

# Examining Racial Disparities in Maryland's Housing Market:

An analysis of racial disparities in appraisals, lending, and community investments in Maryland

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# Introductions and Outline

## Outline:

1. Report Background
2. Literature Review
3. Data Analysis
4. Maryland Mortgage Program Policy Assessment
5. Conclusions
6. Q&A + Discussion

Credit is also due to our team members at UMD and Enterprise: Dominique Gebru, Bithia Ratnasamy, Andrew Jakabovics; and Terry Clower (George Mason University)

# 1. Report Background



## 2021 Senate Bill 859

“SECTION 2. AND BE IT FURTHER ENACTED, That, for the purpose of determining whether there has been discrimination on the basis of race in community investments, real estate financing, or real estate appraisals, the Department of Housing and Community Development shall:

conduct a study, aggregated by race, zip codes, and census tracts, of housing values, appraisals, and refinancing rates across the State over the past 30 years, including the impact of State and federal policies, such as infrastructure (road, park, and water and sewer) and other investments, on those communities;

# The Study

## Examining Racial Disparities in Maryland's Housing Market

An analysis of racial disparities in appraisals, lending, and  
community investments in Maryland

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# Study Contents

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Today, we will focus on everything except for section (E), which is less relevant to our discussion.



## 2. Literature Review



# National Literature Review

## Introduction

Racial gaps in home values have persisted and grown, even since the passage of the Fair Housing Act

- \$156 billion in cumulative cost of undervalued homes in majority-Black neighborhoods

Racial disparities in housing values contribute to reduced:

- Wealth accumulation
- Ability to qualify for or refinance home mortgages
  - Barrier to homeownership all together
- Public and private investment in neighborhoods
- Public services, public safety, education, transit, etc.

Racial biases have infiltrated all aspects of the home valuation process



# How Policies Contribute to Racial Disparities in Housing Values



## Racist historical policies set the benchmark for home values today

- Using previous sales prices as a benchmark for future valuations bakes in lower value that can be attributed to redlining, etc.
- Redlined homes were more likely to be exposed to environmental and industrial hazards, which is less appealing to current buyers

## Lack of modern policies designed to prevent perpetuation

- Fair housing enforcement
- Use of proxies for race - location and income level

## Few modern policies that *proactively* correct past practices

- Public investments are disproportionately allocated to higher-income, higher-value neighborhoods, which are often predominantly white
- Public investments in Black, Indigenous, and People of Color (BIPOC) neighborhoods are too little or spur gentrification



# Evidence of Racial Disparities in Housing Values

Concentrations of certain racial and ethnic groups signal home values in those neighborhoods

- White, middle-class neighborhoods are used as the standard by industry professionals - developers, agents, brokers, appraisers, etc.
- *Connolly, et al. v. Lanham, et al.*

2021 Freddie Mac study on appraisal v. contract price:

- Majority Black Neighborhoods: 12.5% homes sold appraised below contract price
- Majority Latinx Neighborhoods: 15.4% homes sold appraised below contract price
- Majority white Neighborhoods: 7.4% homes sold appraised below contract price

Majority BIPOC neighborhoods tend to have property tax assessments that are higher than similar homes in majority white neighborhoods



# Potential Policy Remedies for Racial Disparities in Housing Values



## Biden Admin. Property Appraisal and Valuation Equity (PAVE) task force

- Goal is to reduce appraisal gaps - guardrails against discrimination, fair housing enforcement, support diversity in appraisal industry

## Alternative Valuation Processes

- Automated valuation models (AVM) - a data driven gut-check against in-person valuations and implicit bias of appraisers
- Fannie Mae updated Selling Guide to include Value Acceptance, Valuation Process+Property Data, and Hybrid Appraisal processes

## Evanston Reparations grant program

- \$25,000 for home repair or down payment assistance for those who can demonstrate a connection to the discriminatory effects of past policies



# 3. Data Analysis



# Census Data - Population

- Maryland is a very diverse state, and it is becoming more diverse
- Share of white, non-hispanic population is falling in relative terms; other categories are rising

