

Cultural divide complicates acquiring mortgage loans

HISPANICS: *Some lenders are making it easier for minority borrowers to pool resources, document good credit history.*

By Ann Griffith
Staff writer

Ricardo Martínez first dreamed of buying a house shortly after immigrating from Mexico City eight years ago.

That goal wasn't realized until last year, when he became one of 3,510 Hispanics to apply for a home loan in Ventura County.

"It's a future for my kids," said Martínez, who with his wife and five children settled on a caramel-colored, one-story near Naval Base Ventura County in Port Hueneme. "Every day when I leave home, I say, 'This is my house.'"

Martínez's journey was not easy. The American system of lending has created a cultural divide that is leaving Hispanics behind at a time when lenders are more aggressive than ever at seeking their business.

"It's probably the biggest untapped market in the country. Everybody wants a piece of it," said Tom Hain, a mortgage analyst for Lehman Brothers. "Some of these banks are just dumb about it."

Although Hispanics make up more than one-third of the county's population, they filed for 16 percent of the region's mortgage

applications in 1999, according to a Star analysis. Whites, who are 58 percent of the population, filed 75 percent of applications that year.

Analysts and community groups say the roots of this disparity go beyond the obvious: the low-paying jobs and escalating housing prices that plague Hispanic communities around the state, or an inability to document income or prove legal-resident status.

For example, Hispanic immigrants sometimes avoid financial institutions because of problems with banks in their native countries, said Bertha Garcia of Cabrillo Economic Development Corp., a private housing agency in Saticoy. They might operate in a cash-only subculture. Even with years of on-time payments to landlords or utility companies, they might have little history with car loans or credit cards to prove them worthy.

Many lenders also fail to recognize that often when Hispanics do buy homes, their extended families contribute to monthly payments, increasing spending power, Garcia said.

Martínez, for example, pooled resources so that he could afford a home with his \$29,000-a-year salary driving a bus.

His grown daughter Sandra, who still lives with him, and two friends co-signed on the loan. And all of the family helps with \$1,700 monthly payments.

"Spanish people, they help each other

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very well," Ricardo Martinez said.

For its study, The Star looked at information drawn from nearly all mortgage applications in the state from 1994 to 1999, available from the federal government under the 1975 Home Mortgage Disclosure Act and related laws.

Of all Hispanic applications filed in Ventura County, 63 percent resulted in loans. That's 3 percentage points below whites.

The numbers are an improvement over previous years. They also show that the market locally is better than the state as a whole, where 59 percent of Hispanic applicants and 68 percent of white applicants received loans in 1999.

The number of Ventura County applications also has been increasing since 1997. Before then, it was going down, probably because of the economy.

Recently, lenders also have sought out minorities. The disparities in some communities spurred government investigations and pressured public and private institutions to improve after Home Mortgage Disclosure Act data was made public for the first time in 1990.

Martinez took advantage of a new Federal Housing Administration program that has flexible qualifying criteria. A friend of the family explained to him how the system worked and helped the family find a lender.

The agency, now under the Department of Housing and Urban Development, was first created in 1934 to revitalize the economy during the Great Depression.

It has since turned its attention to first-time and minority borrowers. These loans allow people to use utility and rent payments as credit and to join resources of extended family members.

Last year, 35 percent of Hispanic applications were for Federal Housing Administration loans.

The program, however, does have a cap. In Ventura County this year, borrowers can receive a maximum of \$219,849.

It's also important for private lenders to reach out to Hispanics with their own products. Borrowers need choices, said Stuart Gabriel, director of the Lusk Center for Real Estate at the University of Southern California.

"For some people, homeownership is clearly not the right thing," Gabriel said. "But you want everyone to have an equal opportunity."

The largest lenders are finally offering some of their own prod-

ucts with more lenient criteria. However, it's the smaller companies that often specialize in lending to Hispanics.

