

# Mortgage Denial:



## What to do if you believe race was the issue

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Prepared by the Michigan Financial Institutions Bureau

If you believe your mortgage application was denied based on your race or ethnic heritage, you have several options. We strongly recommend that you first write to the highest ranking person in the lender's organization explaining your concerns. Generally that will trigger a review of your application and a better explanation of the reasons for denial--and it may result in a reversal of the decision.

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**F**ederal law gives you the right to have your application judged by the same standards as all other applications. The **Equal Credit Opportunity Act** (ECOA) prohibits discrimination based on gender, marital status, race, national origin, income from public assistance, and your good-faith exercise of rights under the act, in taking credit applications or in making loan decisions or in setting terms or conditions of a loan. Lenders can not require you to have a cosigner if you meet their loan criteria. If a cosigner is required, a lender may not require that it be your spouse. Lenders are prohibited from considering the racial composition of the neighborhood where you want to live. The **Federal Fair Housing Act** (FHA) prohibits discrimination in housing, including home financing, based on race or color, national origin, religion, sex, familial status, and handicap.

- A complaint about suspected violation of the ECOA or FHA should be sent to the lender's federal regulatory agency. If you're denied credit, the lender must tell you the reason(s) and must give you the name and address of the agency to contact.
- You may file a complaint with a local private fair housing agency.
- Complaints under the Fair Housing Act may also be filed within one year with:

**Office of Fair Housing and Equal Opportunity  
US Department of Housing and Urban  
Development (HUD), Room 5204  
Washington, DC 20410-2000  
Toll-free hotline: 1-800-424-8590  
TDD: 1-800-543-8294**

- You have the right to bring a case against the lender in federal district court. If you win, you can be awarded damages, including punitive damages, and attorney fees and court costs.
- You may join with others to file a class action suit.

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**I**n Michigan, the **Elliott-Larsen Civil Rights Act** prohibits discrimination on the basis of religion, race, color, national origin, age, sex, marital status, familial status, or handicap. A complaint may be filed with the Department of Civil Rights if, though you are financially qualified, you have been unable to obtain a housing loan due to one or more of the listed factors.

The following information is from the Department of Civil Rights publication "How to File a Complaint".

"Complaints must be filed within 180 days following the alleged act of discrimination. Complaints more than 180 days that do not also fall under federal jurisdiction may be filed in State Court within three years. You should note that complaints may be filed in State Court without first filing with the Michigan Department of Civil Rights.

... "housing complaints alleging discrimination that occurred more than 180 days but less than 365 days in the past will be handled by HUD."

"If a case is filed in court, the Michigan Department of Civil Rights lacks jurisdiction to pursue the matter. If the court does not rule on the merits, and there is no signed settlement agreement, MDCR may be requested within 30 days to review the complaint."

For more information on filing a complaint with the Michigan Department of Civil Rights, telephone the nearest regional office (for example, Detroit Regional Center: 313/456-3700; Lansing Regional Center: 517/334-9335) or e-mail the Department at: [mdcrservicecenter@michigan.gov](mailto:mdcrservicecenter@michigan.gov).

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**Michigan's Mortgage Lending Practices Act** requires lenders to have written lending policies or criteria that they apply uniformly within a particular metropolitan area or, in rural areas, within a county. The law prohibits establishment of minimum loan amounts greater than \$10,000.00 and minimum home improvement loan amounts greater than \$1,000.00. It also prohibits denial of a mortgage or home improvement loan application or varying the terms and conditions of a loan contract due to:

- racial or ethnic characteristics in the property's neighborhood;
- the age of the house or of other houses in its neighborhood.

This law does not specifically address discrimination on the basis of the race of the applicant, though it does require lenders to consider each loan application individually "on the basis of a factually supportable analysis of the lending risks associated with the proposed loan."

Complaints alleging violation of the Mortgage Lending Practices Act should be in writing and addressed to the Financial Institutions Bureau, P.O. Box 30224, Lansing, MI 48909 or FAXed to the Bureau at 517/373-1224 or e-mailed to the Bureau care of [debra.a.tunks@cis.state.mi.us](mailto:debra.a.tunks@cis.state.mi.us). The Bureau's complaint form can be downloaded from its web site at <http://www.cis.state.mi.us/fib/formindx.htm> or can be requested by calling 517/373-8674.

The law also allows actions in the circuit court to seek an injunction or damages for a violation. Damages are limited to the greater of \$2,000.00 or actual damages plus reasonable attorney fees for each violation.