

Wells Fargo adds minority refinancing program amid scrutiny of lending practices

Article

The news: Wells Fargo said that it will offer a refinancing program for the minority homeowners whose mortgages it currently services.

Context: Wells Fargo's refinancing practices recently came under scrutiny by [several US senators](#) following a Bloomberg [investigation](#) that found the bank only approved 47% of Black homeowners' mortgage refinancing applications in 2020.

- Wells Fargo's approval rate for Black applicants was markedly lower than its 72% approval for white applicants, according to Bloomberg, which reported that the bank had the lowest rate for Black applicants among big lenders.

Bloomberg also reported separately that **Ben Crump**—attorney for the families of Black victims of police violence, including George Floyd and Breonna Taylor—[filed an amended complaint](#) in Federal Court in San Francisco against Wells Fargo.

- Crump accuses the bank of racial disparities in its home-lending practices and admonishes local governments and other institutions around the country to stop doing business with Wells Fargo.

New York City officials cited Bloomberg's findings in [a letter](#) last week to Wells Fargo, stating that the city [would not open any new depository accounts](#) with the bank due to the racial gap in its lending practices.

Wells Fargo's response: In addition to denying any wrongdoing to Bloomberg, the banking giant has released several data points for its 2020 lending that read like a point-by-point [rebuttal](#) of the news organization's findings:

- In 2020, Wells Fargo said it was the largest bank lender for home mortgages to Black families.
- The same year, it helped more Black homeowners refinance their mortgages than any other bank.
- The 83% increase in the bank's refinance loans to Black homeowners that year, compared with 2019, was the largest gain among the largest banks.
- In 2021, Wells Fargo increased that total by 106% compared with 2020.

What it's offering: Wells Fargo broke out the allocations of its \$210 million pledge to advance minority homeownership, saying that it will:

- Dedicate \$150 million to lower mortgage rates and reduce refinancing costs.
- Fund \$60 million in homeownership grants in eight targeted markets for public-private partnerships that create and execute plans to address homeownership disparities between

whites and minorities.

- Develop a Special Purpose Credit Program (SPCP) that will proactively identify minority homeowners who could benefit from the program.
- Expand partnerships with the National Urban League and UnidosUS to help with outreach and education.

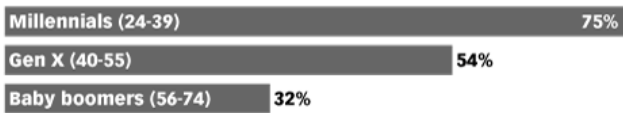
Promising transparency, Wells Fargo said it will “assess its progress and disclose it annually.”

Bottom Line: Nonbanks and alternative lending companies, led by **Quicken Loans**, now own [a larger share](#) of home mortgages than banks. While fighting to maintain their continually diminishing market share, banks can ill-afford to suffer reputational hits.

- Consumers increasingly expect brands they associate with—including their banks—to behave in a [socially responsible](#) way.
- This is especially true of the up-and-coming [Gen Zers](#), who patronize financial institutions and invest in companies that mirror their goals for social justice, sustainability, and other causes they deem important.
- Incumbents also face pointed competition from niche-targeted neobanks that promote social justice as a key part of their identity, like [Greenwood](#), which specifically caters to Black and Latino customers.

US Adults Who Would Support Businesses/Causes in Response to Social Justice Protests, by Generation, June 2020

% of respondents in each group



Source: Visa, "The Visa Back to Business Study" conducted by Wakefield Research, Aug 4, 2020

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