



## LendingTree Study: Credit History and Debt Ratio are Biggest Constraints for Would-Be Homeowners

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### New LendingTree study analyzes where and why mortgage shoppers get denied

CHARLOTTE, N.C., April 24, 2018 /PRNewswire/ -- [LendingTree®](#), the nation's leading online loan marketplace, today released the findings of its [study](#) on the cities with the highest rates of denied mortgage applications and why mortgage shoppers in those areas have been denied.

Since the financial crisis, mortgage lending standards have tightened as underwriting has become more stringent. There are numerous reasons why a lender could deny a loan, from poor credit score to prior bankruptcies, but other reasons can include a lender's inability to verify a borrower's employer.

LendingTree delved into data from more than 10 million mortgage applications using the most recent available Home Mortgage Disclosure Act data set to find out the main reasons would-be borrowers were rejected, and to see if location has any correlation for rejection.

Given the dominance of credit history and debt-to-income as the leading reasons for denial across cities, LendingTree also looked at which factors appeared as disproportionately significant and calculated the denial reason in each city that was furthest from the national average.

#### Key findings:

- **Nearly one in 10 borrowers get denied for mortgages.** On a national level, 8 percent of loan applications were denied.
- **Credit history and debt are the biggest barriers.** The leading reasons for denial were credit history (which includes credit score) and debt-to-income ratio, which were each responsible for 26 percent of denied loans. These were followed by collateral at 17 percent and incomplete applications at 14 percent. All other reasons for denial were cited in less than 10 percent of denied mortgage applications.
- **Debt is a huge barrier to borrowers living in California.** Three California cities (Los Angeles, San Francisco, San Jose) had the highest share of borrowers who were denied because of their debt-to-income ratio.
- **Credit history is holding borrowers back in Louisville, Ky., Memphis, Tenn. and Philadelphia.** Among failed applications in these three metros, LendingTree found the highest rates of denied borrowers due to their credit history.

### Cities With the Lowest Mortgage Denial Rates



## Cities With the Highest Mortgage Denial Rates



Rank	MSA	Denial Rate	Top Reason For Denial	Disproportionate Reason for Denial
1	Birmingham, Hoover - AL	13%	Credit history	Credit history
2	New Orleans, Metairie - LA	12%	Debt-to-income ratio	Other
3	Memphis - TN, MS, AR	12%	Credit history	Credit history
4	Oklahoma City - OK	11%	Credit history	Employment history
5	Miami, Miami Beach, Kendall - FL	11%	Debt-to-income ratio	Debt-to-income ratio
6	Orlando, Kissimmee, Sanford - FL	9%	Debt-to-income ratio	Credit history
7	Providence, Warwick - RI, MA	9%	Credit history	Collateral
8	Tampa, St. Petersburg, Clearwater - FL	9%	Credit history	Mortgage insurance denied
9	Houston, The Woodlands, Sugar Land - TX	9%	Debt-to-income ratio	Employment history
10	Hartford, West Hartford, East Hartford - CT	9%	Debt-to-income ratio	Collateral
11	Atlanta, Sandy Springs, Roswell - GA	9%	Credit history	Credit application incomplete
12	Riverside, San Bernardino, Ontario - CA	9%	Debt-to-income ratio	Credit application incomplete
13	Philadelphia - PA	8%	Credit history	Credit history
14	Las Vegas, Henderson, Paradise - NV	8%	Credit history	Unverifiable information
15	Indianapolis, Carmel, Anderson - IN	8%	Credit history	Collateral
16	Nashville-Davidson, Murfreesboro, Franklin - TN	8%	Credit history	Employment history
17	Jacksonville - FL	8%	Credit history	Other
18	San Antonio, New Braunfels - TX	8%	Credit history	Credit history
19	Boston - MA	8%	Debt-to-income ratio	Debt-to-income ratio
20	Charlotte, Concord, Gastonia - NC, SC	8%	Credit history	Insufficient cash
21	Dallas, Plano, Irving - TX	8%	Credit history	Other
22	Baltimore, Columbia, Towson - MD	7%	Credit history	Credit application incomplete
23	Richmond - VA	7%	Credit history	Credit history
24	Los Angeles, Long Beach, Glendale - CA	7%	Debt-to-income ratio	Debt-to-income ratio
25	Phoenix, Mesa, Scottsdale - AZ	7%	Credit history	Credit application incomplete
26	Detroit, Dearborn, Livonia - MI	7%	Credit history	Collateral
27	Austin, Round Rock - TX	7%	Debt-to-income ratio	Debt-to-income ratio
28	Virginia Beach, Norfolk, Newport News - VA, NC	7%	Credit history	Other
29	Raleigh - NC	7%	Credit history	Employment history
30	San Diego, Carlsbad - CA	7%	Debt-to-income ratio	Credit application incomplete
31	New York, Jersey City, White Plains - NY, NJ	6%	Debt-to-income ratio	Debt-to-income ratio
32	Seattle, Bellevue, Everett - WA	6%	Debt-to-income ratio	Credit application incomplete
33	Cleveland, Elyria - OH	6%	Credit history	Credit history
34	Pittsburgh - PA	6%	Credit history	Credit history
35	Buffalo, Cheektowaga, Niagara Falls - NY	6%	Credit history	Credit history
36	Sacramento, Roseville, Arden-Arcade - CA	6%	Debt-to-income ratio	Other
37	Chicago, Naperville, Arlington Heights - IL	6%	Debt-to-income ratio	Collateral
38	St. Louis - MO, IL	6%	Credit history	Mortgage insurance denied
39	Washington, Arlington, Alexandria - DC, VA, MD, WV	6%	Debt-to-income ratio	Credit application incomplete
40	Denver, Aurora, Lakewood - CO	6%	Debt-to-income ratio	Employment history
41	Louisville, Jefferson County - KY, IN	6%	Credit history	Credit history
42	Kansas City - MO, KS	6%	Credit history	Employment history

