UCLA Latino Policy & Politics Institute

HOUSE RICH, ACCESS POOR:

REFINANCING CHALLENGES FOR LATINO AND BLACK HOMEOWNERS IN LOS ANGELES COUNTY

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EXECUTIVE SUMMARY

In the United States, homeownership is one of the most significant drivers of wealth accumulation. Yet, racial and ethnic disparities in homeownership limit wealth-building opportunities for many families of color. Without this asset, these families face greater obstacles to intergenerational wealth transfer, perpetuating economic inequality across generations.[1]

However, even for those who achieve homeownership, the financial benefits of owning a home vary significantly. Homeowners have disparate access to leveraging their home equity, which is the difference between the home's value and what is still owed on the mortgage. Unlike the homeownership market, where potential home buyers seek to purchase a home to live in and build wealth with, the refinance mortgage market allows existing homeowners to maintain their ownership status while gaining access to a portion of their home's equity or lowering their housing costs.

Access to mortgage refinancing is crucial in determining whether homeownership translates into long-term financial stability. Homeowners may refinance to lower their interest rates; adjust loan terms (e.g., switching from a 30-year to a 15-year mortgage); reduce monthly payments; or access their home equity for home improvements, personal consumption, or investment. Yet, structural barriers and lending practices can limit refinancing opportunities for homeowners of color, reinforcing broader racial wealth gaps.

To explore the implications of mortgage refinancing disparities, this brief examines how access to refinance mortgage credit varies by a homeowner's race and ethnicity in Los Angeles County. Our analysis of 2018 and 2019 Home Mortgage Disclosure Act (HMDA) data found that Black and Latino homeowners in Los Angeles County faced significant barriers to refinancing, particularly for home improvements and cash-out equity. These barriers restricted the ability of Black and Latino communities to leverage homeownership as a financial asset and exacerbated long-standing ethnic and racial wealth disparities. Our analysis underscores the need for interventions that address inequities in refinancing approval, home renovation assistance, and mortgage data transparency.

Key Findings:

1. **Latino and Black homeowners were less likely to be approved for a conventional refinance loan and were more likely to be denied a loan or offered a high-cost loan than white or Asian homeowners.**
    - From 2018 to 2019, 34% of Black and 32% of Latino applicants were denied a refinance mortgage, compared to 24% of white applicants and 28% of Asian applicants.
    - Nearly 40% of Latino applicants were denied altogether or received a high-cost refinance loan compared to just 30% of whites in Los Angeles County.

2. **Latino and Black homeowners were more likely to receive high-cost refinance loans—especially for home improvements.**
   - Among 2018 to 2019 applicants for home improvement refinancing, Latino homeowners had a 12.4% chance of getting a high-cost loan, and Black homeowners had a 12.3% chance. White applicants and Asian applicants had lower chances (10% and 8.6% respectively).

3. **Latino and Black homeowners were more likely than white or Asian homeowners to be denied when trying to refinance their mortgage.**
   - Between 2018 and 2019, Black and Latino homeowners had a 26% refinance denial rate, compared to 20% for white and 24% for Asian homeowners.

Based on our findings, we propose the following policy recommendations:

1. **Revise underwriting criteria to account for homeowner tenure and utility payments.** Lenders should improve their process for determining loan eligibility by factoring in how long a borrower has owned their home and whether they've consistently paid their utility bills. This would provide a more accurate assessment of a borrower's financial stability.

   Loan underwriting varies by lender, as each lender applies its own unique criteria and risk tolerance when determining loan approval. Despite potential differences, the process generally relies on common financial indicators such as credit scores, income, assets, and debt-to-income ratios to assess an applicant's ability to repay.[2] While underwriting criteria may not be explicitly discriminatory, the financial indicators used to assess risk can reinforce ethnic and racial inequities in lending. Currently, an applicant's mortgage and utility payment history are not directly reflected in credit scores or standard underwriting processes. However, studies show that past mortgage payment history is a stronger predictor of future mortgage performance than homeowner credit scores.[3]

2. **Expand local home renovation and repair assistance programs.** Specifically, the City and County of Los Angeles should expand and strengthen their focus to better assist homeowners of color in accessing home renovation and repair assistance. Based on our analysis, racial and ethnic minorities need additional assistance to overcome the barriers they face in accessing capital for renovations and home improvements, which help secure home values.

