

# African-American females have good odds to get a loan

August 12 2013

---

Need a loan? You appear to have an advantage if you're an African American female. According to a study by University of Iowa sociologist Sarah Harkness, lenders perceive African-American women just as favorably as white males, and would lend them as much money. The reason: African-American females are generally perceived as single mothers who are industrious and hardworking.

Harkness will present her study, titled, "Status Effects in Lending Markets: The Importance of Gender and Race," at the American Sociological Association annual meeting in New York. Her presentation is scheduled to begin at 10:30 a.m. on Aug. 12.

The study is based on past research suggesting that lending markets tend to work against certain groups. "Evidence shows that [disparities](#) in funding outcomes are partially due to the actions of lenders," says Harkness, assistant professor in sociology, a department in the College of Liberal Arts and Sciences. "I wanted to know what borrower characteristics lenders were picking up on."

Harkness decided to test the theory by assembling hundreds of [undergraduate students](#) and alumni from West Coast universities, some of whom were in the banking or financial industries. Harkness then gave the participants a hypothetical \$1,000 and asked them to look at fictional loan applications and determine how much money to loan. The gender, race and education of applicants varied, but their financial profile was the same.

As predicted, the study showed that education factored prominently into how lenders viewed [borrowers](#) and thus their decision to lend. However, "it didn't wipe out the impact of gender and race," said Harkness. Some cultural stereotypes consistently influenced how much money the [study participants](#) were willing to lend.

For example, African-American men were viewed as least competent and received the least amount of funding, followed by [white women](#). In comments, the lenders reported they had held these two groups to a harsher standard, and perceived them more negatively. This meant being less forgiving of small errors such as typos. It also meant making unfavorable assumptions about the nature of the applicants' employment (whether it was temporary versus permanent, for example) and their level of intelligence.

Yet the lenders' perceptions of African American females and white males were predominately positive, albeit based on stereotypes. "There was an assumption that the African-American woman was on her own raising a family and was therefore a motivated, hardworking and self-confident breadwinner," Harkness explains.

In this case, a common stereotype caused the lenders to view the African American female borrower as more capable and trustworthy than many of her fellow applicants. That pre-conceived notion was enough to convince study participants that she would make her best effort to repay the loan.

In contrast, when evaluating a white female borrower, the lenders tended to be distrustful. Harkness explains this could be due to the fact that the hypothetical lenders were focused primarily on gender stereotypes (e.g. women are less capable and assertive than males) and less on race.

Despite the study's finding that assumptions and stereotypes directed

lenders' decisions at least in part, Harkness contends a thoughtful and well-crafted loan application helps a borrower's chance at success. Her study found that all borrowers' chances were hurt – though not always equally – by typos and grammatical errors in the loan application, and that this held across race and gender lines.

"You want to present yourself in the best way possible," Harkness explains. "Small missteps like typing too fast can send big negative signals to evaluators."

Provided by University of Iowa

Citation: African-American females have good odds to get a loan (2013, August 12) retrieved 25 April 2024 from <https://phys.org/news/2013-08-african-american-females-good-odds-loan.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.