

# Taking aim at barriers to home buying

A Pa. agency seeks to make mortgage lending and home buying more equitable for Black buyers.

BY MICHAELLE BOND (STAFF WRITER)

The Pennsylvania Housing Finance Agency has added to the drumbeat of calls in recent years to remove barriers and make mortgage lending and home buying more equitable for Black buyers with the release of a report Wednesday on purchasing in the state and in Philadelphia.

The state-affiliated agency funded a study to look into the home-buying experiences of people of different races in Pennsylvania and to recommend steps to address disparities. Predictably, housing counseling agencies and Reinvestment Fund, the Philadelphia-based community investment nonprofit, found that people of color in Pennsylvania face more barriers to becoming homeowners.

Robin Wiessmann, the Pennsylvania Housing Finance Agency's executive director and chief executive officer, said the agency would use the report's findings to advocate for lenders and others to improve the home buying process.

"We're hoping [the report] will have some incremental influence on the industry and the lenders," she said.

Unequal treatment of home buyers in mortgage lending has gotten a lot of attention in recent years as policymakers try to narrow gaps in home ownership rates among Black and white households.

But "disparities in mortgage lending are about a lot more than disparities in mortgage lending," said Ira Goldstein, coauthor of the report and president of policy solutions at Reinvestment Fund. "This is a complex, multidimensional problem that has historic roots that continue to manifest in families today."

According to the report, "buying a home is both the culmination and intersection of institutions and life histories that place people of color at a disadvantage, both entering the process and navigating through it." So, the report's authors said, fixing lending disparities needs to address factors that cause aspiring home buyers to start the process "at different levels of readiness."

Decades of housing discrimination, gaps in savings and investments, and lack of home buying knowledge and experience all play a role. The report's authors examined these factors based on mortgage data, the experiences of 215 clients who worked with housing counselors in the Pennsylvania Housing Finance Agency's network, and in-depth interviews with 43 clients. The sample is not representative of first-time home buyers throughout Pennsylvania but gives some insight into home buying experiences.

### Persistent gaps in the rates of home ownership

In Pennsylvania, as in the country as a whole, white residents are more likely to own homes than Black residents. The home ownership rate is about 73% for white Pennsylvanians and about 43% for Black Pennsylvanians, according to pre-pandemic census data. This gap has widened over the last two decades.

In Philadelphia, the gap is narrower. About 59% of white residents own homes, compared to about 48% of Black residents, according to the report.

Home ownership has been the way most families generate wealth.

Applicants with the same qualifications can have different outcomes

Black mortgage applicants generally have a harder time accessing loans than comparable white applicants, researchers found.

In some cases, white mortgage applicants who were less qualified had better chances of getting a loan than Black applicants who were more qualified, according to researchers' analysis of federal data. In Philadelphia, nearly 16% of Black applicants in 2020 who are well qualified were denied compared to nearly 7% of less qualified white applicants.

"You would think if it was all about qualifications, you wouldn't see those kinds of disparities," Goldstein said.

Black buyers are more likely to pursue government-insured loans

Across mortgage types, Black applicants are denied at higher rates than white applicants, according to researchers' analysis of Home Mortgage Disclosure Act data. Lenders cite insufficient or bad credit, lack of ability to pay, and lack of collateral as main reasons for denials.

Across Pennsylvania, Black mortgage applicants go after government-insured loans at much higher rates than white applicants. These loans are meant to make home ownership more accessible to people who face barriers. But denial rates for these mortgages generally are higher than for conventional loans. In Philadelphia, 17% of white home buyers apply for government-insured loans, compared to 62% of Black buyers.

Buyers of different races had different views on the process

Clients in the study said they weren't subjected to "overt" discrimination, the report said. But Black home buyers were more likely to say they had to advocate for themselves to get information from their lenders. They also were more likely to say they needed their real estate agent to intervene with the lender on their behalf. When comparing the experiences of Black and white buyers, "that's when you see the differences," Goldstein said.

"What you'll find is there were just a whole set of slings and arrows that were experienced by Black people that were not experienced or not experienced in the same way by white people," he said.

For example, white home buyers interviewed for the report were more likely to describe the closing process as rushed, while Black interviewees were more likely to use words such as *rude* and *unprofessional*.

Cumulative effects of experiences such as these can be draining and can discourage aspiring homeowners from completing the purchase, Goldstein said.

Home buyers need more education and financial help

Black aspiring home buyers are less likely to have family members who own homes and can pass down financial assistance or knowledge about the buying process. Gaps in wealth and knowledge, as well as income, contribute to racial gaps in home ownership and differing views on home buying.

The knowledge gap for first-time and first-generation home buyers "is something that's really hard to overcome in a couple hours" of housing counseling that is required to receive home-buying grants and loans, Goldstein said. But although Black clients in the study started the home buying process with lower incomes and credit scores and fewer assets, they were able to raise their credit to levels comparable to white clients.

The report's authors recommended that schools teach high school students basics about home buying. Teaching financial literacy is a recurring policy idea, but state legislation to give academic credit for personal finance lessons has stalled.

To compensate for income and wealth disparities, home buyers also need more programs that help pay down payments and closing costs, according to

the report. Philadelphia reopened applications for Philly First Home this month after the grant program ran out of funds in 2020. A year ago, the Pennsylvania Housing Finance Agency launched K-FIT, which gives home buyers forgivable loans for up-front costs.

### A pleasant surprise about real estate agents

In the 1990s, Goldstein trained real estate agents about fair housing laws while working in civil rights for the U.S. Department of Housing and Urban Development. At that time, he saw many issues with agents not wanting to work in certain neighborhoods, steering clients toward or away from places, and blockbusting - bringing Black homeowners into white neighborhoods and capitalizing on falling home prices when white neighbors fled.

Goldstein said he was "very pleasantly surprised" that the clients who were interviewed said they had overwhelmingly positive experiences with their agents.

"To me that suggests perhaps the real estate industry has learned some things," he said.

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