

## Redlining and Discriminatory Appraisals

Discrimination can also occur when banks engage in redlining and discriminatory appraisals. Loan officers may not discriminate against a prospective homebuyer because of the racial makeup of the neighborhood where the new home is located. This practice is called “redlining.” The term comes from loan officers who used maps that outlined integrated and minority neighborhoods in red to evaluate home mortgage loans in those areas as higher risk. Thus, requiring higher down payments or higher interest rates for mortgages in those neighborhoods. Additionally, financial institutions may not treat race or any other protected class as a negative factor in appraising a home.

### Example:

An appraiser values a house, located in a Chinese-American neighborhood, for less because he treated the ethnic make-up of the neighborhood as a negative factor in the appraisal.

## Steering Minorities to Specific Units

Another form of discrimination prohibited by the Fair Housing Act is “steering” based on a protected class. Historically, this is most often seen in the context of race, but it also applies to color, religion, national origin, sex, disability, and familial status. Steering is the practice of showing minorities only homes in specific neighborhoods or areas. This practice makes only certain housing available to minorities and not all housing.

### Examples:

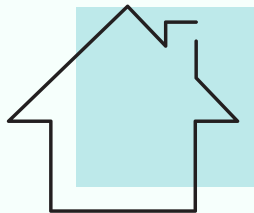
- A realtor shows a black family only homes in majority-black neighborhoods when there are homes within their budget in majority-white neighborhoods.
- A realtor tells a single woman that she does not want to purchase a home in a specific neighborhood because it is not safe for single women.

It is unlawful for lenders, including banks, savings and loan associations, insurance companies, and others, to deny any type of home loan for discriminatory reasons or give less favorable loan terms.

The Fair Housing Act protects home buyers from discrimination based on their race, color, religion, national origin, sex, disability, or familial status. It also protects against institutional discrimination based on those categories.

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The work that provided the basis for this publication was supported by funding under a grant with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The author and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Federal Government



# A FAIR HOUSING GUIDE FOR HOMEBUYERS

**LEGAL AID of ARKANSAS**  
Equal Access to Justice

*Fighting Poverty, Maintaining Dignity, Assuring Justice*

## Lender Discrimination Against Prospective Homebuyers

The Fair Housing Act (FHA) prohibits financial institutions from discriminating in their housing-related activities. Financial institutions include lenders like banks and savings and loan associations, as well as insurance companies.

Lenders may not deny a loan (including home improvement loans and refinancing, or other financial assistance) based on the race, color, religion, national origin, sex, disability, or familial status of the:

- Loan applicant
- Any person associated with the loan applicant
- Any current or prospective owner of the building
- Any lessees
- Any tenants or occupants

### Examples

- A loan officer refuses to consider a mortgage applicant's disability-related income, such as SSI or SSDI when making the loan determination.
- A bank refuses to loan a white person money to buy a home after finding out that she plans to rent to a Hispanic family.



## Commonly Asked Questions

Can a bank or loan officer require a larger down payment or refuse to loan me money to buy a house if I have bad credit?

- Yes, it is not a violation of the Fair Housing Act for banks to refuse to lend to someone based on the person's wealth or income.

Is it a violation of the FHA if a bank or loan officer refuses to loan money to buy a home to a same-sex couple?

- Probably. Though this question has not been answered by the Supreme Court of the United States, its recent interpretation of the phrase "sex discrimination" in the employment context includes being discriminated against based on sexual orientation and gender identity. Thus, the Court would likely also conclude that the similar language in the FHA would prohibit a loan officer from discriminating against a same-sex couple seeking a mortgage loan.

## Commonly Asked Questions

Can a bank be held liable for the discriminatory actions of its loan officer?

- Yes. A loan officer acts as an agent for the company or organization that he or she works for. This means that both the loan officer and the bank could be held liable for the loan officer's discrimination

How do you report potential discrimination based on race, color, religion, national origin, sex, disability, or familial status?

Contact the Legal Aid of Arkansas Fair Housing Helpline at 1-870-338-9834. Our staff will discuss the situation with you and help you decide what to do next.

When necessary, staff can assist in filing a complaint with the U.S. Department of Housing and Urban Development (HUD), the Arkansas Fair Housing Commission, or other administrative or judicial bodies.

You can also contact HUD's Helpline at 1-800-669-9777 or 1-800-877-8339 or at the Fair Housing and Equal Opportunity Arkansas Field Office at 1-501-324-6296.

