

Hurdles to Home: The Persistent Racial Disparities in Mortgage Financing



The housing landscape in the PSRC region, representing King, Kitsap, Pierce, and Snohomish counties, reflects more than market forces and conditions. It is also the product of decades of public policies and private practices that, throughout the 20th century, often excluded lower-income households, immigrant communities, and people of color from accessing housing and living in certain areas.

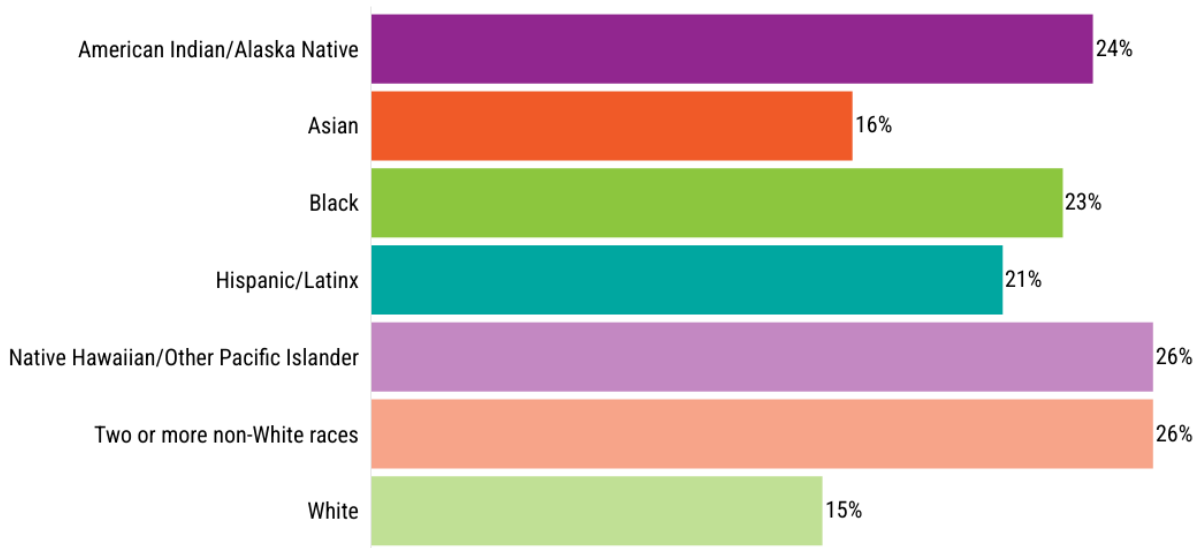
Practices such as restrictive covenants, redlining, and loan discrimination, limited where people could live based on their race. These actions contributed to patterns of [racial segregation](#), paired with lower quality of life outcomes such as access to quality education, living wage employment, a healthy environment, and transportation. This [legacy of structural racism](#) lives on with us today.

Homeownership can play an important role in building equity and intergenerational wealth. Ownership opportunities that are truly affordable offer greater housing security, with stable monthly payments and protection from a potentially volatile rental market. Making space in higher opportunity neighborhoods can also facilitate equitable access to resources and services. Yet access to homeownership remains elusive for many people of color.

People of color are more likely to be denied a mortgage than white applicants.

Research and data have shown that people of color are [more likely to be denied](#) a mortgage than white applicants with similar qualifications. And those who aren't denied are more likely to pay higher interest rates for mortgage loans. These racial barriers only further limit avenues to developing wealth for people of color.

Mortgage Denial Rates by Race and Ethnicity, PSRC Region



Source: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act Database, 2022

Notes: Race/ethnicity of applicant was self-reported or reported by loan officer based on visual observation or surname.

