



11/14/2006

## Denial of Home Mortgage Applications: Discrimination or Valid Credit Co

Many, many people are rejected for a home loan at some point or another. If your recent application has been denied, you will no doubt feel frustrated and disappointed. In some cases, you may feel that the rejection was unfair. How do you determine whether your loan application was denied because of legitimate factors or because of discrimination?

There are two government laws that protect you, the consumer, from being discriminated against because of several key aspects. These important laws are the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA.) They are both very similar in nature. Basically, lenders are forbidden to discriminate against borrowers based on their race, religion, national origin, gender, marital status, age (as long as the borrower is of legal borrowing age,) or based on income that comes from public assistance programs.

The FHA specifically defines that no discrimination based on the above named factors may take place in the process of "selling, brokering, or appraising residential real estate." The same rules apply in all home mortgage loans for purchase, building, and home improvements, as well as in all situations of home sales or rental contracts.

Both laws also make it clear that mortgage lenders are prohibited from rejecting your loan based on certain sources of income, like stable public assistance funds, part-time employment, Social Security benefits, pensions, or annuities. Lenders must also objectively look at forms of income such as "reliable alimony, child, support, or separate maintenance payments" if borrowers decide to include that income. It is legal however for a lender to ask for statements or verification of these types of income.

One form of discrimination is if your lender requires a co-signer for your home mortgage when you already meet the lender's specified credit and income conditions. If you do not meet those conditions, and need a co-signer, your lender is obligated to allow you to choose someone besides your husband or wife.

You may have been a victim of discrimination if your home mortgage was rejected based on the racial makeup of the area of your intended home purchase, or if the home was appraised lower than market value because of the neighborhood's racial structure.

Neither can a lender legally inquire and base your loan approval or rejection on your future plans for expanding your family. A mortgage lender is allowed though to ask about the financial responsibilities regarding your current dependents.

If you are an immigrant, you should realize that it is not discrimination when a lender asks about and considers your immigration status. This information may affect your legal right to own a home, and whether or not you will be legally able to stay in the country for the length of time required to pay off the mortgage loan.

You should also remember that there are plenty of other legitimate reasons why your home mortgage application may be rejected. Lenders are always concerned about the risk factor of loaning money to individuals based on their potential and probable ability to repay the loan. If you are concerned that your denial was due to any of the previously stated discrimination



factors though, contact the Federal Trade Commission's Consumer Response Center in Washington D.C. The toll-free number is 1-877-FTC-HELP or 1-866-653-4261.