

REACHING THE IMMIGRANT MARKET:

CREATING HOMEOWNERSHIP OPPORTUNITIES FOR NEW AMERICANS



Institute for the **S**tudy of
International **M**igration

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Who are the New Americans?

Major Barriers to Homeownership

Georgetown Best Practices Study

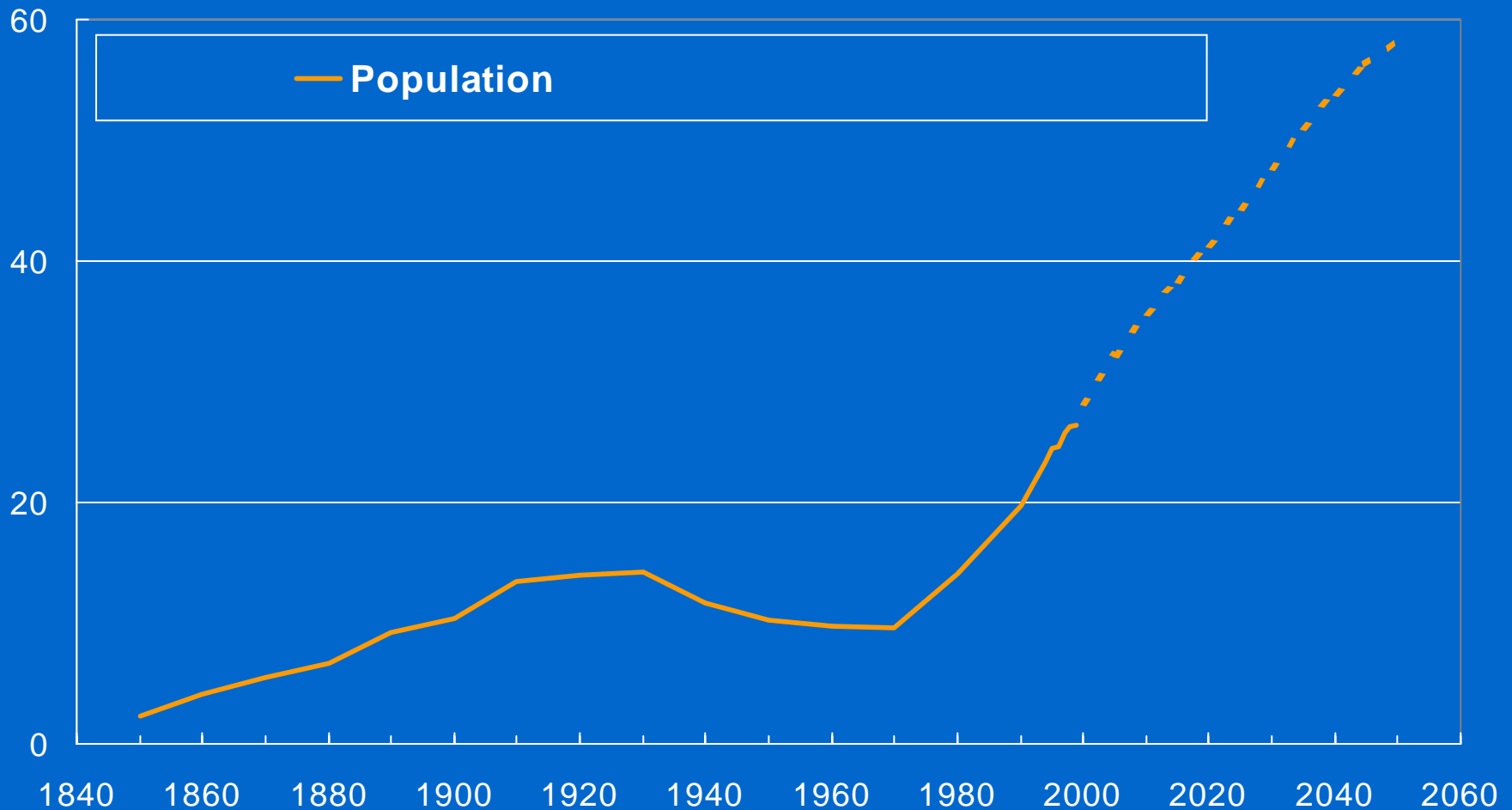
Model Practices

Case Studies

Next Steps

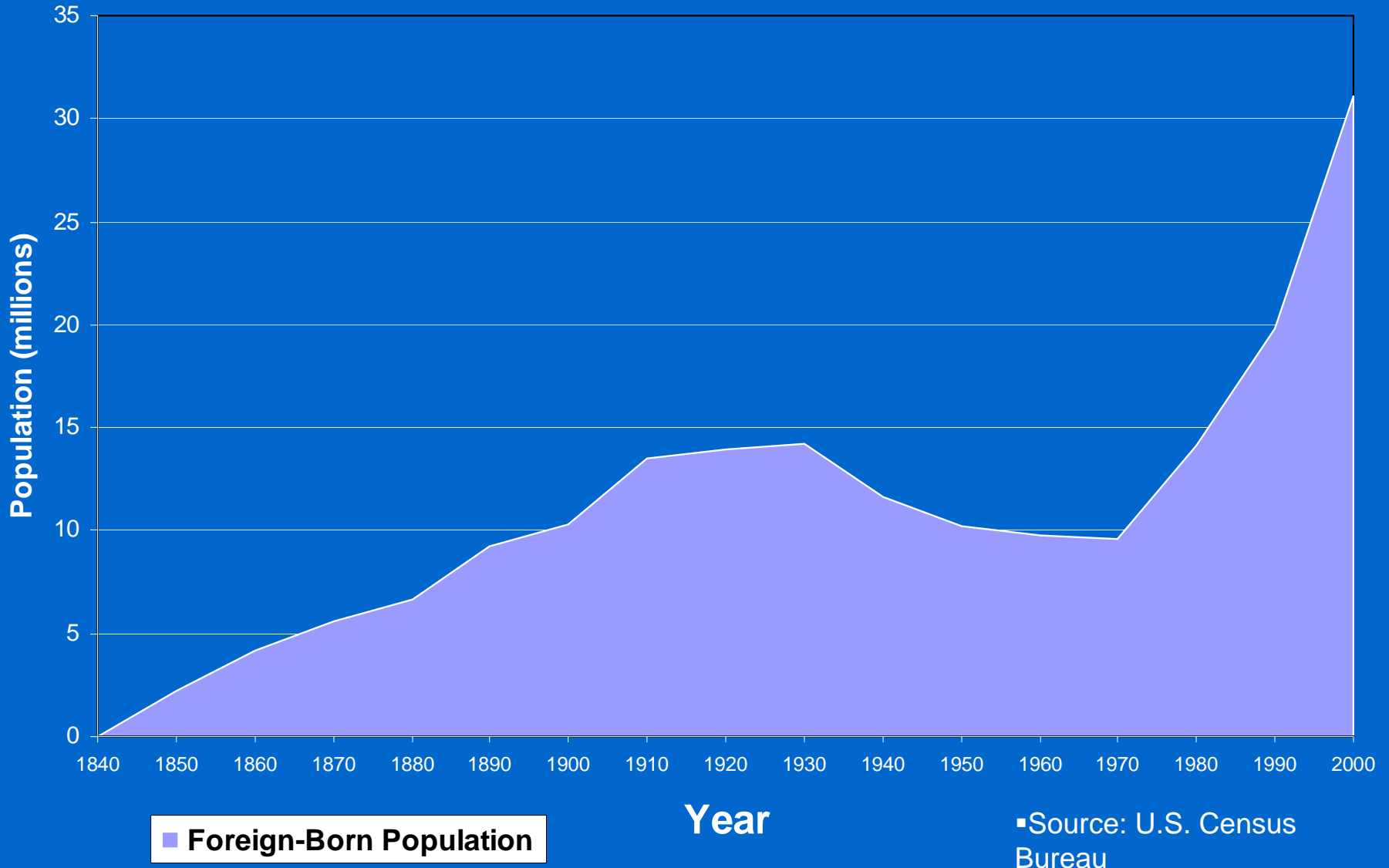
America's Immigrants

- There are more than 35 million immigrants in America today; each year about 1 million **new** immigrants arrive.