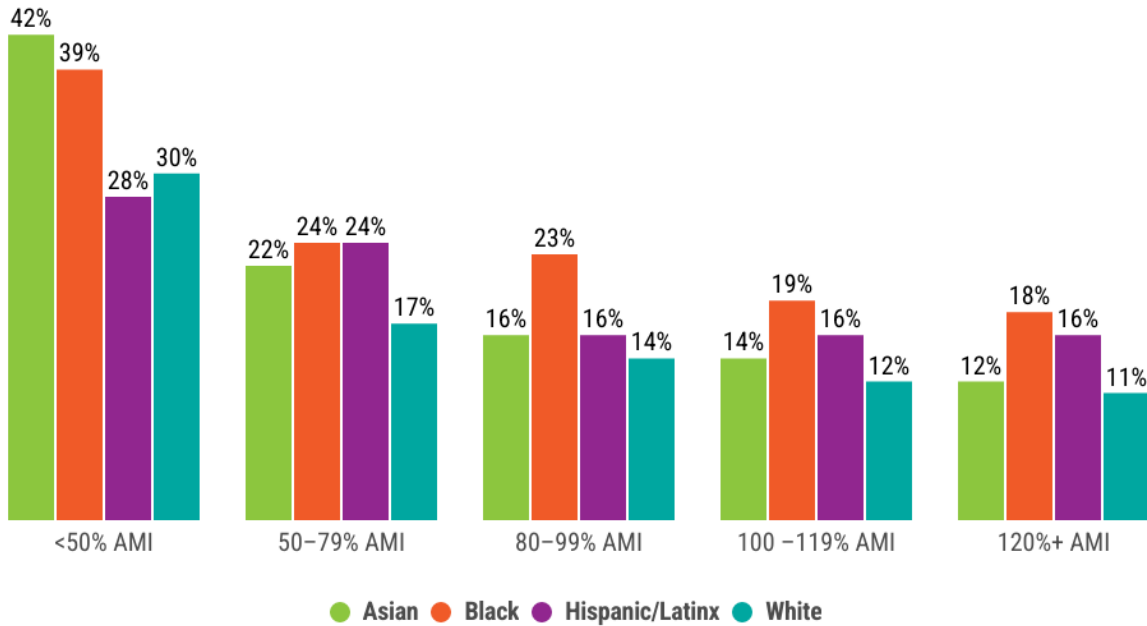
Even when we control for income, people of color are still more likely to be denied a mortgage.

Our analysis indicates that, even when controlling for the applicant's income, people of color are still more likely to be denied a mortgage. This confirms that factors other than income are causing differential access to mortgage financing. Analyses at the national level find racial disparities in [home appraisals](#) and even bias in lending [algorithms that were originally touted for their perceived fairness](#).

Loan denial rates for Black applicants are consistently higher than for white applicants across all income categories. The same is true for all except the lowest-income Hispanic/Latinx applicants.

Loan denial rates for Asian applicants show the greatest variation by income level. At the high end of the income spectrum, they are on par with white applicants. Conversely, low-income Asian applicants were the most likely across all race and ethnicity groups to be denied a mortgage in the PSRC region.

