

# DATABYTE: MORTGAGE LOAN DENIAL RATE IN OHIO VARIES BY LOAN PURPOSE AND RACE

BY DEVIN KEITHLEY

As part of our most recent [Ohio Housing Needs Assessment](#), we examined Home Mortgage Disclosure Act (HMDA) data from the Consumer Financial Protection Bureau to better understand the challenges prospective borrowers face. For Ohioans applying for a mortgage loan, we found that the likelihood of being denied by a lender can vary considerably depending on factors such as the purpose of the loan or the race of the applicant.

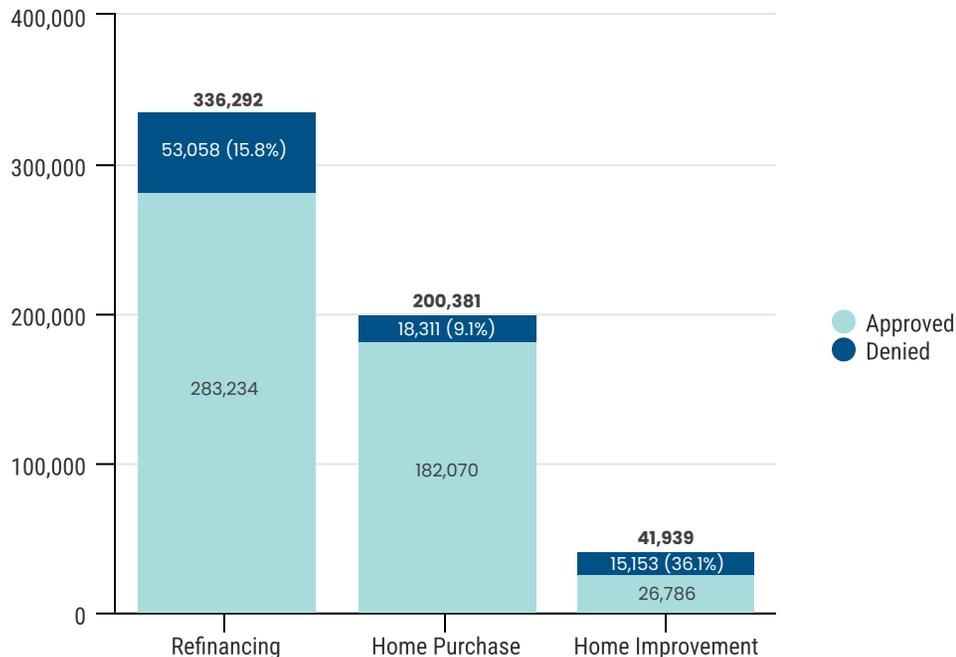
In 2021, 616,414 applications were processed in Ohio. The chart below shows the three most common purposes for a mortgage loan application: refinancing (55%), home purchase (33%), and home improvements (7%). While home improvement loan applications were less common, Ohioans applying for these loans were the likeliest to be denied—more than twice as likely as those applying for refinancing (36% compared to 16%) and nearly four times likelier than prospective homebuyers (9%).

As the chart on the right shows, when the race of the applicant is considered, Black Ohioans were more likely to be denied regardless of loan purpose, with the widest denial rate gap for home improvement loans. Nearly half (49%) of Black applicants for these loans were denied, compared with 34% of their white counterparts—a gap of 15 percentage points. At the same time, for home purchase loan applications, 15% of Black prospective homebuyers were denied, compared to 8% of white potential buyers—a gap of seven percentage points.

The inability to refinance or make home repairs are serious challenges for Ohio homeowners, especially those on fixed incomes. In addition, the stark inequity between Black and white Ohioans in accessing these crucial financing tools—combined with the consistent devaluation of homes in Black neighborhoods—make homeownership less affordable for Black Ohioans and constrict their ability to build equity and accumulate generational wealth.

