

Mortgage Discrimination

The Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) protect you against discrimination when you apply for a mortgage to purchase, refinance, or make home improvements.

Your Rights Under ECOA

The ECOA prohibits discrimination in any aspect of a credit transaction based on:

- race or color
- religion
- national origin
- sex
- marital status
- age (provided the applicant has the capacity to contract)
- the applicant's receipt of income derived from any public assistance program
- the applicant's exercise, in good faith, of any right under the Consumer Credit Protection Act, the umbrella statute that includes ECOA

Your Rights Under FHA

The FHA prohibits discrimination in all aspects of residential real-estate related transactions, including:

- making loans to buy, build, repair, or improve a dwelling
- selling, brokering, or appraising residential real estate
- selling or renting a dwelling

It also prohibits discrimination based on:

- race or color
- national origin
- religion
- sex
- familial status (defined as children under the age of 18 living with a parent or legal guardian, pregnant women, and people securing custody of children under 18)
- handicap

Lender Dos and Don'ts

Lenders must:

- Consider reliable public assistance income in the same way as other income.
- Consider reliable income from part-time employment, Social Security, pensions, and annuities.

- Consider reliable alimony, child support, or separate maintenance payments, if you choose to provide this information. A lender may ask you for proof that this income is received consistently.
- If a co-signer is needed, accept someone other than your spouse. If you own the property with your spouse, he or she may be asked to sign documents allowing you to mortgage the property.

Lenders cannot:

- Discourage you from applying for a mortgage or reject your application because of your race, national origin, religion, sex, marital status, age, or because you receive public assistance income.
- Consider your race, national origin, or sex, although you will be asked to voluntarily disclose this information to help federal agencies enforce anti-discrimination laws. A creditor may consider your immigration status and whether you have the right to remain in the country long enough to repay the debt.
- Impose different terms or conditions, such as a higher interest rate or larger down payment, on a loan based on your race, sex, or other prohibited factors.
- Consider the racial composition of the neighborhood where you want to live. This also applies when the property is being appraised.
- Ask about your plans for having a family. Questions about expenses related to your dependents are permitted.
- Refuse to purchase a loan or set different terms or conditions for the loan purchase based on discriminatory factors.
- Require a co-signer if you meet the lender's standards.

Strengthening Your Application

Not everyone who applies for a mortgage will get one. Lenders can use factors such as income, expenses, debts, and credit history to evaluate applicants.

There are steps you can take to ensure that your application gets full consideration. Give the lender all information that supports your application.

For example, stable employment is important to many lenders. Perhaps you've recently changed jobs but have been employed steadily in the same field for several years. If so, include that information on your application.

Get a copy of your credit report **before** you apply for a mortgage. Reports sometime contain inaccurate information. For example, accounts might be reported that don't belong to you or paid accounts might be reported as unpaid. If you find errors, dispute them with the credit bureau and tell the lender about the dispute.

If you've had past bill-paying problems, such as a lost job or high medical expenses, write a letter to the lender explaining what caused your past credit problems. Lenders must consider this information at your request.

Try For the Best Loan Terms

Some mortgage lenders may try to charge some borrowers more than others for the same loan product offered at the same time. This may include higher interest rates or origination fees or more points. Ask the lender if the rate you're being quoted is the lowest offered that day. The lender is probably basing the loan offer on the list of mortgage rates frequently issued by that institution to its loan officers. Ask to see this list. If the lender refuses and you suspect you are not being offered the lowest rates or points available, you may want to negotiate for better terms or shop for another lender. Even if you decide to accept terms that are not the lowest available, ask the lender why you did not qualify for better terms. The answer may help you to correct errors and to become more creditworthy.

