

Credit Capital and Communities: New Roles Present Community Based Organizations with New Opportunities

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Changes In The Mortgage Industry Challenge CBO Activities

- Community loan programs face stiff competition from aggressively marketed, higher-cost subprime loans originated by firms operating with the latest technology and fast turnaround times.
- The limited ability of borrowers to shop for mortgage credit suggests the need to rethink consumer counseling efforts. Program graduates all too often lack the detailed information needed to evaluate which mortgage product best serves their needs. And counselors are reluctant to provide advice for fear of being seen to “steer” the borrower.
- The growth of higher-risk subprime lending has led to a substantial increase in foreclosures in low-income communities, a trend that threatens to undo decades of community development activities.



CBOs Must Work To Improve Their Mortgage Lending Activities

- Expanded use of technology can help CBOs save money on the routine aspects of their business operations and enable them to focus greater attention on hard-to-serve customers.
- Increasingly, CBOs are outsourcing servicing and other aspects of their business operations, enabling them to focus their managerial talent on areas where they have significant comparative advantage.
- As part of an on-going effort to enable smaller CBOs to serve individual neighborhoods, other larger CBOs are attempting to generate fee income by selling mortgage servicing and origination services to other groups.



New Roles Present CBOs With New Opportunities

- To improve the ability of borrowers to protect themselves from “push marketers,” CBOs could produce a “home mortgage pricing guide” that would educate borrowers about the range of rates they should expect based on their credit history and the type of loan product they are interested in.
- The creation of a system of “buyers brokers” would help potential borrowers identify the best available loan in the marketplace and provide them with a trusted advisor to guide them through the process.
- CBO must also rethink their approach to advocacy. CBOs must form new partnerships and identify new points of leverage if they are to continue to pressure government and industry officials alike to better address the problems that exist in today’s mortgage market.

