

A Reading the World Mathematics Project: Mortgage Loans—Is Racism a Factor? ***Rico Gutstein***

In this project, you will investigate mortgage rejection rates for African Americans, Latinos/as, and whites in Chicago (and nationally). The central question is: Given the data, is racism a factor in getting a mortgage in Chicago? You will read a newspaper article, analyze data, answer a number of questions, and write an essay arguing whether or not you believe racism is a factor, justifying your argument with mathematical data.

In October 2002, the Chicago Tribune published an article, “Mortgage OKs Tougher for local Blacks, Latinos.” In it, there is a second headline, *Institutional racism cited for disparity*. According to a researcher for ACORN, a community organization in Chicago, institutional racism is to blame for the difficulty African Americans and Latinos/as have in getting mortgages in Chicago (and elsewhere). But according to a spokesperson from Bank One, it is unlikely that racism was causing lenders (banks) to refuse loans to Latinos/as and African Americans because, after all, banks are in the business of making money from their loans.

Here are some questions to think about: Who is correct? Could they both be correct? Are African Americans and Latinos/as really having a harder time getting loans in Chicago (and in other parts of the U.S.)? And if they are, does racism have anything to do with it? What is *institutional racism*? *Are there other types of racism*? And how would you know the answers to these questions or what else might you have to know?

First, read the article in your group before trying to answer the following questions. Use a calculator whenever you want. Be prepared to share your thinking and reasoning. Please use extra paper for your work.

1. Is it easier for Latinos/as to get a mortgage in Chicago than in the rest of the U.S.? *Provide data from the article to justify your explanation.*
2. In paragraph #1 the article states that Latinos/as and Blacks in Chicago are more likely to be turned down for mortgages than whites. In paragraph #2, they say that Latinos/as, Blacks, and whites have an easier time getting mortgages in Chicago than elsewhere. Isn't this a contradiction? How can both paragraphs be true? ***Explain and use data in your explanation.***
3. We do not know how many Latinos/as nor whites were denied loans in the Chicago area in 2001. But *suppose* 1,500 Latinos/as were denied loans in the Chicago area. Using that estimate, and data from the article, find how many Latinos/as *did* get home loans last year in the Chicago area. ***Explain your mathematics!***
4. Explain, in your own words, what the term *Disparity Ratio* means in the article.
5. Is the *disparity ratio* between Latinos/as and Whites greater in Chicago or nationally? *Provide data from the article to justify your explanation, and explain your mathematics.*
6. The Bank One representative argues that racism is not a factor because banks “want to make loans.” *Using data from the article/chart*, list **two** questions you would ask him that would challenge that position.

7. Pretend, for a moment, that your group members are representatives of Bank One. Write what you think you would or could say to defend the statement in the article, that it was “unlikely that racism was causing lenders to refuse loans to Black and Latinos/as here [Chicago].” In other words, see if you can come up with some *other* explanations, besides racism, to explain why there is a *disparity ratio* in the Chicago area.

8. In the report cited in the article, there is the following text:

“The disparities in rejection ratios remain even if we compare applicants of the same income. Upper income African Americans [Latinos] (earning more than 120% of the median income) were denied 5.23 [3.02] times more often than upper income whites. Upper-middle income African Americans [Latinos] (earning between 100%-120% of the median income) were denied 5.22 [2.61] more often than upper-middle income whites. Moderate-income African Americans [Latinos] were rejected 4.51 [2.18] times more often than moderate-income whites while low-income African Americas [Latinos] were rejected 3.26 [1.87] times more often than low-income whites.”

a) The Chicago metropolitan area annual median income is \$70,500 (family of four). What is the income range of “upper income” families in Chicago?

b) Moderate-income families are defined to have incomes between \$35,250 and \$56,400. What percentages are those of the median Chicago metro-area family income?

c) Low-income family income is less than 50% of the median. What income range is that?

d) Create two graphs, one for African Americans, one for Latinos/as (you may put them on the same graph if you want) that shows the rejection rates for the four different income groups listed. Make sure your graphs are *completely* labeled, clear, accurate.

e) From the text above, do you think it’s easier for a low-income Latino/a to get a mortgage compared to a low-income white, or for an upper-income Latino/a to get a mortgage compared to an upper-income white? *Use data from the text to support your argument.*

f) What reasons can you come up with to explain your answer to questions 8e?

9. Write a *good* essay answering the following question (you *must* use data from the article or the quote above to make your argument): *Is racism a factor in getting mortgages in the Chicago area?* (Think about your answer to #7 above.)

10. a) What did you learn from this project?

b) How did you use math to learn it?

c) What questions does this project raise in your mind?