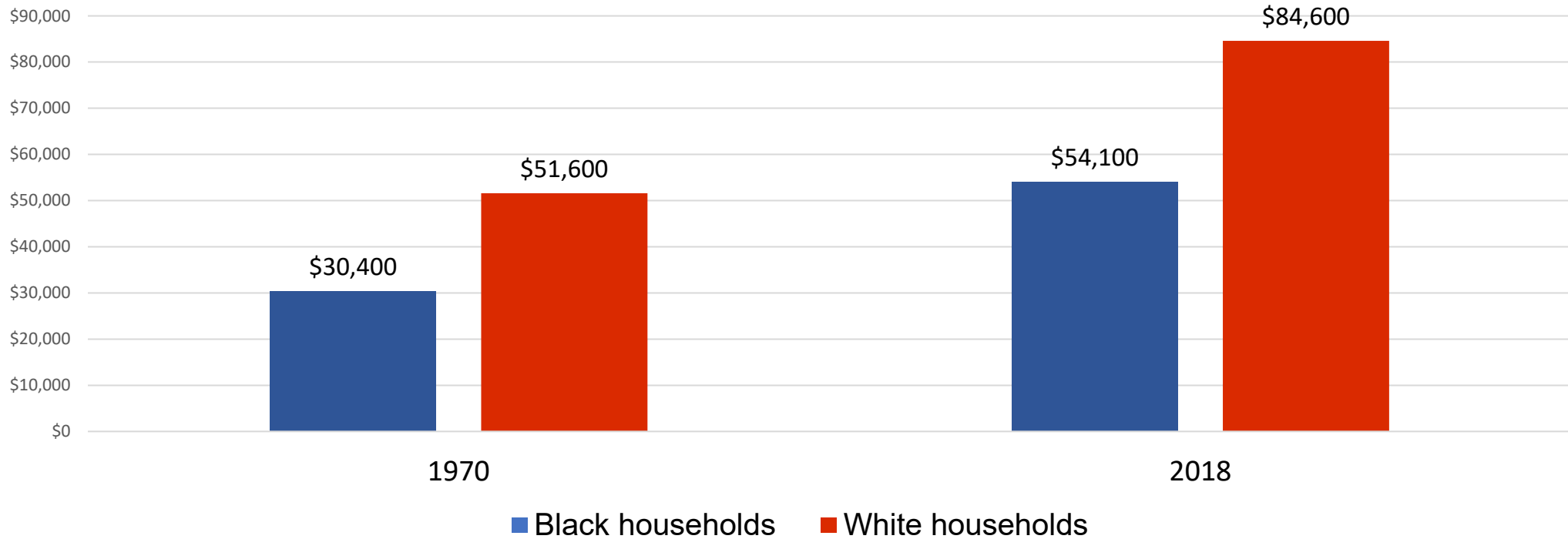
- ❑ Mississippi has an estimated population of approximately 20% Black women who are affected by both racial and gender pay gaps with regard to income (Ascend Fund, 2023)
- ❑ MS Black women poverty rate (35%) doubles MS White women poverty rate (17.1%) (America Health Rankings, 2021)
- ❑ MS Black homeownership rate (53%) significantly trails MS White homeownership rate (80%) (ACS, 2021)
- ❑ Low homeownership rates contribute to low levels of wealth accumulation in the present and in the future.



# Racial Wealth Gap

- ❑ Women are reported to hold just 55 cents to the dollar compared to men, and for Black Americans as a collective, the figure falls to just 17 cents for every dollar held by White Americans (Bhattacharya, Price, & Perry, 2022).
- ❑ Black women now hold 90% less wealth than White men (Bhattacharya, Price, & Perry, 2022).
- ❑ Black women lose \$907,680 over a 40-year career because of the earnings gap (Watson, Baxter & Sankofa, 2023).

# Racial Income Gap



This represents a growth in the racial income gap of \$9,300 over almost five decades (Mimbela & Duarte, 2023).

# Significance of Study

- ❑ Homeownership is “the main driver” of wealth accumulation and intergenerational transfer in the United States” (Federal Reserve Bank of San Francisco).
- ❑ This study addresses research gaps related to possible connections between MS Black women, Home Mortgage Approval rates, Racial Wealth disparities, and related Federal & State policies.
- ❑ Due to a large percentage of MS population being Black women, increasing their home ownership rates could help reduce poverty, and increase future wealth potential from an intergeneration perspective.

