

Discrimination Patterns Through Mortgage Loan Originations in the U.S.

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Are there any discrimination patterns in mortgage lending based on race and ethnicity across the U.S.? The main objective of this study is to examine whether the probability of loan application rejection differs across minority and non-minority borrowers to shed light on whether discriminatory patterns exist in mortgage lending decisions. Across more than 16 million first-lien mortgage applications in the U.S. for a 10-year period, we found that an applicant belonging to a minority group has a predicted probability to receive a rejected loan origination of 23.3% whereas a majority group applicant is rejected with a 13.7% probability. The estimated difference in the probability of denial is 9.6% for minorities compared to majorities.