Mortgage Denial Rates by Race/Ethnicity and Income, PSRC Region



Source: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act Database, 2022

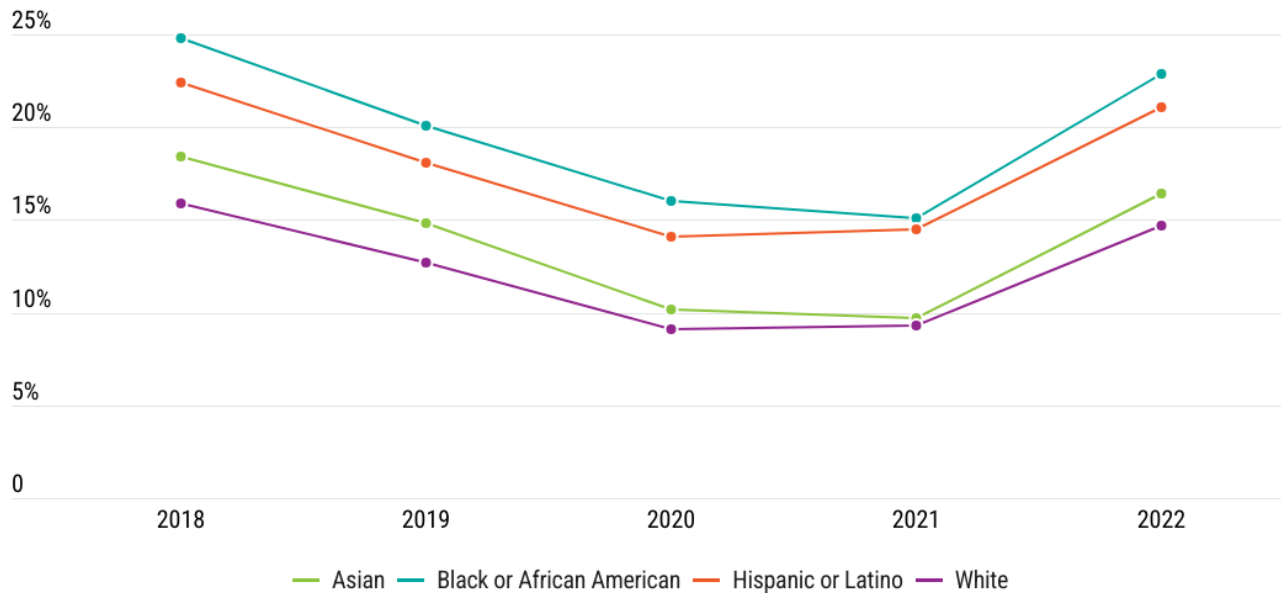
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Mortgage denial rates have fluctuated over the last few years; however, disparities have held constant.

Home prices in the PSRC region have continued to rise over the last decade. Mortgage rates, influenced by the [interest rates set by the Federal Reserve, have risen dramatically](#) since 2022. As a result, [qualifying for mortgage loans grew out of reach](#) for more applicants, pushing up mortgage denial rates.

Our analysis finds that, while mortgage denials have increased since 2021, racial disparities have held nearly constant.

Mortgage Denial Rates by Race & Ethnicity (2018–2022), PSRC Region



Source: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act Database
Notes: Race/ethnicity of applicant was self-reported or reported by loan officer based on visual observation or surname.

Achieving genuine racial equity can only happen when race no longer predicts life outcomes in housing, employment, and well-being.

Providing equal access to mortgage financing is one tool for increasing homeownership for people of color. In 2023, the state of Washington took a step in this direction by passing [House Bill 1474](#), which promotes homeownership for those harmed by systemic discrimination in housing. Discrimination in other sections of the housing market, such as [home appraisals](#), indicate there is much more work to be done.

[VISION 2050](#), the region's long-range plan for growth, and the [Regional Housing Strategy](#) call for increasing housing access and affordability for all people. These documents highlight that low-income households, immigrant communities, and people of color will continue to face barriers to housing in the PSRC region until the following three areas of need are appropriately addressed:

Supply: We have a shortage of housing in our region, with more housing urgently needed. While a [recent uptick in housing production](#) is helping to correct the backlog, more units are needed to meet today's demand and the expected over a million new residents in the region by 2050.

Stability: Greater public intervention is needed to create and preserve affordable housing, as well as to keep communities housed.

Subsidy: The region cannot fully address affordability until the housing needs of extremely low-income (less than 30% of the area's median income) households are met.

Local governments play a critical role in housing production and affordability, as they possess regulatory control over land use and development. While progress has been made, fully addressing these challenges will require more work.

The Puget Sound Regional Council will continue to support jurisdictions in our region in this important work. Our goal is to ensure all people have a range of safe and affordable housing choices in order to create a healthy and prosperous future for the region, which includes eliminating racial disparities in access to housing.