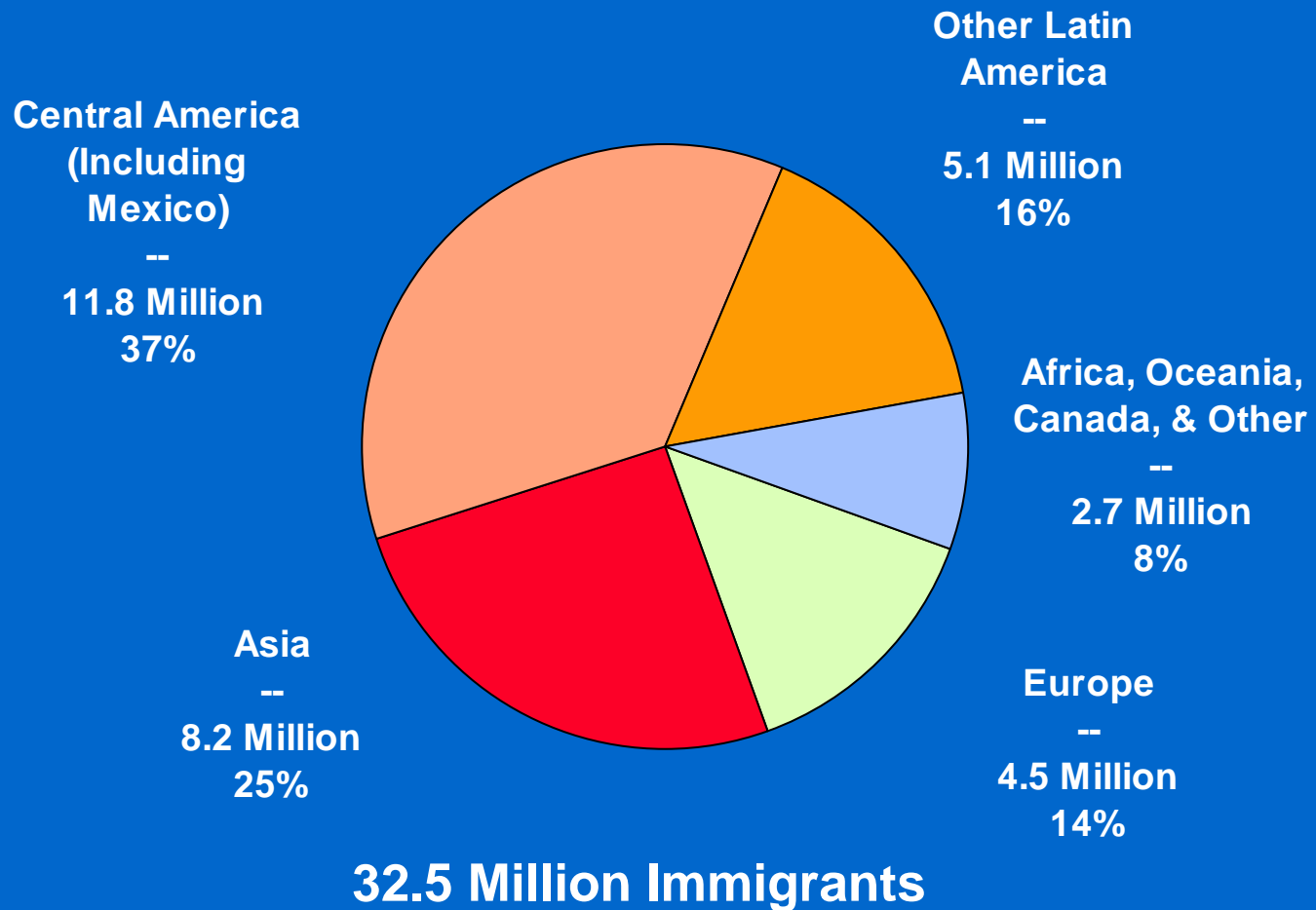
Source: US Census Bureau

Number of Foreign Born Residents in the United States, 1850-2000