Table C.1. Maryland Population by Race, 2020

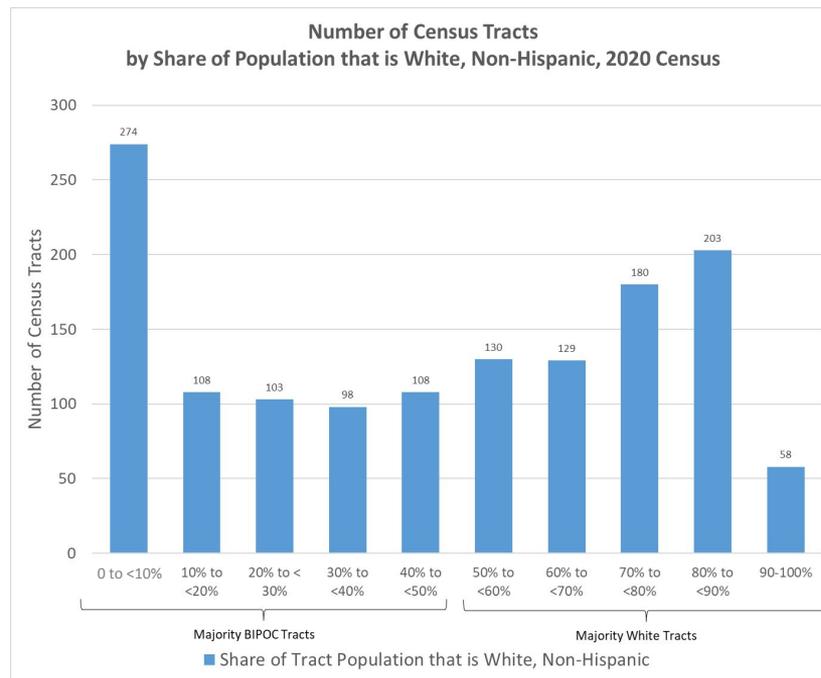
	Population	Share of total Population
Maryland Population	6,177,101	100%
White, non-Hispanic	2,913,744	47.2%
Non-white	3,263,357	52.8%
Black	1,922,232	31.1%
Hispanic	729,731	11.8%
Native American	58,802	1.0%
Asian/Pacific Islander	481,476	7.8%
Hawaiian	4,597	0.1%
Two or more races/other	66,519	1.1%

Note: Hispanic individuals can be of any self-described race; the other categories are self-identified as non-Hispanic and are mutually exclusive.

Source: Brown University LTDB tabulations of 2020 Census Data.

# Census Data - Segregation

- 691 census tracts in the State are majority BIPOC
- 382 of those are 80% or higher BIPOC