"When you look at the top 10 lenders, we don't really garner a great share of the marketplace when you look at the Latino market," said Antonio Valdez, a vice president at Countrywide Home Loans Inc. "It's the mom-and-pop companies who are doing the most business."

Countrywide, a national lender, had 8 percent of the Hispanic market in Ventura County in 1999, two years after it decided to target the group more aggressively, according to the Star's analysis.

In contrast, the small Quality Mortgage Group of Oxnard, now called QMG America, garnered almost 7 percent of the market that same year if Federal Housing Administration loans are included.

Processing these applications, however, is more expensive and offers less profit than a conventional loan, according to a Federal Reserve System survey of lenders.

"I don't think most people in a bank are going to want to make a loan with six people joining together to buy a house," said Steve Mattesich, executive vice president of QMG in Oxnard.

Mortgage companies, such as QMG and Countrywide, which are independent of banks, are most likely to seek out Hispanics, said analyst Hain.

For example, Countrywide writes editorial spots for Spanish-language television, radio and La Opinion, Southern California's largest Spanish-language newspaper.

The company also recently launched a Spanish-language Web site and has centers with Spanish-speaking lenders.

In addition, Freddie Mac and Fannie Mae created products about five years ago for first-time and minority buyers. The government-chartered private enterprises buy many loans. Lenders can follow the programs' lenient guidelines and know the loans will be purchased. Like Federal Housing Administration program, they

Difficulty buying a dream



Staff photo by K.C. Alfred

IN IT TOGETHER: Sandra Martinez, left, and her mother, Dolores, cook in their Port Hueneme home Sunday. Dolores and her husband, Ricardo, bought the home with money pooled by the whole family.

also have caps.

Meanwhile, growing Hispanic incomes could make things easier, according to "The Emerging Latino Middle Class," a report produced by Pepperdine University Institute for Public Policy.

But it's still not easy.

"I know a few who have managed to save up to qualify, but it's a lot of sacrifices, and it means that they have to have a stable job that will continue to bring an income," said Yvette Renner, Hispanic minister at St. Paschal Baylon Catholic Church in Thousand Oaks. "There are a few Hispanics that are in the upper-middle class, but most of them are at the bottom. They're working hourly: restaurants, yards, factories. Many are domestic employees."

Hispanics in Ventura County also are going to continue to be hampered by the same costs that make it difficult for many first-time buyers.

A family who earned the 1999 Ventura County median income of

\$65,300 and could afford to pay 10 percent down could only buy a home for roughly \$193,350, well below the median price.

Ten years ago, real estate agent Victoria Perez specialized in selling to first-time buyers, especially Hispanics. She could speak Spanish and had herself bought in Moorpark when Ventura County prices were cheaper than homes in the San Fernando Valley.

She has since moved on to sell estate homes. "With the prices in Ventura County, there are no more entry-level homes," she said.

Those who do take the trouble say that putting their money into a home makes a big difference.

"You just feel that something belongs to you, that you can do something with your hard-earned money instead of throwing it away," said Sandra Martinez, 22, who pressured her father to buy a home.

— Ann Griffith's e-mail address is agriffith@insidevc.com.

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Staff photo by K.C. Alfred

SUCCESSFUL APPLICANTS: Martinez family members read the newspaper and talk at the dining room table in their Port Hueneme home, Sunday. From the left are siblings Luisa, Luis and Irene. Their mother, Dolores, is seated to the right.

For more information

Regulators on the Net
Federal Financial Institutions
Examination Council:

www.ffiec.gov/hmda/help.htm.

Federal Reserve Board:

www.federalreserve.gov.

Federal Deposit Insurance Corp.:

www.fdic.gov.

National Credit Union Association:

www.ncua.gov.

Office of Thrift Supervision:

www.ots.treas.gov.

Office of Comptroller of the
Currency: www.occ.treas.gov.

Lending Programs On the Net

Fannie Mae: www.fanniemae.com.