3. **Expand State Support for Home Improvement Financing.** The state should increase support for the California CalHome Program, which provides grants to local public agencies and nonprofits to help with housing repairs and improvements. Part of the program offers funding for refinance mortgage counseling and loan distribution for building ADUs (Accessory Dwelling Units), repairs, reconstructing, and making accessibility upgrades.

4. **Improve transparency and enforcement in mortgage lending.**
   The Consumer Financial Protection Bureau (CFPB) should expand its data collection rules under the HMDA to better understand and address ethnic and racial disparities in mortgage refinancing. Currently, HMDA does not include requirements to collect key financial details like credit scores, savings, or employment history—factors that banks often use to make loan decisions. Without this data, it's hard to assess the mechanisms that may be contributing to unfair outcomes for Black and Latino homeowners.

INTRODUCTION

In the United States, homeownership is one of the most significant drivers of wealth accumulation. Despite anti-discrimination laws and regulations, access to homeownership remains challenging for racial and ethnic minorities. In 2022, the national homeownership rate hovered around 74% for non-Hispanic whites (hereafter "white"), 61% for Asians, and only 45% and 49% for non-Hispanic Black (hereafter "Black") and Latino households, respectively.[4]

Los Angeles exemplifies these national homeownership challenges. Skyrocketing home prices[5] and persistent affordability crisis[6] have made Los Angeles a difficult region for Black and Latino families to achieve and sustain homeownership.[7] In fact, as of 2022, only about 43% and 48% of Black and Latino households, respectively, were homeowners compared to 73% of white and 62% of Asian households in Los Angeles County.[8] These disparities in homeownership limit wealth-building opportunities for families of color, restricting their ability to pass down assets and perpetuating intergenerational inequality.[9]

However, even for Black and Latino households that achieve homeownership, the ability to build wealth through housing is not equal. The benefits of owning a home vary significantly depending on neighborhood conditions. Predominantly white neighborhoods are generally associated with beneficial community amenities, including high-quality government services, top-performing public schools, strong social networks, and lower crime rates.[10] In contrast, neighborhoods of color tend to be lower income and less resourced due to systemic disinvestment.[11] These disparities in neighborhood amenities directly affect home values and wealth-building opportunities, with homes in Black-majority neighborhoods valued between 21% and 23% lower than comparable homes in majority non-Black neighborhoods.[12]

For homeowners seeking to access their home equity—the difference between their home's current value and the amount still owed on their mortgage—or to reduce their housing costs, there are four primary options:

- Selling their home, which liquidates equity but eliminates homeownership.
- Opening a home equity line of credit (HELOC), which allows ongoing borrowing but typically comes with high interest rates.
- Taking out a second mortgage, which provides a cash lump sum but also carries high interest rates.
- Refinancing the original mortgage, which is generally the most cost-effective way to access home equity or lower housing costs while retaining homeownership.

Among these options, refinancing stands out as a key financial tool that allows homeowners to restructure their loans and access capital. Homeowners may refinance to lower their interest rates; adjust loan terms (e.g., switching from a 30-year to a 15-year mortgage); reduce monthly payments; or access their home equity for home improvements, personal consumption, or investment. Research suggests that as home equity increases, minority and low-income homeowners are more likely to seek refinancing as a means of financial stability and growth.[13]

Despite the importance of refinancing in wealth-building, most research on racial and ethnic disparities in homeownership has focused on examining structural lending patterns that affect who can buy a home in the first place.[14] However, these studies often overlook whether homeowners of different racial and ethnic backgrounds have equal access to mortgage refinancing—missing potential disparities in how homeowners of color leverage and benefit from homeownership.

This brief examines how access to refinance mortgage credit varies by a homeowner's race and ethnicity in Los Angeles County. Homeowners seek refinancing for three main reasons: 1) improving loan terms (such as securing a lower interest rate or adjusting the loan's duration), 2) financing home improvements, or 3) cashing out equity (See Table 1). Because each purpose represents a distinct way of accessing home equity or reducing housing costs, lenders may apply different approval criteria depending on the borrower's intended use. By analyzing these patterns, this report provides a deeper understanding of racial and ethnic disparities in access to home equity and offers insights for expanding equitable refinancing opportunities.

