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'Emerging Markets Better Today But Need Attention'

By Amilda Dymi

WASHINGTON

Brian Waters of American Residential Funding has been serving minority and low-income borrowers since right after college in 1986 when the industry referred to the so-called emerging markets simply as community redevelopment, and when it was very difficult to get loans in this niche approved.

But nowadays - thanks to the credit score system, a growing number of emerging market products and downpayment assistance - it is much easier to qualify for a mortgage, he said.

He still recalls when at 22, he closed his first loan for a first-time homebuyer. "You get to see how you can help change somebody's life by getting them a home. I remember when I got my first home, it changes your outlook on a lot of things in life," he said. "So I've felt it is my duty to help, to do right by my people."

Right now, adjustable-rate products and interest-only products are popular, especially on the East Coast where housing prices have gone up so high that people cannot afford homeownership through more traditional lending, he said. Mr. Waters said that this has made the provision of affordable emerging market products in high-cost areas very difficult.

There is a discrepancy between the broker-lender willingness to assist this marketplace, the buying power of these borrowers and affordable housing availability, he said.

"For example, Wells Fargo really pushes for its emerging market programs. Honestly for us, in our area, Wells does a better job than the other large banks we use," Mr. Waters said. "I would say I have seen much more activity in the emerging markets by the larger banks during these last couple of years."

Headquartered in Prince George's County, Md., his company also operates in the suburbs of Washington and surrounding areas where a large percentage of the population consists of African Americans, Hispanics and various immigrant groups with incomes considered low to moderate in this highly-priced housing market. Also, up to about 90% of his business consists first-time homebuyers, so

most of the products ARF offers are first-time buyer and emerging market programs such as Wells Fargo's zero downpayment emerging markets program, "because it has looser credit criteria," Mr. Martin said.

"What benefits my customers is just the ability to have regular financing terms with lower credit scores, which is hugely important. Depending on the situation, the score can be as low as 580," he explained. "Similarly successful products have been Fannie Mae's Flex 100 loan and some \$500-down Citigroup products."

Also, he appreciates the simple structure of the recent emerging market products, which are easy to explain to loan officers, who will then explain to Realtors how the product works.

"I think the major, major factor next to flexible credit requirements, is the reserve requirement the zero downpayment feature, especially among

immigrants who do not really use banks as such, but have their money kept at home

. If there are no reserve requirements, it is easier to qualify a borrower," he said.

He argues that for minorities experiencing a gap in "generational wealth," such products are necessary to help them become homeowners, and "accumulate equity and wealth that will be passed on to the following generation and improve their lives in the longer term."

Compared to 20 years ago, he finds it "much easier" to get a minority approved based on the credit score.

"Especially thanks to Fannie and Freddie," he said. "I really have to give it to them, in as far as this system they created is concerned, it has helped a lot."

The best broker approach to the current emerging marketplace is through education and open-house seminars with Realtor partners, Mr. Waters said.

"I don't think that the emerging markets programs are advertised enough or that enough people know about them. I think everyone can do a better job," he said.

"It is kind of a little secret spread through word of mouth that people are getting into a house with no money down."