# Study's Methodology

- ❑ Mixed-methods comparative, longitudinal design
- ❑ Analyzed secondary data obtained from the U.S. Federal Reserve's Home Mortgage Disclosure Act (HMDA) database
- ❑ Research questions:
  - RQ1:** Is median household income higher for Black women in Mississippi counties with higher mortgage approval rates?
  - RQ2:** What were the denial reasons given to Black women home mortgage applicants?



# Study Methodology

- ❑ HMDA data on Mississippi was collected for the years 2018 to 2022.
  
- ❑ Data utilized in this study was filtered to focused on the following key variables:
  - (1) Sex - females only
  - (2) Race - Black and White only
  - (3) County - all 82 Mississippi counties
  - (4) Application Decisions - Approved, Approved but Not Accepted, Denied
  - (5) Median Household Income - collected on applicants at the county level and
  - (6) Denial Reasons - listing of 11 reasons home mortgage applications denial reasons
  
- ❑ Data was analyzed using descriptive statistics, and statistical measures of association that included chi-square and Cramer's V values, and Pearson's product-moment correlation coefficient.

\*\* NOTE: Only females listed as the "first applicant" on the loan application were included in this study.

# Findings

**Table 1** Review of Descriptive Statistics

Race* of Applicants	2018	2019	2020	2021	2022	5-year Average
<b>Black</b>	4,733	5,385	7,489	8,684	8,085	<b>6,875</b>
<b>White</b>	7,488	8,067	9,746	10,631	9,450	<b>9,076</b>
<b>Total</b>	12,221	13,452	17,235	19,315	17,535	<b>15,952</b>

**\*\* NOTE:** Reported totals are for Females applicants only



# Findings

**Table 2** Median Income of Applicants

Median Income of Applicants (000s)*	2018	2019	2020	2021	2022	5-year Avg.
<b>Black</b>	41	42	42	44	50	43.8
<b>White</b>	52	52	55	57	64	56
<b>Overall County Average</b>	47	48	42	50	57	48.8

**\*\* NOTE: 000s - Represents Thousands in U.S. dollars**



# Findings

**Table 3** Home Mortgage Approval Rates

Home Mortgage Approval Rates (%)	2018	2019	2020	2021	2022	5-year Avg.
<b>Black</b>	31.7%	33.5%	33.9%	36.5%	37.8%	<b>34.68%</b>
<b>White</b>	68.30%	66.50%	66.10%	63.50%	62.20%	<b>65.32%</b>

**\*\* NOTE:** Reported totals are for Females applicants only



# Findings

**Table 4** Home Mortgage Denial Rates

Home Mortgage Denial Rates (%)	2018	2019	2020	2021	2022	5-year Average
<b>Black</b>	56.5%	56.0%	62.5%	62.5%	61.8%	<b>59.8%</b>
<b>White</b>	43.5%	44.0%	37.5%	37.5%	38.2%	<b>40.1%</b>

**\*\* NOTE:** Reported totals are for Females applicants only



Table 5 Reasons for Home Mortgage Denial Rates --- Black Women

Black	Reasons for Denial	2018	2019	2020	2021	2022	5 year Average
	<b>Debt-to-Income Ratio</b>	<b>9.80%</b>	<b>9.90%</b>	<b>11.30%</b>	<b>12.00%</b>	<b>12.50%</b>	<b>11.10%</b>
	Employment History	0.40%	0.40%	0.70%	0.60%	0.60%	0.54%
	<b>Credit History</b>	<b>21.30%</b>	<b>21.80%</b>	<b>25.10%</b>	<b>21.90%</b>	<b>23.60%</b>	<b>22.74%</b>
	Collateral	0.80%	1.20%	0.90%	1.20%	1.10%	1.04%
	Insufficient Cash	0.90%	0.80%	0.40%	0.70%	0.90%	0.74%
	Unverifiable Information	1.80%	1.10%	1.50%	1.50%	1.60%	1.50%
	Credit App Incomplete	0.90%	1.10%	1.80%	2.20%	1.80%	1.56%
	Mortgage Insurance Denied	0%	0%	0.00%	0.00%	0.00%	0%
	Other	1%	1.50%	2.00%	1.70%	1.70%	2%
	Not Applicable	58.20%	59.50%	54.50%	56.50%	54.70%	56.68%
	Coding Issues	4.80%	2.70%	1.70%	1.50%	1.50%	2.44%