# Where are these majority BIPOC tracts?

Figure C.3. 80% Majority BIPOC Census Tracts of Maryland, 2020

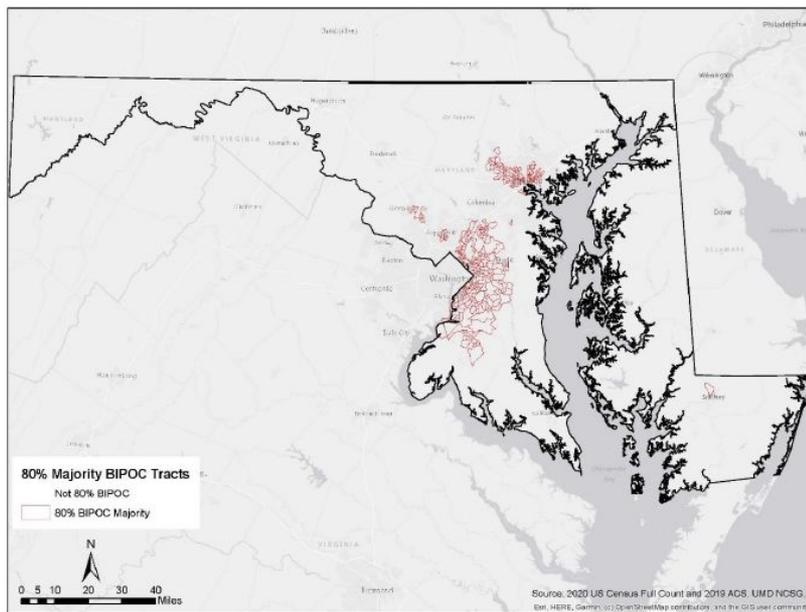
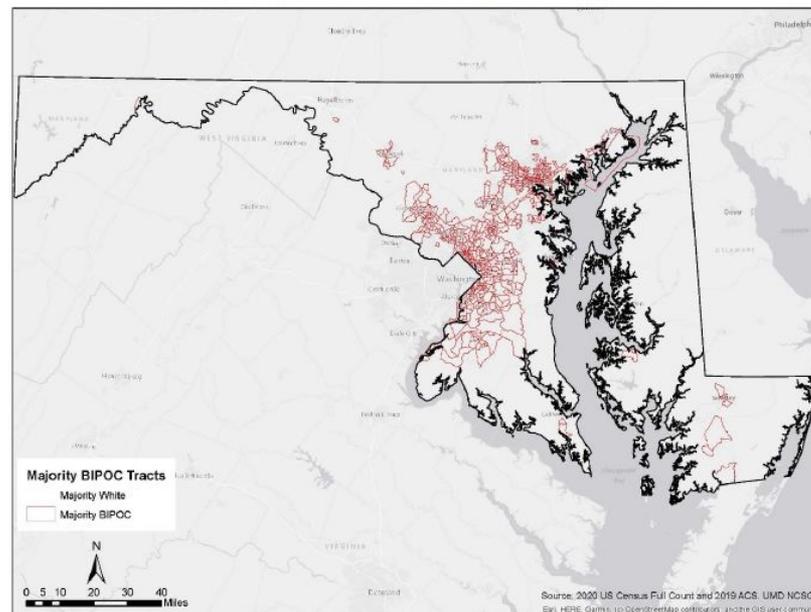


Figure C.2. Majority BIPOC Census Tracts of Maryland, 2020



# How do these majority BIPOC areas compare to home values?

Figure C.4. Census Median Home Values in Maryland, (2015-2019 ACS)

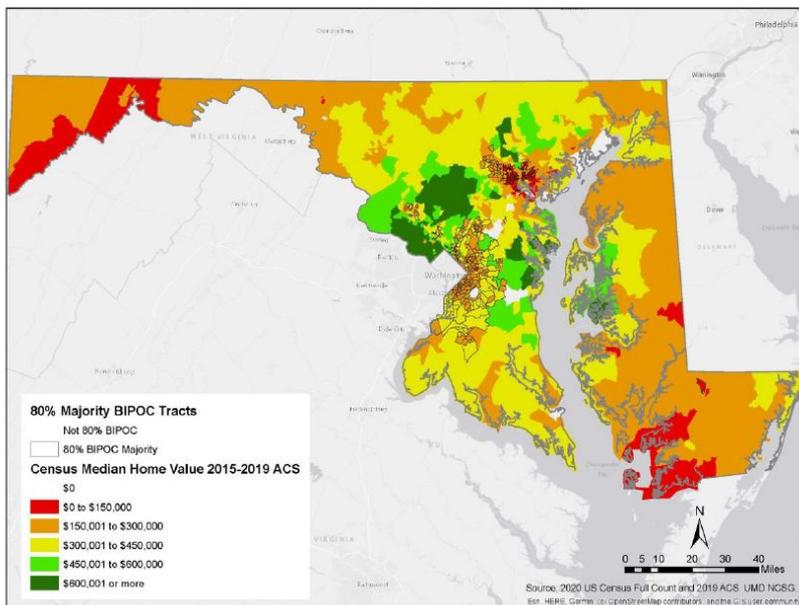
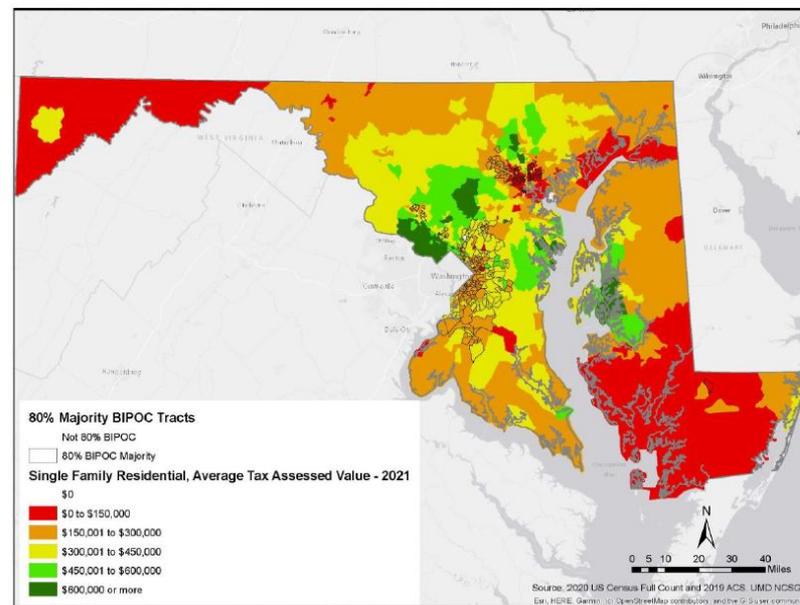


