

Mortgage OKs tougher for local blacks, Latinos

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Abstract:

"Institutional racism" is to blame for the difficulty blacks and Latinos encounter in getting mortgages, [Doug Timmer] said. And he said Chicago's long history of residential segregation may account for the disparity between whites and blacks and Latinos.

Blacks in Chicago are five times more likely than whites to be turned down for mortgages, while Latinos are nearly three times as likely to be refused a loan, according to a new study.

Yet the same federal data shows that whites, blacks and Latinos all have an easier time obtaining mortgages in the Chicago area than their counterparts nationwide.

The difference in the findings could be due to the intense competition among lenders in the nation's third-largest city, observers said.

The federal data, studied by the Association of Community Organizations for Reform Now, compiled 2001 mortgage data for 68 small, medium and large metropolitan areas. On a national basis, blacks were 2.3 times more likely to be refused a conventional mortgage than whites, and Latinos were 1.5 times more likely to be denied.

But Chicago and the nine counties surrounding the city were much worse than the nation overall in the ratio of blacks and Latinos refused loans last year compared with whites, according to the study released this week.

"The only city that was worse was Milwaukee" in regards to the ratio of blacks refused loans compared with whites, said Doug Timmer, a researcher for ACORN. Chicago was the 11th worst for Latinos.

"Institutional racism" is to blame for the difficulty blacks and Latinos encounter in getting mortgages, Timmer said. And he said Chicago's long history of residential segregation may account for the disparity between whites and blacks and Latinos.

"Chicago, in studies of racial segregation, always ranks extremely high in the United States," Timmer said. "It usually ranks one, two or three."

And the situation for blacks deteriorated in Chicago last year compared with 2000, according to the report. The ratio of blacks refused loans compared with whites rose 8.7 percent. There was no significant change for Latinos.

Bias Denied

Tom Kelly, a spokesman for Bank One, said it was unlikely that racism was causing lenders to refuse loans to blacks and Latinos here.

"Lenders are in the business of making loans," he said. "We want to make loans."

Indeed, the study showed that blacks, whites and Latinos were better able to obtain mortgages here than in the nation as a whole.

ACORN's research showed that in the Chicago area, 6.3 percent of whites who applied for a mortgage were turned down last year, compared with 17.2 percent nationally.

Among Latinos, 16.2 percent were denied credit here, compared with 26.2 percent nationally.

Blacks in the greater Chicago area were rejected at a 31.7 percent rate, compared with 39.7 percent nationwide.

ACORN said the fact that this area is wealthier than the nation as a whole may account for the better showing among whites, Latinos and blacks overall.

Competition for Loans

And competition among lenders may make it easier for people here to obtain a mortgage, no matter their race, than is the case for much of the nation.

"Chicago is one of the most competitive mortgage markets in the country," said Malcolm Bush, president of the Woodstock Institute, a local community development think tank. He said lenders here are more aggressive in offering mortgages than lenders elsewhere.

But that has a downside, he said.

Minorities here are more likely to be targeted by subprime lenders, who charge higher than usual interest rates and fees, even when borrowers could qualify for a cheaper mortgage from a conventional lender.

"In work we have done, its clear that if you are black, no matter what your income group, you are much more likely to get a subprime loan than if you are white," Bush said.

Lenders Accessible

Kelly said it is possible that the high mortgage-rejection rate for blacks and Latinos here is because more minorities are looking to buy homes, and lenders are more accessible.

"There is more outreach in Chicago," he said. "You might be reaching groups of people that three, five, six years ago were not applying for mortgages, so they would not have been rejected."

The disproportionate rejection of would-be black and Latino borrowers is not reflected in complaints to the city's Commission on Human Relations, which hears complaints on discrimination issues.

Ken Gunn, first deputy commissioner, said he hears only a few cases involving loans each year. That compares with about 200 complaints about employment, 150 about housing and another 150 regarding public accommodation.

"We really don't see a lot of complaints about credit," he said. Gunn added that he had heard that banks were more active in outreach to minorities than in the past.

Chicago 2nd worst for loan disparity

Last year in the United States, African-Americans were 2.3 times more likely to be denied a home loan than whites. In Chicago, the rate was far worse: Blacks here were 5 times more likely to be turned down.

LARGEST DISPARITIES IN REJECTION RATES (Rates are percent of applicants denied a home mortgage)

Metropolitan Area	White Rate	Black Rate	Disparity Ratio
Milwaukee	5.70	32.01	5.61
Chicago	6.32	31.66	5.01
Cleveland	8.34	33.87	4.06
Gary	9.34	34.09	3.65
Newark, N.J.	7.72	26.88	3.48
Memphis	10.50	36.23	3.45
Hartford, Conn.	6.98	24.06	3.45
Kansas City, Mo.	9.89	33.27	3.36
Bridgeport, Conn.	9.32	30.96	3.32
Philadelphia	7.25	24.00	3.32
U.S. AVERAGE	17.17	39.73	2.31