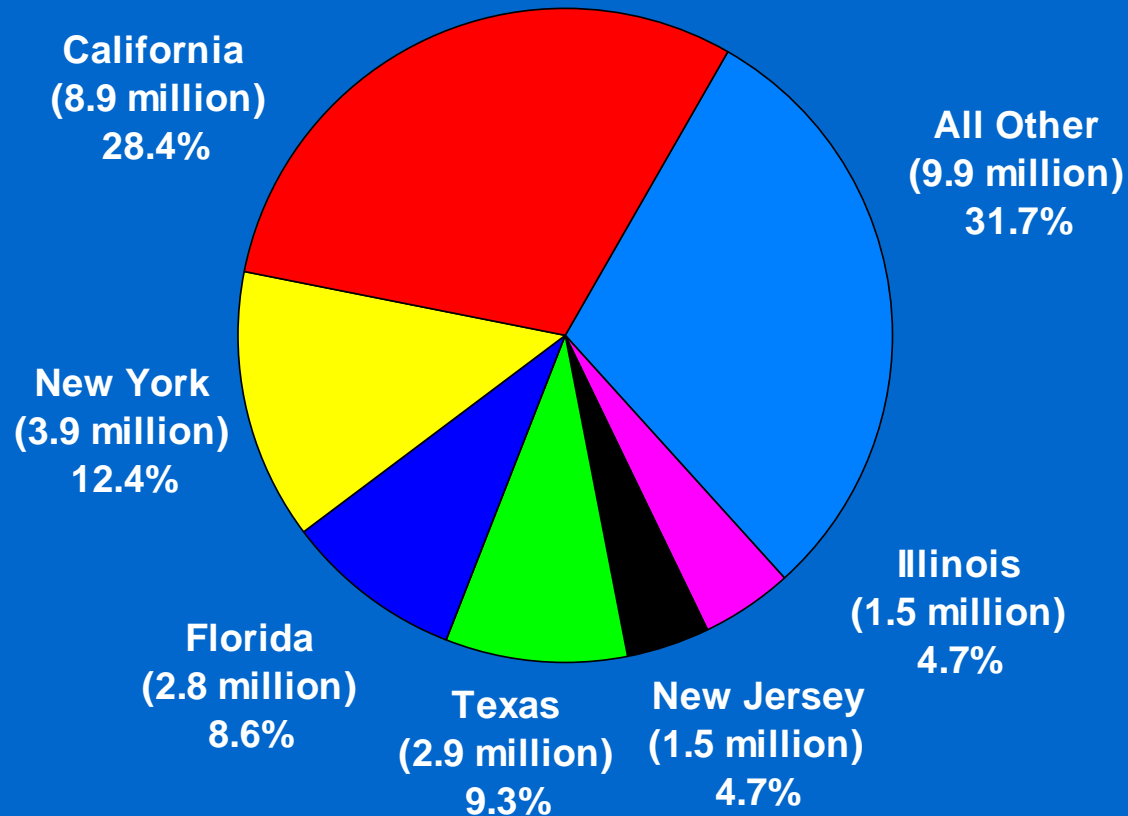


America's Immigrants

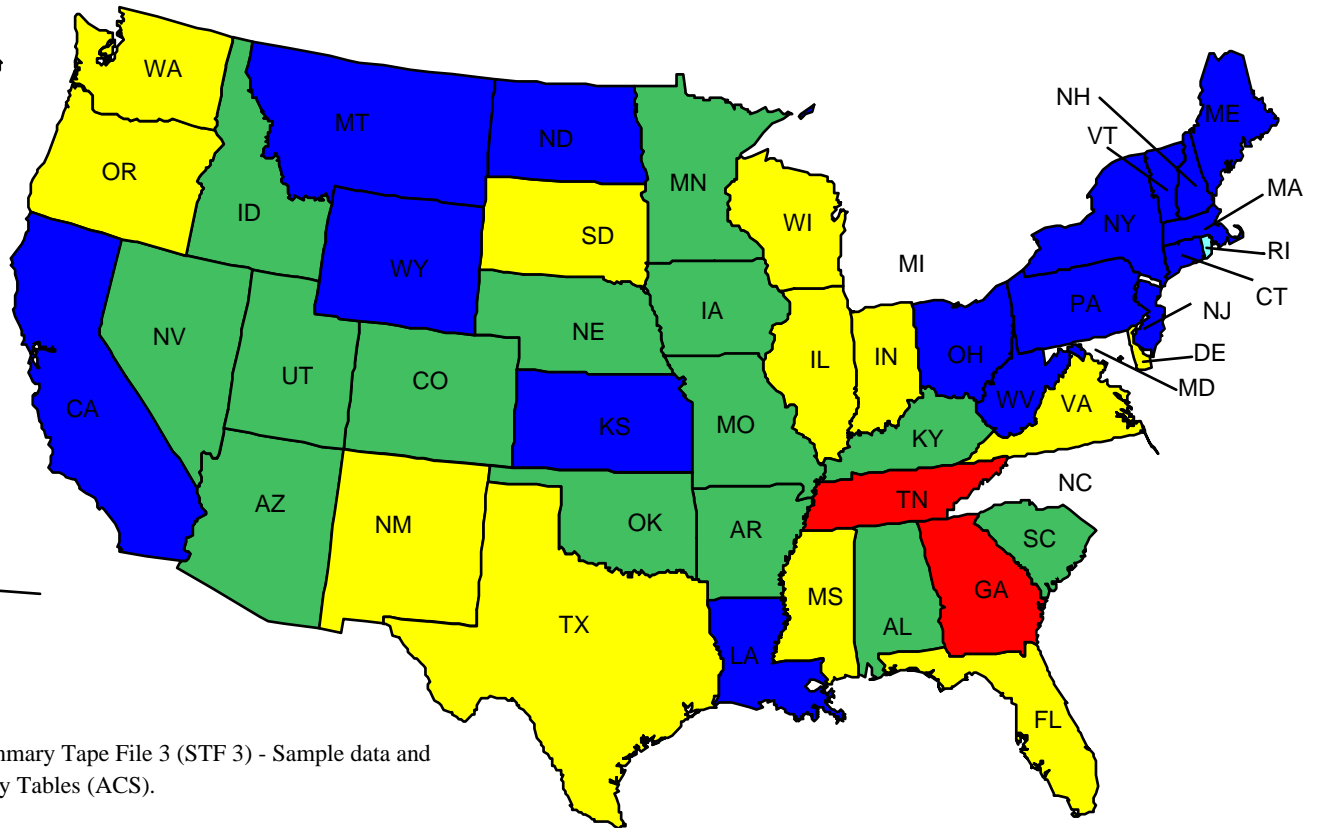
■ Asian and Latin Americans Dominate Foreign-Born