TABLE 1: THREE MAIN REASONS TO REFINANCE AND THEIR BENEFITS FOR HOMEOWNERS

REASON	**EXPLANATION OF BENEFIT**
Improving Loan Terms	Replacing an existing mortgage with a new one to secure better terms, such as a lower interest rate or a revised repayment period.
Financing Home Improvements	Replacing an existing mortgage with a new one or a line of credit to pay for renovations, repairs, or upgrades to the home.
Cashing Out Equity	Replacing an existing mortgage with a larger loan and taking the difference as cash.

METHODOLOGY

We drew on publicly available HMDA data published by the CFPB for applications received in 2018 and 2019. The dataset contains a record for every application reported and includes the borrower's sociodemographic characteristics, loan details (including an indicator for a high-cost loan), property type, census tract identifier, and the outcome of the application (including the reason for denial).

We conducted a multivariate analysis to examine the correlation between refinancing application outcomes, the race and ethnicity of the applicants,[15] and the purpose of refinancing. The dependent variable in the analysis is the outcome of a completed refinance loan application. There are three possible outcomes for all refinance applications: 1) borrowers can be granted a high-cost loan, which is defined as a loan with an annual percentage rate (APR) of 1.5 points or greater than the average prime APR; 2) borrowers can be granted a conventional loan (all loans that are not high cost); or 3) borrowers can have their application denied. All loan denials were included in the study except those rejected for an incomplete application. The primary independent variable of interest relates to the applicant's race and ethnicity. This variable is defined by the race and ethnicity of the primary applicant. An applicant is defined as Latino if they identify as Hispanic.[16] All non-Latino applicants are defined as white, Black, or Asian.

We also analyzed the racial and ethnic differences among the applicants' stated purposes for refinancing. The three reasons for refinancing are loan terms, home improvement, and cash-out. Because these are three distinct reasons for accessing equity from the applicant's home or reducing the cost of homeownership, the lender may also have different refinancing criteria. As such, we separated and conducted the multivariate analysis overall for the refinance mortgage market and across the three distinct purposes for the refinancing.

FINDINGS

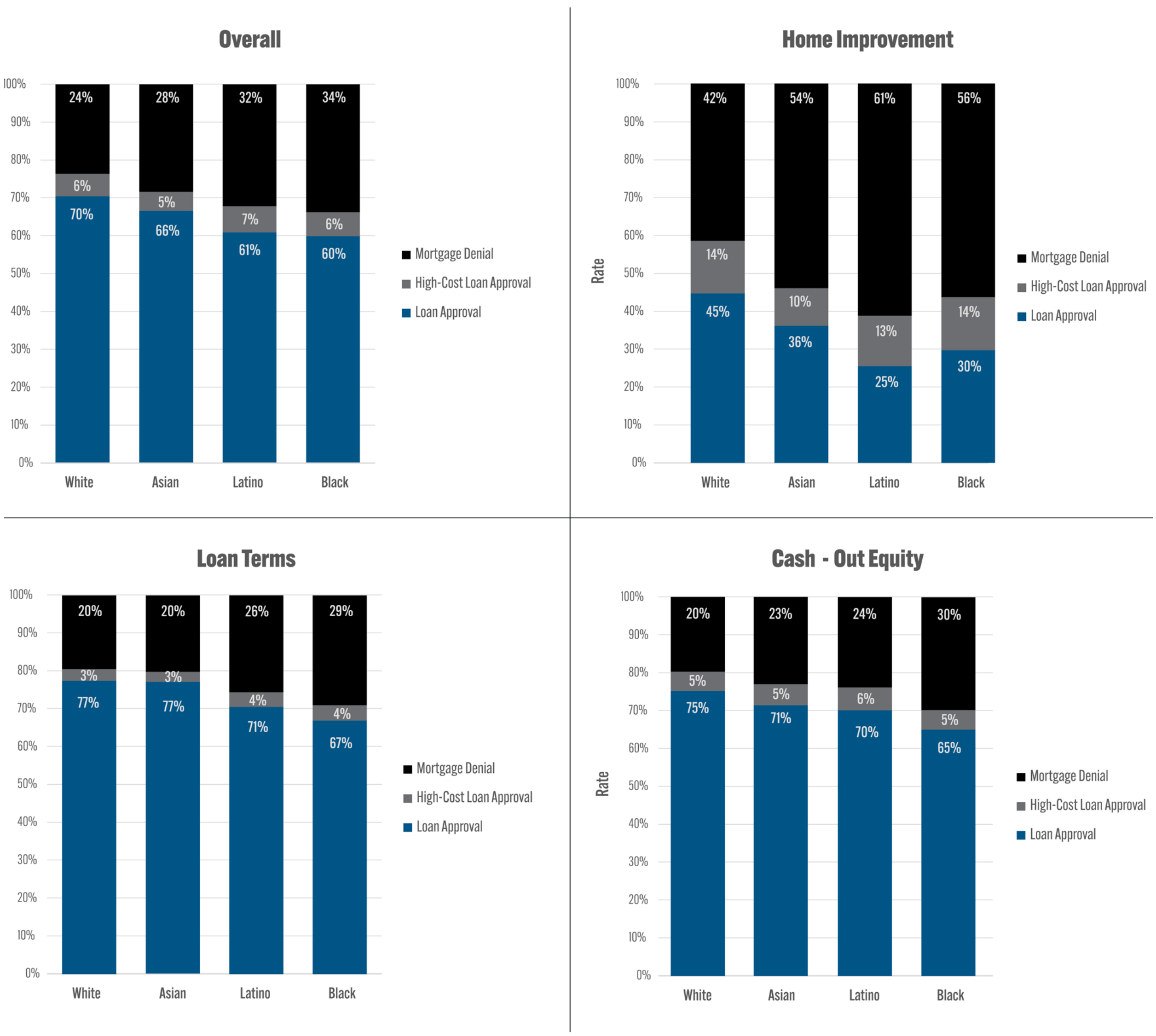
Finding 1: Latino and Black homeowners were less likely to be approved for a conventional refinance loan and more likely to be denied a loan or offered a high-cost loan than white or Asian homeowners.