Figure C.5. SDAT Single Family Residential, Average Total Tax Assessed Values, 2021



# Trends in home value increases

- inflation adjusted home prices have risen steadily since 2000 despite the 2007-2011 crisis
- values have risen *more* in majority white areas
- values have risen the *least* in 80% BIPOC majority areas
- these effects, compounded over time, will continue to increase the home valuation gap.
  - In other words, to make up for the gap, we would need to see higher rates of change in the majority BIPOC areas than the majority-white areas.

Table C.2. Inflation adjusted averages of median home value, census tract level, Maryland 2000-2019

	2000	2008-2012	2015-2019	2000-2019 Change	2000-2019 Percent Change
Statewide Average	\$218,318	\$338,095	\$311,295	\$92,978	42.6%
Majority-BIPOC (50% or more)	\$188,123	\$287,479	\$264,369	\$76,246	40.5%
Majority-white	\$247,416	\$386,874	\$356,518	\$109,102	44.1%
80% Majority-BIPOC	\$169,369	\$253,277	\$225,644	\$56,275	33.2%
Less than 80% BIPOC	\$236,512	\$369,622	\$343,133	\$106,620	45.1%

Source: NCSG analysis Brown University LTDB tabulations of US Census Data

# FHFA Appraisal Data

- Released in late 2022
- Single family properties only, 2013-2021
- Only “hand appraised” properties
  - 30% of homes in US were computer appraised in 2021, excluded from dataset
- Fannie and Freddie backed conforming mortgage loans
- We used tract level average or count data
- Includes variables like count of appraisals, median appraised value, % of appraisals above and below contract price



## Datasets

UAD Aggregate Statistics for Enterprise Single Family Appraisals	Format	Release Date
Quarterly Data (2013 Q1-2022 Q4); Annual Data (2013-2022)		
All Geographic Areas	[CSV]	3/30/2023
National	[CSV]	3/30/2023
States	[CSV]	3/30/2023
100 Largest Metro Areas	[CSV]	3/30/2023
Counties	[CSV]	3/30/2023
Census Tracts	[CSV]	3/30/2023
Documentation		
Data Dictionary	[PDF]	3/30/2023
Overview	[PDF]	3/30/2023
Data File Version History and Suppression Rates	[PDF]	3/30/2023

**Please Note:** Some of the data files are relatively large in size and will not open correctly in certain software packages, such as Microsoft Excel. All the files can be opened and used in data analytics software such as SAS, Python, or R.