Immigrants are Concentrated



New Immigrant Settlement Areas, 1990 - 2000

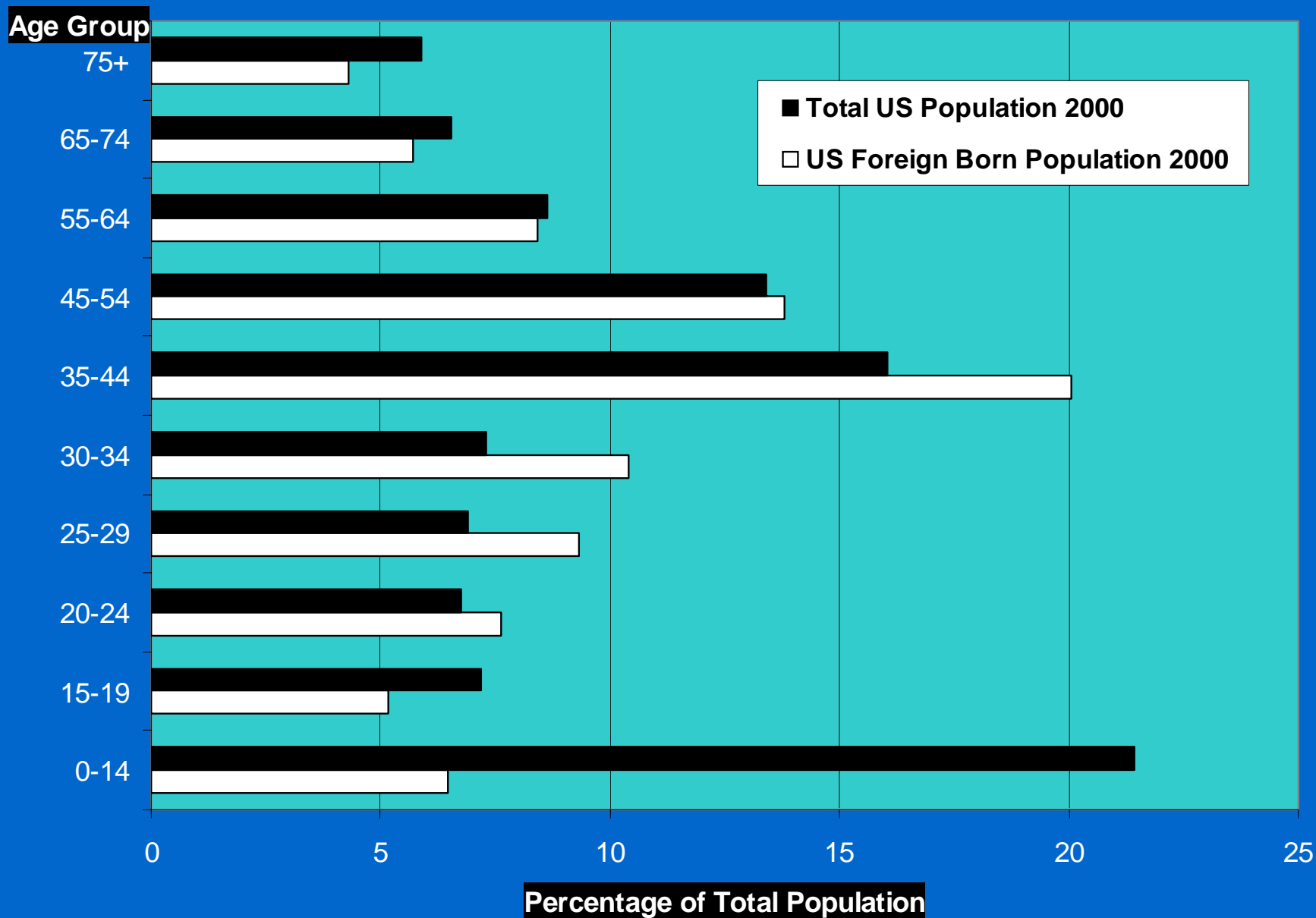


Percent Change in Foreign Born 1990-2000

- 0 - 54 (U.S. average: 54.4)
- 55 - 99
- 100 - 199
- 200 - 273

Data Sources: U.S. Census Bureau, 1990 Summary Tape File 3 (STF 3) - Sample data and Census 2000 Supplementary Survey Summary Tables (ACS).

Age Distribution of the 2000 Total and Foreign Born Populations in the US



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IMMIGRANTS AND HOMEOWNERSHIP

- Immigrants are 3x as likely as all adults to rank buying a home as their number one priority.
- Immigrants are now a largely untapped home buying market. Why?

Major barriers to homeownership

- Cultural assumptions/**lack of familiarity with U.S. credit system**
