

United States Senate
WASHINGTON, DC 20510

March 17, 2022

The Honorable Marcia Fudge
Secretary
Department of Housing & Urban Development
451 7th St. SW
Washington, DC 20410

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear Secretary Fudge and Director Chopra:

In light of recent analysis of mortgage lending data, we are writing to request that you review mortgage refinance lending by Wells Fargo for compliance with both the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act.

In 2020, 8.4 million homeowners refinanced their mortgage loans to take advantage of historically-low interest rates.¹ Freddie Mac reports that the average borrower who refinanced their 30-year fixed-rate mortgage to lower their rate will save \$2,800 annually on their housing payments.² Unfortunately, refinances did not benefit all homeowners equally. The Consumer Financial Protection Bureau (CFPB) reports that the share of refinance loans that went to Black and Hispanic borrowers declined in 2020.³

There was also a stark racial disparity in the approval rate for mortgage refinance loans. Across all lenders, 70 percent of Black and 78 percent of Hispanic applicants were approved for mortgage refinances in 2020, compared to about 87 percent of non-Hispanic white applicants.⁴ And a recent Bloomberg analysis of mortgage refinance applications and approvals found that racial and ethnic disparities in refinance loan acceptance rates also varied by lender. While one large national lender approved 79 percent of Black refinance applicants (compared to 86 percent of white applicants), Wells Fargo approved just 47 percent of Black refinance applicants and 53 percent of Hispanic refinance applicants, compared to 72 percent of white applicants.⁵ Mortgage interest rates have begun to rebound, closing the window on the ability to save on monthly payments through a refinance. Black and brown homeowners who were denied a money-saving loan in 2020 can no longer benefit from that savings, locking them into decades of higher payments.

¹ “Data Point 2020: Mortgage Market Activity and Trends,” Consumer Financial Protection Bureau, August 2021, pg. 11, available at https://files.consumerfinance.gov/f/documents/cfpb_2020-mortgage-market-activity-trends_report_2021-08.pdf.

² “Refinance Trends in 2020,” Freddie Mac Economic & Housing Research Note, March 5, 2021, available at <https://www.freddiemac.com/research/insight/20210305-refinance-trends>.

³ “Data Point 2020: Mortgage Market Activity and Trends,” pg. 41.

⁴ “Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom,” Shawn Donnan, Ann Choi, Hannah Levitt, and Christopher Cannon, Bloomberg Businessweek + Equality, March 11, 2022, available at <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing/>.

⁵ Id.

While there can be differences in loan characteristics or borrower circumstances that result in a lender denying an application, the stark racial disparity in refinance approval rates at Wells Fargo raises questions about whether its mortgage systems and processes comply with all federal fair housing and fair lending laws and regulations. As the regulators with primary responsibility for enforcing including ECOA and the Fair Housing Act, you are uniquely suited to review the relevant data and systems for systemic disparities. We therefore request that you thoroughly review Wells Fargo's mortgage refinance processes during 2020 and 2021 to ensure that all borrowers had an equitable opportunity to benefit from the opportunity to reduce their housing costs and take appropriate action if disparities are found.

Our housing system is harder to access and more expensive at every turn for families of color. Racial disparities in homeownership rates today are as large as they were when racial discrimination in housing and lending was legal. As a result, Black and brown families are less likely to benefit from the payment stability and long-term wealth accumulation that come from homeownership. And when families of color who are able to become homeowners are denied money-saving refinances at a higher rate than white homeowners, it further erodes their income and ultimately their wealth, diluting homeownership's benefits.

To begin addressing our nation's long history of housing discrimination and its racial wealth disparities, we must ensure that our housing system and lenders follow the law. Thank you for your prompt attention to this issue.

Sincerely,

/s/ Sherrod Brown
Sherrod Brown
United States Senator

/s/ Richard J. Durbin
Richard J. Durbin
United States Senator

/s/ Raphael Warnock
Raphael Warnock
United States Senator

/s/ Elizabeth Warren
Elizabeth Warren
United States Senator

/s/ Tina Smith
Tina Smith
United States Senator

/s/ Ron Wyden
Ron Wyden
United States Senator

/s/ Alex Padilla
Alex Padilla
United States Senator

/s/ Jeffrey A. Merkley
Jeffrey A. Merkley
United States Senator

/s/ Jon Ossoff
Jon Ossoff
United States Senator

/s/ Bernard Sanders
Bernard Sanders
United States Senator

/s/ Mark R. Warner
Mark R. Warner
United States Senator