Latino and Black homeowners had a harder time getting approved for conventional refinance loans than white or Asian homeowners. They were also more likely to be denied and to receive high-cost loans if approved. Figure 1 shows how often refinance loan applications were approved or denied in Los Angeles County, depending on the homeowner's race or ethnicity and the reason for the loan.

The data shows clear racial and ethnic gaps in refinancing outcomes. Overall, 34% of Black and 32% of Latino applicants were denied a refinance loan, compared to 24% of white applicants and 28% of Asian applicants (Figure 1).

The purpose of the loan also made a big difference in outcomes. Homeowners were most likely to be approved when they sought to change the terms of their loan, like lowering the interest rate or changing the repayment period. But home improvement loans had the highest denial rates across the board—more than double those for other types of refinancing. For example, 61% of Latino applicants were denied when trying to refinance for home improvements, compared to just 26% when applying to change loan terms. The same trend appeared for all groups, showing that home improvement refinancing is much harder to get approved for than other types of refinancing.

FIGURE 1. REFINANCE LOAN APPLICATION OUTCOMES IN LOS ANGELES COUNTY, BY LOAN PURPOSE AND RACE AND ETHNICITY; 2018–2019



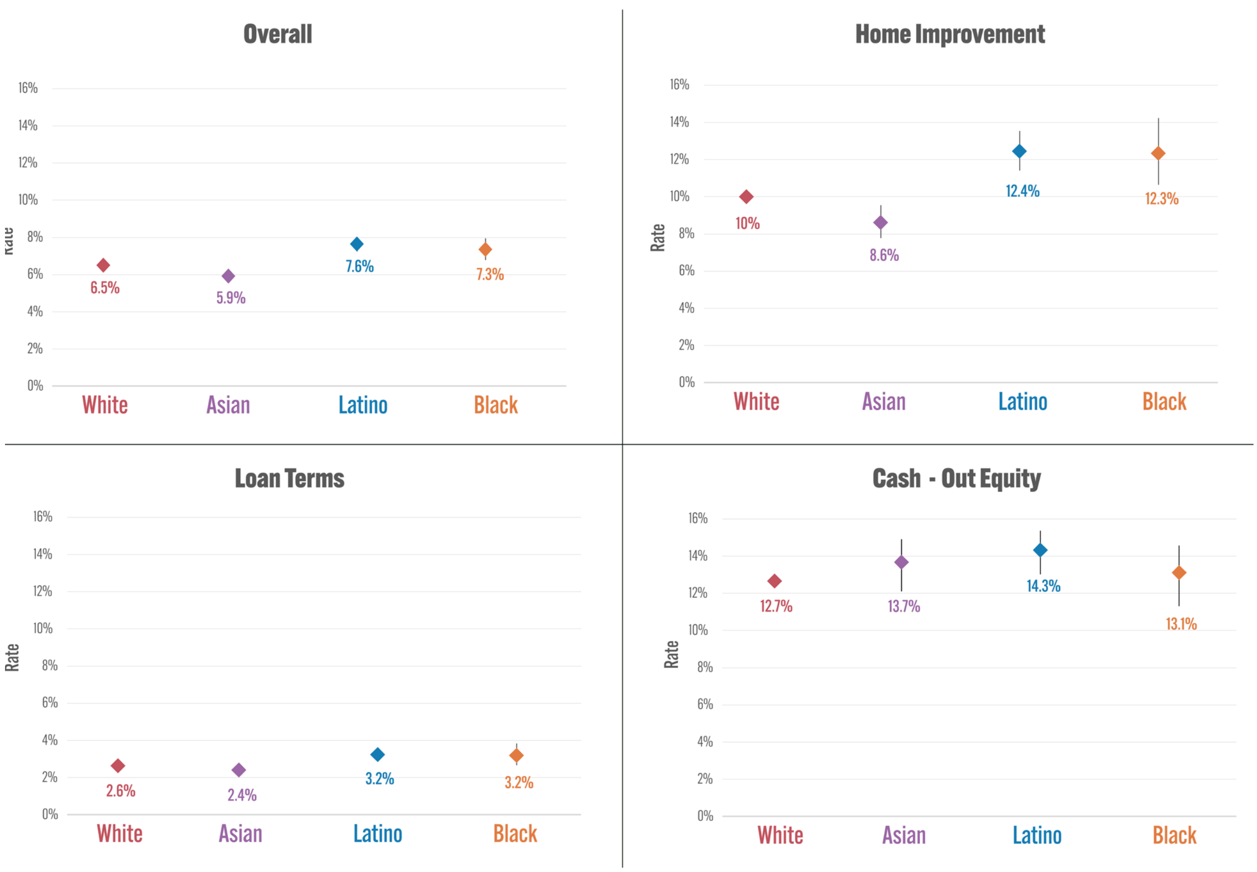
Source: Authors' analysis of HMDA 2018-2019.

Finding 2: Latino and Black homeowners were more likely to receive high-cost refinance loans—especially for home improvements.

Even after accounting for things like income and creditworthiness, Black and Latino homeowners were more likely to end up with a high-cost loan than white or Asian homeowners. Figure 2 depicts a statistical analysis of adjusted predicted probabilities for high-cost loan approval, highlighting that this pattern is consistent across all types of refinance loans. No matter the reason for refinancing, Black and Latino homeowners were more likely than other groups to be offered a loan with higher interest rates.

These disparities were most pronounced in home improvement refinancing. Latino homeowners had a 12.4% chance of getting a high-cost loan, and Black homeowners had a 12.3% chance. Comparatively, the chance of getting a high-cost loan was 10% for white applicants and 8.6% for Asian applicants. Latinos were especially likely to get high-cost loans when refinancing for home improvements or to take cash out of their home's equity.