- **Lack of credit history**
- **Conventional tools** used by financial institutions to **measure creditworthiness**
- **Language limitations**
- **Conventional mortgage products out of reach for low income**
- **Limited supply of affordable housing**

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The Georgetown study builds on best practices for overcoming these barriers.

- **Identified model practices and created handbook** for dissemination
- **Training institutional actors** interested in adapting a model practice to their institution and community

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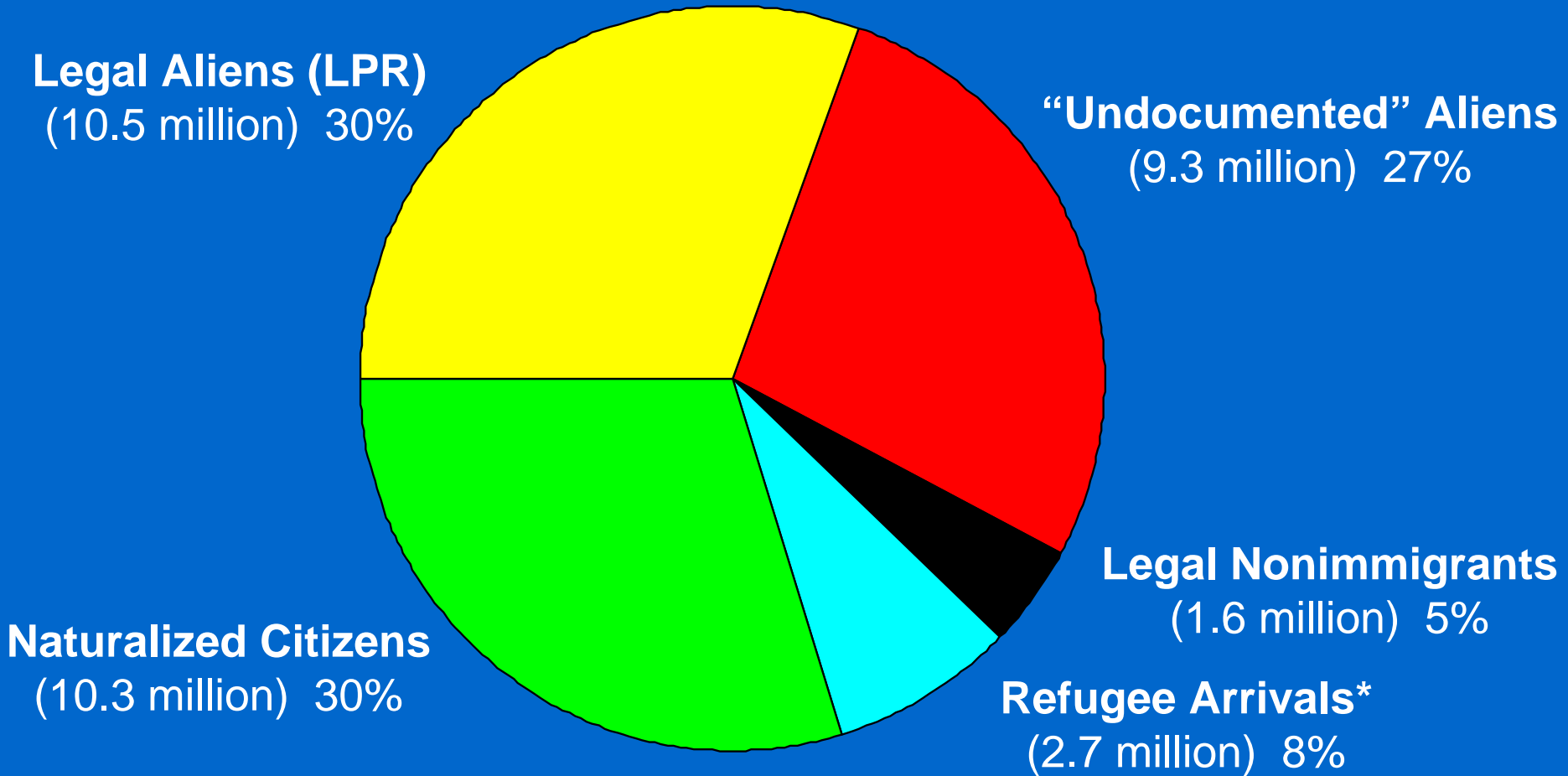
Increasing sustainable homeownership in immigrant communities hinges on three key factors:

