

Emerging Markets: A Timely Opportunity For Community Bankers

By Lewis Fain

“Do well by doing good,” the saying goes, and today’s mortgage lenders should consider those words as the key to a tremendous new business opportunity. Changing mortgage market conditions makes now the time to expand outreach to the “emerging markets” of African-American, Hispanic, and Asian-American consumers.

Serving these markets and helping close the homeownership gap will mean more loans for lenders, plus the satisfaction of helping more home-ready customers realize the American Dream. Although African-American and Hispanic homeownership rates are increasing year by year, they still lag those for White homeowners. Almost three quarters (74.7 percent) of White households own their own home, versus 48.9 percent for African-Americans, 47.4 percent for Hispanics, and 53.9 percent for Asian-Americans, according to 2002 census data. The overall U.S. homeownership rate is 67.9 percent.

As rising interest rates lead to a drop in refinance mortgage originations, and the market moves to a purchase loan focused environment, lenders should look for ways to reach the steadily growing number of minority households with mortgage solutions that lead to more homeownership.

Those that do will find a welcoming environment. President Bush has announced a goal of creating 5.5 million new minority homeowners over the next 10 years, and large

lenders continue to roll out programs aimed at minorities and underserved communities. Outreach efforts range from specific product development and targeted marketing to alliances with affinity groups and efforts to provide homebuyer education.

Educating Borrowers

Connecting with potential emerging-market borrowers can often be a challenge. Trust is essential, and local institutions, such as community banks, may have the advantage over larger national organizations.

Community banks can partner with organizations representing emerging-market interests, local realtors, and affinity groups. This will help them establish their credentials as reliable sources of information and gain the confidence of aspiring homebuyers in their communities.

The next step is educating those emerging-market consumers about the home-buying process, including the many opportunities available to low-income and first-time buyers.

A 2000 study by the National Association of Hispanic Real Estate Professionals, for example, found that the primary barrier to homeownership for the Hispanic consumers polled was lack of education about the home-buying process. Breaking down that barrier can require a variety of educational tools. Pre-purchase seminars, collateral materials, and online information all can play a part.

Bilingual translation greatly increases chances for success in the Hispanic market. GE Mortgage Insurance has had an excellent response to the Spanish-language version of our GE Homebuyer Resources Web site, www.gehomebuyerresources.com/espanol, which was launched in 2002. Recognized as the “Web site of the Month” for October 2002 by the National Housing Conference, the site provides information on everything from house hunting to a step-by-step tour of the mortgage process.

Broad Outreach

Making educational tools available is only the first step in communicating to emerging-market consumers. Active outreach is necessary and effective, and interested lenders should consider the benefits of teaming with organizations that represent emerging-market consumers and have a common interest in bringing them new economic opportunities.

In April, Delta Sigma Theta, the nation’s largest African-American sorority, teamed with GE Mortgage Insurance to stage the DST Greater Triangle Homeownership Fair. This event, in Durham, N.C., demonstrated how businesses and community organizations can come together to help consumers eager to own homes move toward that goal. Held as part of a national effort by Delta Sigma Theta and GE Mortgage Insurance to increase homeownership among African-Americans and other minorities, the event

drew extensive local media attention, including pre-coverage in minority media that helped drive attendance.

More than 200 potential homeowners, most of them African-American, participated in the event, learning about the home-buying process, obtaining copies of their credit reports, and pre-qualifying for mortgage loans based on established lender criteria. Participating local lenders were on hand to meet with qualified borrowers and discuss the next steps on the road to homeownership. Those who were not yet ready to qualify for a home met with housing counselors, who advised them on what steps they should take to reach that goal.

Organizers of the event were confident in their outreach to emerging-market consumers because of their established links to that community. They knew that their target audience would be receptive to the message because that audience already trusted the messengers. They were an accepted part of the community.

At GE Mortgage Insurance, we're constantly looking for innovative ways and outlets to bring the message of affordable homeownership to specific groups, and to use our national alliances to help our local lender partners do more business. We believe that the opportunities to reach emerging market audiences should be limited only by imagination and initiative.

Products for a Growing Market

A comprehensive emerging-markets mortgage lending strategy must have the right products and services to meet the unique needs of these expanding markets. Accepting alternative forms of credit, flexibility in income documentation, and assistance with down-payment requirements are just a few of the areas to consider. Working with an experienced partner can help banks make the right choices.

"Minorities are on track to add 7.5 million households between 2000 and 2010, with an additional 7.8 million between 2010 and 2020," according to Harvard University's Joint Center for

Housing Studies. "This means the minority share of the nation's households will grow from one-quarter to nearly one-third."

Emerging market consumers want to be homeowners, and we can help make their dreams come true. **5**

The opinions expressed in this article are solely those of the author. Lewis Fain is senior vice president of marketing and strategic development for GE Mortgage Insurance.

The ACB/GE Mortgage Insurance partnership offers an exclusive suite of mortgage insurance-related products designed to help ACB member banks meet more of their communities' housing needs. This program, GE's MI Advantage, is designed to generate additional revenue for participants and help them reach more minority homeowners. In addition, ACB members have access to GE's most popular online programs for community banks, as well as a full suite of other mortgage-related products.

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For further information about the ACB/GE Mortgage Insurance partnership, contact ACB's Debbie Whiteside at (202) 857-5580 or dwhiteside@acbankers.org or Ann C. Thomas, GE's vice president of segment marketing, at (919) 846-4530 or ann.thomas@ge.com.

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