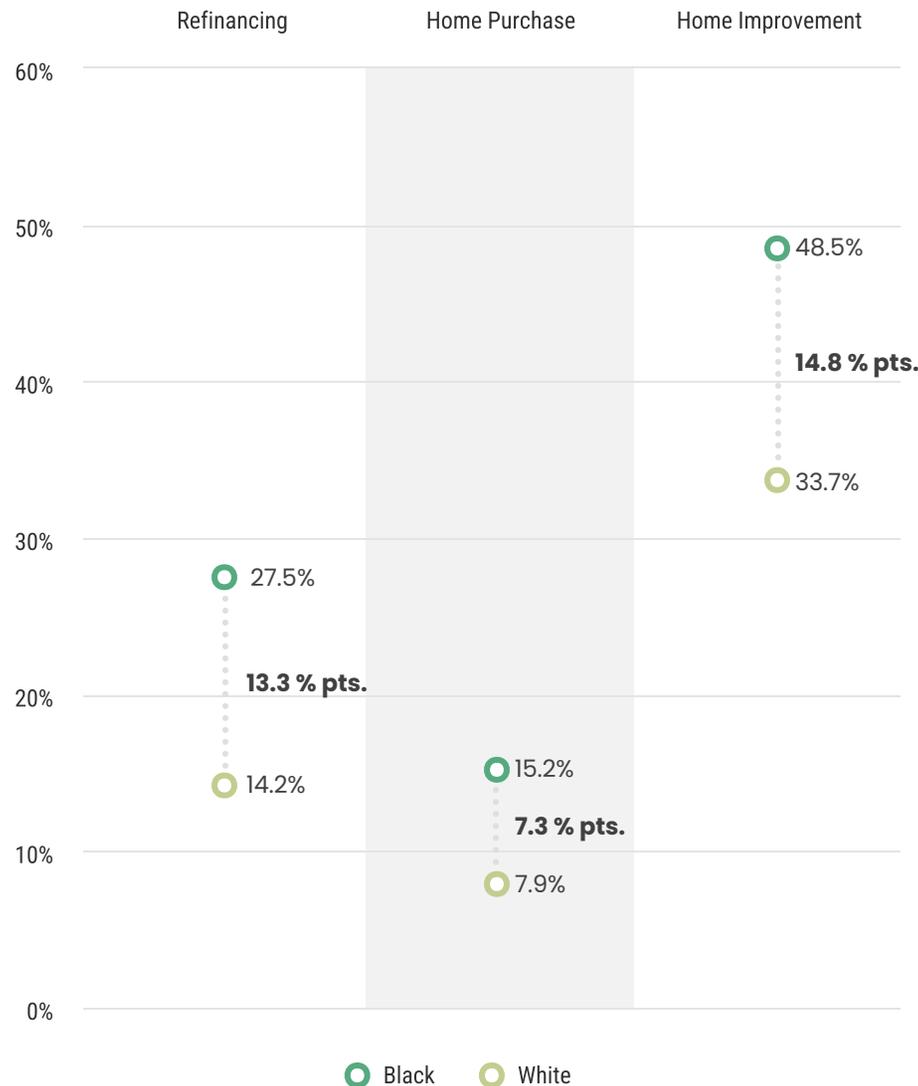
Currently, we offer two programs that address these challenges. Eligible OHFA borrowers may be able to refinance their mortgage loan through our [Refinance Program](#). Additionally, OHFA homebuyers have access to affordable grants and loans for needed home repairs, improvements, and modifications through the [Power of Home](#) program, a partnership with Framework Homeownership and The Ohio State University.

## Top 3 Mortgage Loan Purposes by Number of Applications Processed and Action Taken



Questions? Contact the Office of Research and Analytics at [research@ohiohome.org](mailto:research@ohiohome.org)

## Denial Rate Gap, Black & White, by Loan Purpose



Sources: 2021 Home Mortgage Disclosure Act (HMDA) data, Consumer Financial Protection Bureau

Notes: Denial rate is the percentage of mortgage loan applications denied by lenders. Applications include pre-approval requests. Applications withdrawn by applicant, files closed for incompleteness, and loans purchased by a financial institution are excluded from the analysis. If the loan falls into more than one of the three loan purpose categories, the loan is reported under just one category, according to the following rule: if the loan is at least in part of home purchase, it is reported as a home purchase loan; if the loan is for home improvement but not home purchase, it is reported as a home improvement loan. Refinancing loans are only counted if neither of the other loan purpose categories apply.