- Understanding Immigrant Markets
- Creating Institutional Capacity & Partnerships
- Developing Tools to Reach the Immigrant Market

The Immigration System – How Immigrants Come to the U.S.

- Most admitted with “green cards”—**Lawful Permanent Residents** on citizenship track
- **Refugees**—also expected to make permanent home (can apply for green card a year after their arrival)
- **Temporary immigrants** with visa to study or work on a time-limited basis
- **Unauthorized**—enter without permission or stay beyond lawful temporary period. Many join family with legal status.

Legal Status of Immigrants, 2002



~ 34.5 Million Foreign-Born in 2002

Preparing the Financial Institution: Assessing the Market

■ **Research** can identify potential immigrant homeowners:

- Census Bureau
- INS Statistical Yearbook
- Local government housing office
- School system
- Regulators

■ **Networking** can build a bridge to those markets:

- Faith-based or ethnic community organizations
- Local Board of Realtors
- Mortgage brokers
- State Refugee Coordinator's Office

Reaching the Community - Outreach Activities

- Establishing a presence in the community
- Meeting potential customers in non-threatening informal gatherings
- Reaching out through different media
 - Sensitivity to language and culture
- Networking through already established neighborhood institutions - community groups, churches

Preparing the Financial Institution: Developing Staff Cultural and Linguistic Capability

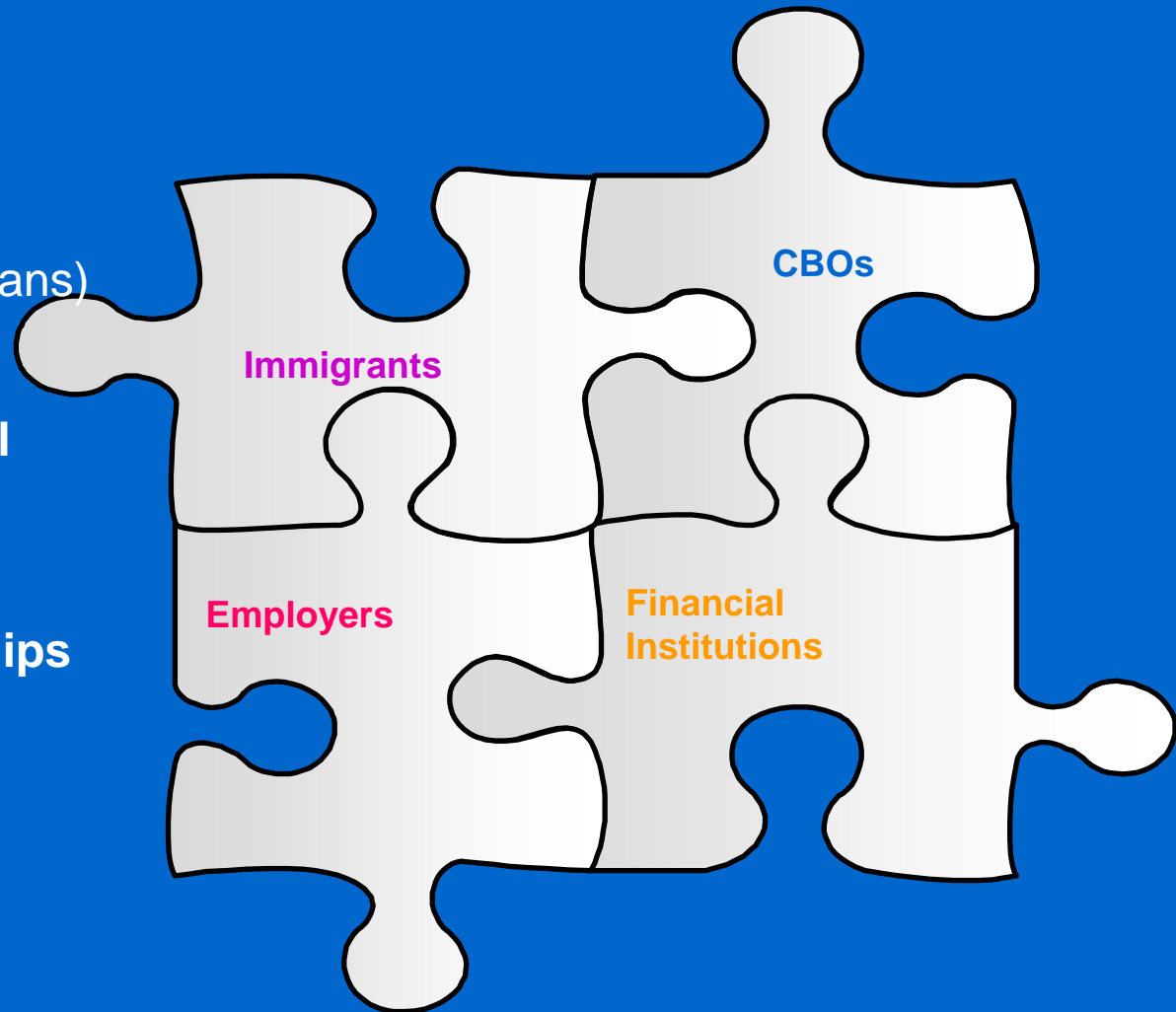
- **Cultural training**
- **Hiring and keeping bilingual staff**
 - **Marketing** Lenders more effectively reach the immigrant community through a diverse, bilingual sales staff
 - **Seminars** Educating first time homebuyers in their native tongue
 - **Loan processing** often requires understanding culture and circumstances