FIGURE 2. PREDICTED PROBABILITIES OF HIGH-COST LOAN APPROVAL RATE FOR HOMEOWNERS IN LOS ANGELES COUNTY; 2018–2019



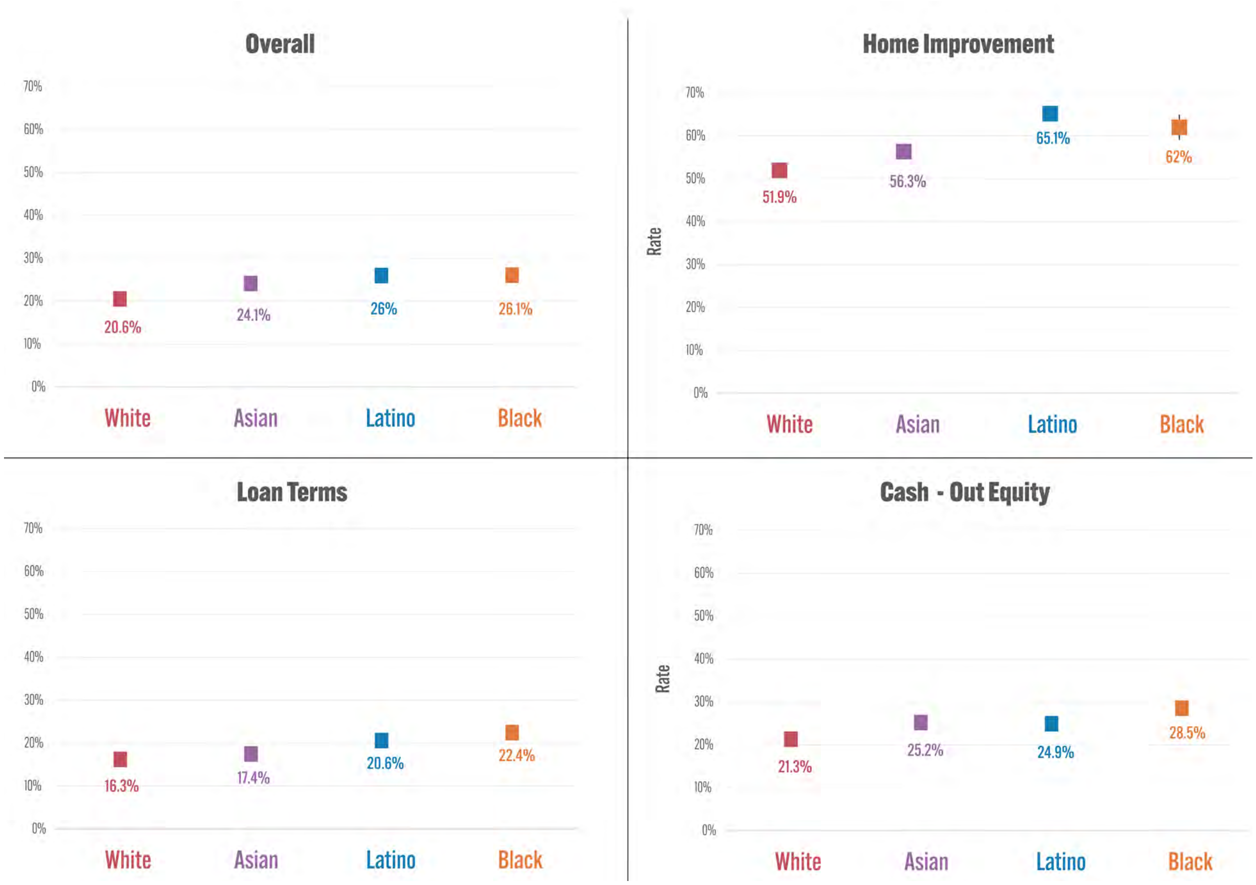
Note: Error bars are provided for predicted probabilities of high-cost loan approvals. Source: Authors' analysis of HMDA data from 2018 and 2019, multinomial logistic regression (averages of all covariates in the model).

Finding 3: Latino and Black homeowners were more likely than white or Asian homeowners to be denied when trying to refinance their mortgage.

Black and Latino homeowners faced higher denial rates than white or Asian homeowners when they applied to refinance their mortgage, no matter the reason for the loan. Figure 3 shows a statistical analysis of predicted probabilities for mortgage denials, highlighting significant ethnic and racial differences in denial rates in 2018 and 2019.

On average, Black and Latino homeowners had a 26% refinance denial rate. In comparison, white homeowners had a 20% denial rate, and Asian homeowners had a 24% denial rate. These gaps were even wider depending on the type of refinance loan. Latino homeowners were most likely to be denied when refinancing for home improvements, and Black homeowners were most likely to be denied when trying to get cash out from their home's equity or when changing the terms of their loan.

FIGURE 3. PREDICTED PROBABILITIES OF LOAN DENIAL RATE FOR HOMEOWNERS IN LOS ANGELES COUNTY; 2018–2019



Note: Error bars are provided for predicted probabilities of high-cost loan approvals. Source: Authors' analysis of HMDA data from 2018 and 2019, Multinomial Logistic Regression (Averages of all Covariates in the Model).

POLICY RECOMMENDATIONS

The racial and ethnic differences in mortgage refinancing access in Los Angeles County are concerning. These access issues prevent minority homeowners from fully benefiting from their home's increasing value, reducing their homeownership costs, and building long-term wealth.

To address this, we recommend policies to help give racial and ethnic minorities better access to their home equity and to home improvement. Based on the findings in this report, we propose the following policy recommendations for financial institutions, the state and local government, and federal agencies:

1. **Revise underwriting criteria to account for homeowner tenure and utility payments.** Lenders should improve their process for determining loan eligibility by factoring in how long a borrower has owned their home and whether they've consistently paid their utility bills. This would provide a more complete picture of a borrower's financial stability.