43	Columbus - OH	6%	Credit history	Collateral
44	Portland, Vancouver, Hillsboro - OR, WA	6%	Debt-to-income ratio	Other
45	San Francisco, Redwood City, South San Francisco - CA	6%	Debt-to-income ratio	Debt-to-income ratio
46	Cincinnati - OH, KY, IN	6%	Credit history	Collateral
47	Milwaukee, Waukesha, West Allis - WI	5%	Credit history	Collateral
48	San Jose, Sunnyvale, Santa Clara - CA	5%	Debt-to-income ratio	Debt-to-income ratio
49	Salt Lake City - UT	5%	Credit history	Unverifiable information
50	Minneapolis, St. Paul, Bloomington - MN, WI	5%	Credit history	Collateral

	Reason For Denial	Cities Where Most Prevalent
1	Debt-to-income ratio: Income insufficient for amount of credit requested, and excessive obligations in relation to income.	Los Angeles, CA (35%) San Jose, CA (34%) San Francisco, CA (33%)
2	Employment history: Temporary or irregular employment, and length of employment.	Nashville, TN (2.3%) Salt Lake City, UT (2.0%) Denver, CO (2.0%)
3	Credit history: Insufficient number of credit references provided; unacceptable type of credit references provided; no credit file; limited credit experience; poor credit performance with us; delinquent past or present credit obligations with others; garnishment, attachment, foreclosure, repossession, collection action, or judgment; and bankruptcy.	Louisville, KY (35%) Memphis, TN (34%) Philadelphia, PA (34%)
4	Collateral: Value or type of collateral not sufficient.	Detroit, MI (25%) Hartford, CT (24%) Milwaukee, WI (22%)
5	Insufficient cash: Down payment, closing costs	Salt Lake City, UT (4.2%) San Jose, CA (3.8%) San Francisco, CA (3.4%)
6	Unverifiable information: Unable to verify credit references; unable to verify employment; unable to verify income; and unable to verify residence.	Salt Lake City, UT (11%) San Jose, CA (7%) San Francisco, CA (6%)
7	Credit application incomplete	San Jose, CA (18%) Sacramento, CA (18%) Phoenix, AZ (18%)
8	Mortgage insurance denied	Saint Louis, MO (0.4%) Tampa, FL (0.3%) Milwaukee, WI (0.1%)
9	Other: Length of residence; temporary residence; and other reasons specified on notice.	Sacramento, CA (14%) Virginia Beach, VA (13%) New Orleans, LA (11%)



## The 5 leading causes of mortgage denials

The share of mortgage application denials that can be attributed to these reasons:

1. Credit history (which includes credit score): 26%
2. Debt-to-income ratio: 26%
3. Collateral: 17%
4. Incomplete applications: 14%.
5. Other (length of residence, temporary residence): 10%

"The current housing market is particularly competitive," says LendingTree Chief Economist Tendayi Kapfudz, who led the study. "It's not unlikely for borrowers to be priced out of a particular housing market based on increasing home prices. The key for homebuyers is to become well-educated on the homebuying process as well as their own financial situations so that there are no surprises once they enter the market. Understanding the key reasons why mortgages are denied can help borrowers avoid missteps, prepare in advance and compete effectively to secure their dream home."

For more information on the study, visit: <https://www.lendingtree.com/home/mortgage/cities-with-highest-rates-of-denied-mortgage-applications/>.

### Methodology

LendingTree analyzed over 10 million mortgage application records from the Federal Financial Institutions Examination Council's Home Mortgage Disclosure Act 2017 data set, the most recent available, which includes mortgage applications made during 2016. The data represents mortgage applications from over 6,000 financial institutions. <https://www.ffiec.gov/hmda/history.htm>

### About LendingTree

LendingTree (NASDAQ: TREE) is the nation's leading online loan marketplace, empowering consumers as they comparison-shop across a full suite of loan and credit-based offerings. LendingTree provides an online marketplace which connects consumers with multiple lenders that compete for their business, as well as an array of online tools and information to help consumers find the best loan. Since inception, LendingTree has facilitated more than 65 million loan requests. LendingTree provides free monthly credit scores through My LendingTree and access to its network of over 500 lenders offering home loans, personal loans, credit cards, student loans, business loans, home equity loans/lines of credit, auto loans and more. LendingTree, LLC is a subsidiary of LendingTree, Inc. For more information go to [www.lendingtree.com](http://www.lendingtree.com), dial 800-555-TREE, like our Facebook page and/or follow us on Twitter @LendingTree.

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