Preparing the Financial Institution: Technical Training

- Training can turn bilingual recruits into a Professional Mortgage Finance Industry Corps
 - In-house (Norwest/WF, Seattle)
 - Community-college based partnership with the mortgage lending and housing community (Fannie Mae Foundation pilots in Miami and Cleveland)

Creating Effective Partnerships

- **Partnerships between CBO's and Financial Institutions** (Education, Counseling; Affordable Loans)
- **Partnerships between Employers and Financial Institutions** (Financial Literacy)
- **Public-Private Partnerships** (Education, Counseling; Development of Affordable Housing)



Creating Knowledgeable Consumers

- Must be linguistically and culturally appropriate
- Teaching Financial Literacy
 - Basic life skills curriculum - concentrates on importance of planning, budgeting, spending and saving
 - Successful when implemented by financial institution alone or in collaboration with community-based group
- Home Ownership Education and Counseling
 - Education
 - Covers topics from budgeting to finding a home to the mortgage underwriting and lending process
 - Most according to national models and local curriculum standards

Creating Knowledgeable Consumers

- Directly by financial institutions or in partnership with community-based groups
- Counseling
 - Supplements homebuyer education by focusing on a particular individual
 - Tailor-made to the individuals needs
 - Customers are directly referred, or loan applications are packaged for referral, to lenders
 - Customers are qualified for down payment and closing cost assistance programs

Determining Creditworthiness for the New Americans Market – Documenting Income

- Undocumented income
- Verification of Employment Form [VOE]
- Pooled household income
- Supplemental part-time employment
- Supplemental income

Establishing Credit in the New Americans Market

Establishing Employment History

- Two-year work history requirement
- Overcoming job hopping and employment gap

Creating a Credit History

- Nontraditional approach
 - FHA Guidelines
 - CD/loan
-

Establishing Credit in the New Americans Market – Verifying Assets

- Savings pattern profile
- Cultural savings club
- Budget letter
- Verifying deposits

Making Homeownership **Affordable** – Creating Affordable Loan Products

- Low downpayment—low borrower investment
- Higher qualifying ratios
- Alternative/nontraditional credit
- Latitude in proof of immigrant status
- No mortgage insurance
- Down payment and closing cost assistance programs—
"community seconds"
- Homeownership education and counseling

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The Case Studies

- *The Partnership*
- *Analysis of the Problem*
- *The Solution*
- *The Results*
- *Key Components of Success*

First National Bank and Trust Company of Rogers, Arkansas (now Arvest Bank)

■ The Partnership

- A Lender-Employer Partnership
- Banking and immigrant home ownership education in the workplace

■ Analysis of the Problem

- Significant turnover rates in poultry processing industry - as high as 70% in early 1990s
- Incoming Hispanic immigrant population to provide stable workforce - now nearly 12% of Rogers population of 34,000
- Immigrant's cultural and language diversity and unfamiliarity with U.S. financial system

First National Bank and Trust Company of Rogers, Arkansas

■ The Solution

- Bank recognizes the potential of this emerging market and understands the needs of both the immigrants and the employer
- Financial seminar series “Creating Hope in the Workplace”
 - Teaches basic banking skills and fundamentals of U.S. credit system
 - Long term goal is home ownership
- Seminars offered by the Bank in the workplace
 - Classroom space provided by employers
 - Employer continues to pay workers when they attend seminar
- Taught by bi-lingual staff
- Bank committed to hiring bi-lingual staff and provided cultural training to personnel

The Seminars

- **Introduction to Financial Services**
- **How to Create a Credit History**
- **How to Buy a Home**
- **How to Write a Check in English**
- **Time Value of Money (Retirement Planning)**