Table 6 Reasons for Home Mortgage Denial Rates --- White Women

		2018	2019	2020	2021	2022	5 year Average
<b>White</b>	<b>Reasons for Denial</b>						
	<b>Debt-to-Income Ratio</b>	<b>4.40%</b>	<b>5.20%</b>	<b>5.30%</b>	<b>5.10%</b>	<b>6.00%</b>	<b>5.20%</b>
	Employment History	0.40%	0.30%	0.30%	0.40%	0.40%	0.36%
	<b>Credit History</b>	<b>8.50%</b>	<b>9.60%</b>	<b>9.40%</b>	<b>9.30%</b>	<b>10.60%</b>	<b>9.48%</b>
	Collateral	1.50%	1.20%	1.30%	1.50%	1.40%	1.38%
	Insufficient Cash	0.70%	0.70%	0.50%	0.60%	0.50%	0.60%
	Unverifiable Information	1.10%	0.70%	0.70%	0.80%	1.00%	0.86%
	Credit App Incomplete	0.90%	0.80%	1.20%	1.50%	1.80%	1.24%
	Mortgage Insurance Denied	0%	0%	0.00%	0.00%	0.00%	0%
	Other	0.80%	1.30%	1.30%	1.40%	1.40%	1.24%
	Not Applicable	78.20%	77.70%	77.50%	77.50%	74.70%	77.12%
	Coding Issues	3.40%	2.40%	2.50%	2.00%	2.30%	2.52%

**Table 7** Relationship between Median Household Income, Approval & Denial Rates, Race --- Year 2022

		MedInc000s	BlkApprove	BlkDenied	WhtApprove	WhtDenied
<b>MedInc000s</b>	Pearson Correlation	--				
	N	82				
<b>BlkApprove</b>	Pearson Correlation	<b>.539**</b>	--			
	Sig. (2-tailed)	<.001				
	N	80	80			
<b>BlkDenied</b>	Pearson Correlation	<b>-.528**</b>	-.977**	--		
	Sig. (2-tailed)	<.001	<.001			
	N	80	80	80		
<b>WhtApprove</b>	Pearson Correlation	<b>.359**</b>	.471**	-.434**	--	
	Sig. (2-tailed)	<.001	<.001	<.001		
	N	82	80	80	82	
<b>WhtDenied</b>	Pearson Correlation	<b>-.299**</b>	-.459**	.417**	-.763**	--
	Sig. (2-tailed)	.006	<.001	<.001	<.001	
	N	82	80	80	82	82

\*\* . Correlation is significant at the 0.01 level (2-tailed).



# Summary of Data Findings

- ❑ RQ1 --- Findings suggest that “higher median household income” is closely linked to “higher mortgage approval rates” in Mississippi counties for both Black and White women.
- ❑ RQ2 --- “Debt-to-Income” and “Credit History” are the top two denial categories for Black and White women.
- ❑ Across all years examined, Black women’s denial rates were consistently double the denial rates for White women.

# Policy Analysis Findings --- Federal Policies/Laws

- ❑ Civil Rights Act of 1866

- ❑ Civil Rights Act of 1968

- ❑ Equal Credit Opportunity Act (15 USC-1691) (1974)

- ❑ Home Mortgage Disclosure Act (1975)

- ❑ Community Reinvestment Act (CRA) (1977)

- ❑ Americans With Disabilities Act (ADA) (1990)

# Policy Analysis Findings --- State Policies/Laws

- ❑ Money Transmitters Act (75-15-1)
- ❑ Consumer Loan Broker Act (81-19-1)
- ❑ Insurance Premium Finance Law (81-21-1)
- ❑ Small Loan Regulatory Law (75-67-101)
- ❑ Small Loan Privilege Tax Law (75-67-201)
- ❑ Motor Vehicle Sales Finance Law (63-19-1)
- ❑ Mississippi Pawnshop Act (75-67-301)
- ❑ Mississippi Title Pledge Act (75-67-401)
- ❑ Mississippi Check Cashers Act (75-67-501)
- ❑ Mississippi Debt Management Services Act (81-22-1)
- ❑ Mississippi Credit Availability Act (75-67-601)
- ❑ Mississippi S.A.F.E. Mortgage Act (81-18-1)