Freddie Mac:

www.freddiemac.com.

Department of Housing and Urban

Development: www.hud.gov.

Countrywide in Spanish:

firsttimebuyer.countrywide.com/default.asp?Langpref=SPA.

Who's making loans

Listed below are the banks with the most applications from Hispanics in 1999. The numbers do not include Federal Housing Administration or other government-guaranteed loans.

Bank	Applications/Percent loans made	
	Hispanics	Whites
Countrywide Home Loans Inc., Calabasas	226/70%	1,646/67%
North American Mortgage, Tampa, Fla.*	155/83%	316/72%
First Nationwide Mortgage Corp., Frederick, Md.	145/73%	963/76%
First Franklin Financial Corp., San Jose	133/86%	583/87%
Bank of America, Dallas	119/75%	594/76%
Washington Mutual Bank, Seattle	113/71%	771/79%
Northwest Mortgage Inc., Des Moines, Iowa**	85/80%	851/73%
World Savings and Loan, Oakland	83/61%	641/63%
Chase Manhattan Mortgage Corp., Edison, N.J.	53/72%	565/70%
Old Kent Mortgage Co., Grand Rapids, Mich.*	50/66%	88/70%

*Does not make enough loans to be among the top 10 lenders to white applicants.

**Now called Wells Fargo Home Mortgage

Staff graphic by Wendy Noda

Who's applying for loans

Mortgage applications by race in 1999

Race	Number of applications	Traditional/FHA*		
		Loans Made	Applications denied	Other**
American Indian or Alaskan Native	103/10	55%/90%	20%/0	24%/10%
Asian or Pacific Islander	959/60	64%/72%	7%/5%	29%/23%
Black	282/59	51%/76%	21%/10%	27%/14%
Hispanic	2,282/1,228	63%/79%	16%/8%	21%/13%
White	14,990/1,132	66%/76%	12%/10%	22%/14%
Other	287/18	57%/56%	15%/11%	27%/33%
TOTAL	18,903/2,507	65%/77%	12%/9%	22%/14%

*FHA is the Federal Housing Administration, a government-backed loan administered by a branch of the U.S. Department of Housing and Urban Development

**Other is the percent of application files that were: approved by the lender but not accepted by the applicant; withdrawn by the applicant; closed for incompleteness.

Staff graphic by Wendy Noda

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Disclosure Act provides information

To learn about mortgage lending to Hispanics in Ventura County, The Star used a computer database with information drawn from nearly all mortgage applications in the state.

The Federal Reserve System collects the data under the 1975 Home Mortgage Disclosure Act and related laws, established to help the public and government track and improve lending to minorities and low-income residents.

Independent mortgage brokers with assets less than \$10 million and bank lenders with assets less than \$30 million are exempt from reporting.

Without providing names to the public, all other lenders must give the race and income of each applicant; the amount they seek; the neighborhood where they want to buy; and the outcome of the application.

If an applicant or co-applicant does not provide his race, the institution must do its best to ascertain it. The Star looked at the race of the primary applicants, but not co-applicants, from 1994 to 1999.

In addition to Hispanic and white, there are four other racial and ethnic categories in HMDA data: American Indian or Alaskan native; Asian or Pacific Islander; black; and other. All fared worse than white applicants. The Star chose to focus on Hispanic because it is the county's largest minority group.

For some groups, the number of applicants also was so small — 282 blacks, of which 145 received loans, for example — that the statistics were less likely to be significant.

Instead of finding a steady pattern of either increasing or decreasing loans or denials, the racial disparities varied.

In 1997, a Hispanic applicant was 10 percent less likely to sign up for a mortgage than a white applicant.

But the low in 1995 was a 2 percent disparity.

And in 1999 the 3 percent disparity was a drop from the previous year, when the difference was 9 percent. However, most of that gain was accomplished through a drop in loans to white applicants.

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