## FHFA UAD Data - Appraised Values

- Appraised mean values follow trends from the census and the SDAT data
- Appraised home values are much lower in majority BIPOC areas

Table C.3. Maryland - Mean Appraised Value - Census Tract Average - 2021

Tract type	Mean Value	Tract type	Mean Value
Not 80% majority-BIPOC	\$440,433	Majority-white	\$470,782
80% majority-BIPOC	\$272,587	50% majority-BIPOC	\$320,412
State Average	\$399,012	State Average	\$399,012

Source: NCSG Analysis of FHFA UAD Data

# Appraisal Bias?

**Table C.4. Maryland - Percent of Appraisals Below Contract Price - Census Tract Average - 2021**

Tract type	Percent	Tract type	Percent
Not 80% majority-BIPOC	11.4%	Majority-white	10.5%
80% majority-BIPOC	15.4%	50% majority-BIPOC	14.5%
State Average	12.4%	State Average	12.4%

Source: NCSG Analysis of FHFA UAD Data

**Table C.5: Maryland - Percent of Appraisals Above Contract Price - 2021**

Tract type	Percent	Tract type	Percent
Not 80% majority-BIPOC	53.4%	Majority-white	56.8%
80% majority-BIPOC	35.6%	50% majority-BIPOC	40.5%
State Average	49.0%	Total Loans	49.0%

Source: NCSG Analysis of FHFA UAD Data.

- Low appraisals are more common in majority BIPOC neighborhoods
- High appraisals are more common in white neighborhoods
- This does *not* prove bias. It shows a correlation, backed by other research, that warrants further study.

# HMDA Data

- NCSG also analyzed Home Mortgage Disclosure Act data
- This data reveals patterns, by race, in mortgage lending information
- These patterns mostly co-vary with the wealth and income distribution
  - e.g. White borrowers on average have higher incomes, more wealth, and better credit, thus get more favorable loans

Interest Rate - New Loans - 80% Majority-BIPOC Areas

	Not 80% BIPOC	80%+ BIPOC
	0	1
Asian	2.45	2.14
No Race Available	3.04	3.36
White	2.99	3.05
Black	3.13	3.18
Average	3.01	3.29

Source: NCSG analysis of CFPB HMDA Data

# Loan to Income Ratios Escalating

**Table C.7. New Purchase - Statewide - Loan to Income Ratio**

	2011	2016	2021
American Indian or Alaskan	3.06	3.21	3.53
Asian	3.12	3.60	3.64
Black	2.98	3.48	3.99
White	2.81	3.10	3.21
Not provided	2.84	3.14	4.77
Grand Total	2.88	3.23	3.75

Source: NCSG analysis of CFPB HMDA Data

**Table C.8. Loan to income Ratio, New Purchase Loans, 80% Majority-BIPOC Areas, 2011-2021**

	Year	Asian	White	Black	No Race	Average
not 80% Maj BIPOC	2011	3.2	2.8	3.0	2.9	2.9
	2016	3.7	3.1	3.3	3.1	3.2
	2021	4.0	3.4	3.6	3.8	3.6
80 % Maj BIPOC	2011	3.5	2.8	2.9	2.8	2.7
	2016	3.5	3.5	3.5	3.3	3.5
	2021	3.6	3.7	3.9	3.9	3.8

Source: NCSG analysis of CFPB HMDA Data

# Loan Denials

**Table C.10. Share of New Purchase Loans Denied, 2011-2021**

Race	2011	2016	2021
American Indian or Alaskan	12.9%	14.9%	13.4%
Asian	9.7%	9.8%	6.6%
Black	12.0%	14.1%	10.0%
White	6.7%	6.9%	4.9%
Not provided	11.5%	11.0%	3.6%
Average	7.7%	7.3%	5.6%

Source: NCSG analysis of CFPB HMDA Data

**Table C.11. Share of Refinance Loans Denied, 2011-2021**

Race	2011	2016	2021
American Indian or Alaskan	28.4%	34.5%	15.8%
Asian	14.9%	19.6%	9.6%
Black	26.7%	30.6%	14.7%
White	14.7%	19.7%	8.3%
Not provided	19.9%	25.2%	8.9%
Average	15.4%	21.2%	9.8%

