



House Bill 1213
Financial Institutions - Determination of Creditworthiness - Alternative Methods
Economic Matters Committee
FAVORABLE

February 24, 2021

To the Chair and Esteemed Members of the Committee:

On behalf of Strong Future Maryland, we write in support of House Bill 1213. Strong Future Maryland works to advance bold, progressive policy changes to address systemic inequality and promote a sustainable, just and prosperous economic future for all Marylanders.

In announcing the 2021 Racial & Economic Justice Agenda (the “Black Agenda”), Speaker Jones wrote, “Housing policy in the United States has disproportionately suppressed the ability for Black communities to build wealth through the most common large investment that any American family has: their home.”

We agree. This legislation helps provide an equal path to homeownership and wealth building for Black American, people of color, and first-time homeowners. By requiring lenders to consider important alternative credit information like an applicant’s history with rent, mortgage, and utility payments, we are creating opportunities for all Marylanders to better demonstrate financial responsibility and ultimately secure credit to buy homes.

As the Speaker notes, homeownership has traditionally been an important wealth building tool for many Americans, yet, for decades, Black Americans and other minority groups were excluded from buying homes and accumulating wealth in the same ways as white Americans. Even today, despite extensive federal housing legislation and efforts in many states, the gap in homeownership between white and Black Americans is sustained and massive, [according to the Urban Institute](#). In fact, “In the past 15 years, Black homeownership rates have declined to levels not seen since the 1960s, when private race-based discrimination was legal.”

This legislation comes at an important time given the COVID-19 pandemic. In September 2020, [Amara Omeokwe of the Wall Street Journal wrote](#), “some analysts warn even as the housing boom bolsters the overall economy, it may widen the longstanding gap in

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homeownership between Black and white Americans. ... Even as plunging mortgage rates fuel demand, lenders have tightened standards on who can get a mortgage. A mortgage credit availability index from the Mortgage Bankers Association plummeted roughly 33% between February and August, to its lowest since March 2014. This has likely fallen most heavily on Black buyers. For 2018 mortgage originations, the median FICO credit score for Black borrowers was 691, compared with 748 for white borrowers, according to an Urban Institute analysis of government data.” A realtor in the Baltimore area, Tomeka Givens, described that she saw many lenders raise minimum requirements for credit scores to 700 from the 620-to-680 range when the pandemic hit and “the vast majority of my clients of color were in that 620-to-680 range, so it knocked a lot of people out of the running for mortgages.”

More can and should be done to address inequities in access to homeownership. Incorporating alternative data in credit decision making is an important step in promoting an equitable and accessible housing finance system.

As one of the wealthiest states with one of the highest percentages of Black residents, Maryland has a responsibility to lead on racial justice issues. Maryland must do more— in the name of housing and economic justice, for equity and equality in our communities, and for the future of our families.

We respectfully urge a favorable report.

On behalf of Strong Future Maryland,

John B. King
Founder & Board Chair

Alice Wilkerson
Executive Director

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Policy Advisor