# Summary of Policy Analysis Findings

- ❑ Federal laws/policies use much more direct language regarding goal of eliminating various types of discrimination.
- ❑ Federal policies/laws tend to have a stronger, more effective enforcement component than Mississippi's policies/laws.
- ❑ Both Federal and State policies/laws provide basic levels of protection for consumers, but in Mississippi's case, much more so for businesses in terms of establishing a regulatory framework.

# Conclusions

- ❑ Numerous historical factors have contributed to the racial wealth gap such as discrimination, redlining, and biases in lending criteria.
- ❑ Over the study period, Black women consistently had lower approval rates, higher denial rates, and lower median income values.
- ❑ "Credit History" and "Debt-to-Income Ratio" were consistently the top two reasons for home mortgage denials.
- ❑ Issues related to Federal and State policies impacting home mortgage approval/denial rates included intentions regarding equality/protection, political acceptability, and enforcement

# Recommendations

- ❑ Consider other financial indicators such as utility bill payments, length of employment, borrower certification courses, and savings account history in the loan application process.
- ❑ Incentivize lenders to consider other sources of income (e.g., second jobs, government benefits).
- ❑ Establish and/or increase legal penalties for discrimination and inequality in lending practices.



# Recommendations

- ❑ Increase funding to help people prepare to qualify for home mortgages.
- ❑ Require lenders to be more transparent regarding their lending guidelines (e.g., home mortgage loan approval criteria).
- ❑ Provide and/or increase subsidies to potential homebuyers, as a means of helping more Black women meet down payment requirements.
- ❑ Pass legislation which remove barriers such as restrictive zoning and land use ordinances, above market rate building and permit fees, and residency requirements.



# Final Thoughts

- ❑ When mortgage denials are viewed in terms of wealth, each denial represents a loss of current and intergenerational wealth a family.
- ❑ Homeownership is the one appreciable asset that has the potential to alleviate poverty and serve as a generational transfer of wealth.
- ❑ Increasing homeownership rates for this high poverty rate population can help advance Mississippi economically by increasing individual net worth, and socially by removing barriers limiting homeownership.



**End of Presentation / Q & A**

# References

Bhattacharya, J., Price, A., & Perry, A. M. (2022, November 9). Why Homeownership Fails to Build Wealth for Black Women. Retrieved from Nonprofitquarterly.org: <https://nonprofitquarterly.org/why-homeownership-fails-to-build-wealth-for-black-women/>.

Bornstein, S. (2022). Confronting the Racial Pay Gap. *Vanderbilt Law Review*, 1401-1460.

Hernandez Kent, A. (2021, September 29). Gender Wealth Gaps in the U.S. and Benefits of Closing Them. Retrieved from Federal Reserve Bank of St. Louis: <https://www.stlouisfed.org/open-vault/2021/september/gender-wealth-gaps-us-benefits-of-closing-them#>.

Mimbela, R., & Duarte, K. (2023, August 10). Visualizing the Racial Wealth Gap (Homeownership). Retrieved from ACLU: <https://www.aclu.org/news/racial-justice/visualizing-the-racial-wealth-gap>.

Schaeffer, K. (2021, July 23). 'What's the difference between income and wealth?' and other common questions about economic concepts. Retrieved from Pew Research Center Decoded: <https://www.pewresearch.org/decoded/2021/07/23/whats-the-difference-between-income-and-wealth-and-other-common-questions-about-economic-concepts/>.

The Ascend Fund. (2023, February 28). An Off-Year for the Election of Women to Mississippi Legislature. Retrieved from The Ascend Fund: <https://www.theascendfund.org/post/an-off-year-for-the-election-of-women-to-mississippi-legislature>.

Watson, J., Baxter, M., & Sankofa J. (2023, March 8). HBCU Scholars Offer Four Ways to Close the Wealth Gap for Black Women. Retrieved from Urban Institute: <https://www.urban.org/urban-wire/hbcu-scholars-offer-four-ways-close-wealth-gap-black-women#>.