The Age Gap in Mortgage Access
Natee Amornsiripanitch
Federal Reserve Bank of Philadelphia

RESEARCH QUESTION & MOTIVATION

- What is the relationship between age and credit access?
- Interesting to academics because aging is an emerging policy issue.
- Interesting to policymakers because the regressions do not condition on observable characteristics.

DATA

- Confidential HMDA
- Sample 1 – 5 million single-borrower rate-and-term mortgage refinance applications. Applicants are more likely to be comparable across age groups.
- Sample 2 – 2 million originated single-borrower rate-and-term refinance mortgages.

METHODOLOGY

\[ Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \ldots + \beta_k X_{ki} + \epsilon_i \]

- Estimate application level ordinary least squares (OLS) regressions.
- Applications are sorted into the following age groups: 18 – 29, 30 – 39, 40 – 49, 50 – 59, 60 – 69, and 70+.
- Age groups enter the regression equation as dummy variables to account for potential nonlinearity in age effects.
- Control for borrower, loan, and property characteristics: credit score, income, CLTV, DTI, loan amount, etc.

RESULTS

- Relative to applicants who are 18 to 29 years old, older applicants face monotonically increasing rejection probabilities.
- Results not driven by differential sorting across lenders because the results hold within lender and year-quarter.
- Hispanic and Black applicants face 1.8% and 2.3% higher rejection probabilities, respectively.
- The age effect is larger for nonconforming loan applications.

CONCLUSION

- Age is positively correlated with rejection probability and interest rate spread.
- Older individuals face higher barriers to mortgage refinance.
- Age is comparably important to race and ethnicity.
- Future research should also focus on age.

REFERENCES


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