Seminar: "How to Create a Credit History"

Como Hacer una Historia de Crédito

10.00% APR

Préstamo de \$500

4.95% APY

Certificado de
Depósito \$500

Pagos Mensuales

1.	\$ 87.83
2.	87.83
3.	87.83
4.	87.83
5.	87.83
6.	87.83
	<u>\$ 526.98</u>

TOTAL

\$14.62

\$ 512.36

LA DIFERENCIA
Lo que cuesta hacer
una historia de crédito

Seminar: “How to Write a Check in English”

Como llenar un cheque:

1. Anote aquí la fecha de emisión del cheque
2. Anote el nombre de la persona a compañía a quin va destinado el pago
3. Anote aquí la cantidad en numeros
4. Anote aquí la cantidad en letras (consulte la tabla)
5. Firme aquí
6. La razon del cheque

NOTE
Recuerde anotar sus transacciones en su registro personal

Juan Aguilar 1234 Fifth Street Anytown, USA 00000	1001
	DATE _____ 1 _____
PAY TO THE ORDER OF _____ 2 _____	\$ _____ 3 _____
_____ 4 _____	_____ DOLLARS
ANY BANK ANYTOWN, USA	
MEMO _____ 6 _____	_____ 5 _____

Seminar: “How to Write a Check in English”

Como escribir números y cantidades en inglés:

\$ 1.00	One	\$ 11.00	Eleven	\$ 20.00	Twenty
\$ 2.00	Two	\$ 12.00	Twelve	\$ 30.00	Thirty
\$ 3.00	Three	\$ 13.00	Thirteen	\$ 40.00	Forty
\$ 4.00	Four	\$ 14.00	Fourteen	\$ 50.00	Fifty
\$ 5.00	Five	\$ 15.00	Fifteen	\$ 60.00	Sixty
\$ 6.00	Six	\$ 16.00	Sixteen	\$ 70.00	Seventy
\$ 7.00	Seven	\$ 17.00	Seventeen	\$ 80.00	Eighty
\$ 8.00	Eight	\$ 18.00	Eighteen	\$ 90.00	Ninety
\$ 9.00	Nine	\$ 19.00	Nineteen	\$100.00	One Hundred
\$ 10.00	Ten				

Combinando estos números usted puede escribir diferentes cantidades.

Ejemplo: 125 dolares - One hundred twenty-five

First National Bank and Trust Company of Rogers, Arkansas

■ The Results

- Sustainable home ownership
 - no loans under Hispanic program have been in default
 - over 700 immigrant families have purchased homes between 1994 and 2000
- Stable Workforce
- The Bank captured a new market
 - 52% of immigrants in Rogers are Bank customers totaling \$26.5M in business (as of 4/30/99)
 - \$5M in deposit accounts
 - \$1.2M in consumer loans
 - \$20M in mortgage loans
 - \$340,000 in commercial loans

First National Bank and Trust Company of Rogers, Arkansas

■ Key Components of Success

- Having a “champion” inside the financial institution
- Commitment of bank’s senior management team
- Preparation of the bank’s staff
- Developing alternative underwriting guidelines
- Commitment of community’s leadership
- Employer subsidies for conducting classes in workplace
- Seminars that cover financial basic in simple terms with culturally-informed, bilingual instructors
- Supply of well-paying entry level jobs and affordable housing

The Home Ownership Center Minneapolis-St.Paul, Minnesota

■ The Partnership

- A Public-Private Partnership**
- Home ownership education, counseling and access to credit**

■ Analysis of the Problem

- No consistency in home ownership outreach and education**
- Fledgling home ownership counseling organizations**
- Gaps in existing homebuyer support system**
- Growing desire community-wide to expand homeownership opportunities for low-to-moderate income families**

The Home Ownership Center Minneapolis-St.Paul, Minnesota

■ The Solution

- Creation of The Home Ownership Center
- Includes all stakeholders
 - Public - Cities of Minneapolis and St. Paul, State of Minnesota Housing Finance Agency, State Dept. of Commerce
 - Private - Lenders, Realtors, mortgage insurance companies
 - Non-profit home ownership education and counseling groups
- Offers centralized support (including funding) and coordination of capable and credible non-profit groups that provide home ownership counseling and support services to underserved communities

The Home Ownership Center Minneapolis-St.Paul, Minnesota

■ Results

- 11,250 households completed workshop series
- 4,800 households received mortgage counseling
- 4,000 homes purchased by participants
(above from 1/1994-12/2000)
- In 2000, first-time homebuyers comprised 93% of all households served; 33% were first generation homebuyers

The Home Ownership Center Minneapolis-St.Paul, Minnesota

■ Key Components of Success

- Public entities are true partners offering financing mechanisms and funding
- Strong commitment of all stakeholders
- Center serves as an intermediary - not a direct provider
- Center is a funding intermediary between the public and private institutional partners and non-profit service providers
- Standard comprehensive home ownership education curriculum and counseling including outreach, pre-purchase counseling, financing, post-purchase counseling and foreclosure prevention

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NEXT STEPS

Train Institutional Actors in Model Practices

Partnering with the American Bankers Association and federal regulators to reach lenders throughout the country

Developing community partnerships among lenders, CBO's, immigrant groups, realtors, etc. to reach new Americans