If Your Application Is Rejected

If your mortgage is denied, the lender must give you specific reasons why or tell you of your right to ask for them. Under the law, you have the right to:

- Know within 30 days of the date of your completed application whether your mortgage loan is approved. The lender must make a reasonable effort to obtain all necessary information, such as credit reports and property appraisals. If your application is rejected, the lender must tell you in writing.
- Know specifically why your application was rejected. The lender must tell you the specific reason for the rejection or your right to learn the reason if you ask within 60 days. An acceptable response might be: "your income was too low" or "you haven't been employed long enough." A response of "you didn't meet our minimum standards" is not specific enough.
- Learn the specific reason why you were offered less favorable terms than you applied for, but only if you reject these terms. For example, if the lender offered you a smaller mortgage or a higher interest rate, you have the right to know why if you did not accept the lender's counter offer.
- Find out what is in your credit report. The lender may have rejected your application because of negative information in your credit report. If so, the lender must tell you this and give you the name, address, and phone number of the credit bureau. You can get a free copy of that report from the credit bureau if you request it within 60 days. Otherwise, the credit bureau can charge up to \$8.
- If your report contains inaccurate information, the credit bureau is required to investigate items that you dispute. Those companies furnishing inaccurate information to the credit bureaus also must reinvestigate items that you dispute. If you still dispute the credit bureau's account after a reinvestigation, you can include your summary of the problem in your credit report.
- Get a copy of the property appraisal from the lender. Mortgage applications may be turned down because of poor appraisals. Review the appraisal. Check that it contains accurate information and determine whether the appraiser considered illegal factors, such as the racial composition of the neighborhood.

If You Suspect Discrimination

Take action if you think you've been discriminated against.

- Complain to the lender. Sometimes you can persuade the lender to reconsider your application.
- Check with your state Attorney General's office to see if the creditor violated state laws. Many states have their own equal credit opportunity laws.
- Contact a local private fair housing group and report violations to the appropriate government agency. If your mortgage application is denied, the lender must give you the name and address of the agency to contact.
- Consider suing the lender in federal district court. If you win, you can recover your actual damages and be awarded punitive damages if the court finds that the lender's conduct was willful. You also may recover reasonable lawyers' fees and court costs. You also might consider joining with others to file a class action suit.

A number of federal agencies share enforcement responsibility for the ECOA and the FHA. Determining which agency to contact depends, in part, on the type of financial institution you dealt with.

For ECOA violations involving mortgage and consumer finance companies:

Federal Trade Commission
 Consumer Response center
 Washington, DC 20580
 202-326-2222; TDD 202-326-2502

While the FTC generally does not intervene in individual disputes, the information you provide may indicate a pattern of violations requiring action by the Commission.

The Center also can provide you with a copy of **Best Sellers**, a complete list of FTC consumer and business publications. Or, visit us at **ftc.gov** on the World Wide Web.

For violations of the FHA:

Office of Fair Housing and Equal Opportunity
 US Department of Housing and Urban Development
 Washington, DC 20410-2000
 Toll-free hotline: 800-424-8590 TDD 800-543-8294

You have one year to file a complaint with HUD, but you should file as soon as possible. Your complaint to HUD should include:

- Your name and address
- The name and address of the person or company who is the subject of the complaint
- The address or other identification of the housing involved
- A short description of the facts that caused you to believe your rights were violated
- The dates of the alleged violation

HUD will notify you when it receives your complaint. Normally, HUD also will:

- Notify the alleged violator of your complaint and permit the person to submit an answer;

- Investigate your complaint and determine whether there is a reasonable cause to believe the Fair Housing Act has been violated; and
- Notify you if it cannot complete an investigation within 100 days of receiving your complaint.

For violations of the ECOA and the FHA:

For nationally-chartered banks:

Comptroller of the Currency
Compliance Management
Mail Stop 7-5
Washington, DC 20219

For state-chartered banks insured by the Federal Deposit Insurance Corporation, but not members of the Federal Reserve System:

Federal Deposit Insurance Corporation
Consumer Affairs Division
Washington, DC 20429

For federally-chartered or federally-insured savings and loans:

Office of Thrift Supervision
Consumer Affairs Program
Washington, DC 20552

For federally-chartered credit unions:

National Credit Union Administration
Consumer Affairs Division
Washington, DC 20456

For state member banks of the Federal Reserve System:

Consumer and Community Affairs
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551

For discrimination complaints against all kinds of creditors:

Department of Justice
Civil Rights Division
Washington, DC 20530

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, using the [online complaint form](#). Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.

The FTC publishes free brochures on many consumer issues. For a [complete list of publications](#), write to **Best Sellers**, Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or call toll-free 1-877-FTC-HELP (382-4357), TDD 202-326-2502