   Loan underwriting (the financial factors used to assess risk) varies by lender, as each applies its own unique criteria and risk tolerance when determining loan approval. Despite potential differences, the process generally depends on common financial indicators like credit scores, income, assets, and debt-to-income ratios to assess an applicant's ability to repay.[17] Consumers are also protected under federal fair lending laws—the Equal Credit Opportunity Act and the Fair Housing Act—which prohibit racial discrimination in credit lending, including for housing.

   Despite these protections, our research found ethnic and racial disparities in how lenders approve refinance loans. While lenders may not intentionally discriminate, their underwriting can still contribute to inequalities in lending. Currently, an applicant's stable homeownership and mortgage history aren't directly factored into credit scores or typical loan approval processes. However, studies show that past mortgage payment history is a stronger predictor of future mortgage performance compared to homeowner credit scores.[18]

   We recommend that financial institutions improve their approach by including these factors in their loan approval process. By using open banking technology to securely verify payment records, lenders can create a more accurate and fair way to evaluate creditworthiness. This would help ensure that responsible homeowners—especially those from historically underserved communities—have better access to refinancing opportunities.

2. **Expand local home renovation and repair assistance programs.** Specifically, the City and County of Los Angeles should expand and strengthen the focus of their programs to better assist homeowners in accessing home renovation

and repair assistance. Based on our analysis, racial and ethnic minorities need additional assistance to overcome the barriers they face in accessing capital for renovations and home improvements.

The City should expand the scope and size of currently available home improvement programs to reach more Black and Latino homeowners. The City of Los Angeles Housing Department (LAHD) has previously administered programs to provide repair funding to homeowners (with specific eligibility requirements); however, almost all of these programs are suspended or waitlisting applicants (Table 2).

TABLE 2: CITY OF LOS ANGELES HOME REPAIR PROGRAMS

PROGRAM	**DESCRIPTION**	**FUNDING AMOUNT**	**ELIGIBILITY CRITERIA**	**STATUS**
Single-Family Home Improvement Program (SFHIP)	Provides homeowners with funding for home repairs, including electrical, plumbing, heating, roofing, exterior painting, and elimination of code violations	Up to $25,000 for repairs at 0% interest and deferred payment	• Homeowners of a single-family home • Homeowner must be low-income (80% Area Median Income) • Reside within the unincorporated areas of Los Angeles County Supervisorial Districts 1, 2, 4, and 5	Suspended as of March 2020, due to the COVID-19 pandemic.
Handyworker Program	Provides funding for minor home repairs and accessibility improvements.	Up to $5,000	• Homeowners and renters of a single-family home • Senior citizens (minimum age of 62) and/or persons living with a permanent disability • Applicant must be low-income (80% Area Median Income)	Waitlisting applications
Senior Grant Program	Provides funding for mobility and habitability-related home repairs. The program will also fund deferred maintenance (roofing, plumbing, electrical, or heating)	Up to $20,000	• Homeowners of a single-family home • Senior citizens (minimum age of 62) • Low-income (80% Area Median Income) • Reside within the unincorporated areas of Los Angeles County Supervisorial Districts 1, 2, 4, and 5	Accepting new applications
Residential Sound Insulation Program (RSIP)	Provides grants for sound insulation to address noise caused by aircraft at the Los Angeles International Airport	Between $33,000 to $37,000	• Located within highly impacted communities (Lennox, Del Aire, and Athens) • Inspected, surveyed, and noise tested to determine eligibility	No longer accepting new applications

Sources: Authors' synthesis of key Home Repair Programs. Los Angeles County Housing Resource, "Homebuyer and Homeowner Resources," accessed on January 21, available online; Los Angeles Housing Department, "Handworker," accessed on January 21, available online; Los Angeles County Development Authority, "Grants for Senior Home Owners," accessed on January 21, available online; Los Angeles County Development Authority, "Grants to Sound Insulate Homes," accessed on January 21, available online.