Source: NCSG analysis of CFPB HMDA Data

# Denial Reasons

Table C.12. Denial Reasons by Race for Denied New, 2021

Reason	Native/ Alaskan	Asian	Black	Race N/A	White	Average
Debt-to-Income Ratio	26.8%	33.2%	30.7%	29.6%	29.1%	30.1%
Employment History	3.6%	3.5%	NA	2.1%	3.1%	3.2%
Credit History	25.0%	9.4%	23.0%	17.4%	16.8%	18.9%
Collateral	12.5%	11.0%	13.4%	14.6%	17.0%	14.6%
Insufficient Cash (Down Payment, Closing Costs)	3.6%	6.1%	5.4%	3.9%	4.9%	5.0%
Unverifiable Information	5.4%	8.0%	4.9%	6.9%	5.1%	5.6%
Credit Application Incomplete	12.5%	16.2%	8.2%	13.0%	11.9%	11.1%
Mortgage Insurance Denied	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%
Other	5.4%	11.7%	9.9%	10.9%	9.7%	10.2%
N/A	5.4%	0.8%	0.5%	1.1%	2.2%	1.2%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# 4. Maryland Mortgage Program (MMP)



# Background: Racial Disparities in Enterprise® Homeownership

## MD Homeownership (2020)

- Black households: 52.6%
- Latinx/Hispanic households: 55.0%
- White households: 78.5%

*Goodman, L. & Zhu, J. (2021). The Future of Headship and Homeownership. Urban Institute.*

## Recent MD Home Sales (2019)

- 23.4% of all homes sold in Maryland went to Black homebuyers
  - 29.5% of the state's population
- 65% of all homes sold in Maryland went to white homebuyers
  - 49% of the state's population

*Yun, L., Lautz, J., Evangelou, N., Snowden, B. & Dunn, M. (2021). 2021 Snapshot of Race and Home Buying in America. National Association of Realtors.*

# MMP Overview

The Maryland Mortgage Program (MMP) offers **down payment mortgage products** and financial assistance that fall into three primary categories: **first-time homebuyers**, **repeat homebuyers**, and **specialty loans** that either run for a limited amount of time, are location specific, or are designed for specific populations.

# MMP Enabling Homeownership

## Improves homeownership knowledge

- Homebuyer education facilitated for all MMP applicants

## Facilitates access to affordable mortgages

- Provides a list of recommended lending partners

## Provides downpayment assistances

- Financial assistance in the form of a deferred 0% interest loan

## Reduces credit barriers

- Accepts credit scores as low as 640, sometimes lower

# MMP Performance (2011-2021)

The Enterprise logo consists of a stylized sunburst icon to the left of the word "Enterprise" in a sans-serif font.

## Loan Impact

~30,000 loans facilitated

\$156 million provided in  
downpayment assistance

\$7,042 average DPA loan amount  
Roughly 3% average purchase price for MMP  
homes

## Loan Recipients

**61%** of all loans have gone to  
BIPOC borrowers

**65%** of total loan value has gone to  
BIPOC borrowers

**90%** of loans have gone to  
first-time homebuyers

# Program Recommendations

## Two-pronged geographic incentives approach

- Currently incentivizes home purchases in “Targeted Areas”
- Add incentives for purchasing homes in moderate-high income neighborhoods as well

## Additional downpayment assistance funding

- Additional funding for downpayment assistance and raising downpayment assistance caps would broaden MMP’s impact

## Additional marketing funding

- MMP is a popular program but additional funding for outreach can help ensure that all eligible borrowers are aware of the program

# 5. Conclusions



## Conclusions

- Racial disparities which exist nationwide clearly exist in Maryland
- With evidence from multiple sources, this affects home values, appraisals, and access to mortgages
- The racial real estate wealth gap may continue to worsen
  - especially in today's challenging high interest rate market
- The MMP is an effective tool for helping BIPOC residents secure homeownership, but more needs to be done to reverse decades of disparities.

## 6. Q&A and Discussion

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