To fund the expansion of these programs, the City should consider appropriating Measure ULA funds,[19] securing a municipal bond or developing a progressive property tax. Los Angeles could look to the City of Philadelphia as a model. The City of Philadelphia funds its $40 million housing repair low-interest loan program (referred to as the Restore, Repair, Renew Program) with $100 million in bonds backed by a minor increase in its real estate transfer tax.[20] In its first year (2019), the program issued $1.7 million in loans to 91 homeowners—78% of whom were Black, 72% women, and 47% over the age of 59.[21] The average borrower had a credit score of 711 and a household income of around 60% of the area median. Despite lending to groups often considered higher-risk, the program reported just a 3% delinquency rate for payments 30 days late and 0% for payments 60 days late—compared to the national average of 2% for loans 30 days or more past due.[22]

3. **Expand State Support for Home Improvement Financing.** The state should increase support for the California CalHome Program, which provides grants to local public agencies and nonprofits to help with housing repairs and improvements.[23] Part of the program offers funding for refinance mortgage counseling and loan distribution for building ADUs (Accessory Dwelling Units), repairs, reconstructing, and making accessibility upgrades.

   The CalHome Program has historically been underfunded. In 2023, it received a one-time $300 million boost from the General Fund,[24] but this dropped to $152.5 million in 2024.[25] With ongoing state budget negotiations and economic uncertainty, future funding levels for this program may be under consideration. However, the state must continue to prioritize critical programs that support vulnerable populations.

   More funding is needed to strengthen the home repair program and ensure homeowners—especially those in underserved communities—can access the loans and mortgage counseling they need to improve their homes. Counseling, in particular, is important for addressing the racial and ethnic disparities we've seen among Black and Latino homeowners in Los Angeles County. Research shows that mortgage counseling can help applicants avoid high-cost loans and fix issues in their applications, such as credit scores, savings, and job stability, that might otherwise lead to denials.[26] Increased funding for counseling could also enable more nonprofits and lenders to support local efforts already underway, such as those by the Los Angeles County Department of Consumer and Business Affairs, which offers free refinance loan counseling.[27]

4. **Improve transparency and enforcement in mortgage lending.**The Consumer Financial Protection Bureau (CFPB) should expand its data collection rules under the Home Mortgage Disclosure Act (HMDA) to better understand and address racial disparities in mortgage refinancing. Right now, HMDA does not

include requirements to collect key financial details like credit scores, savings, or employment history—factors that banks often use to make loan decisions. Without this data, it's hard to assess if these factors are contributing to unfair outcomes for Black and Latino homeowners.

The CFPB plays a major role in ensuring banks follow fair lending rules. It enforces the Equal Credit Opportunity Act (ECOA) and oversees mortgage data reporting through HMDA. This includes auditing banks, creating anti-discrimination policies, issuing penalties, and sending serious cases to the Department of Justice.[28] HMDA data helps the CFPB track how lenders treat borrowers and whether discrimination may be happening. For example, the CFPB recently reached a multimillion-dollar settlement with lenders after finding they discriminated in how they offered mortgages.[29]

To make sure refinancing is fair—especially for Black and Latino homeowners—the CFPB needs better data. For instance, HMDA data currently doesn't include information about applicant credit score, savings, net worth, or employment history—variables that may be playing a significant role in bank underwriting processes.[30] Studies show that racial and ethnic gaps in lending are often linked to gaps in credit scores, making them an important indicator for understanding bank loan decisions.[31] Other common lender requirements—like having enough savings, stable employment, or a certain level of wealth—may also make it harder for lower-income homeowners of color to qualify for refinancing.[32] That's why we recommend that the CFBP update its 2026 HMDA rules to require lenders to report this kind of borrower information. More complete data will help identify where and how discrimination happens and what policies are needed to fix it.

It's important to mention that the CFPB's future at the time of this report's publication is uncertain. In February 2025, the federal government fired CFPB Director Rohit Chopra and ordered the agency to stop all enforcement and investigations.[33] A new director has been appointed, but so far, there hasn't been much clarity about the CFPB's next steps.[34] If and when the CFPB resumes its full authority, it should prioritize investigating discrimination in refinancing and expanding HMDA data reporting to improve fairness in the mortgage market.

NOTES

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In addition, we accounted for loan characteristics, including the loan amount requested; the percentage required for down payment; loan terms (in years); whether the loan was an interest-only loan; and whether it included a balloon payment (a large one-time payment, required at the end of the loan term). We also considered neighborhood (as determined by census tract) characteristics, including the average age of housing in the community, the percentage of whites in the neighborhood, and the average income of households in the neighborhood.

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